



Newmark  
SECURITY PLC

SATURDAY



\*ABW6UTAH\*

A16 28/01/2023 #234  
COMPANIES HOUSE

# Report & Financial Statements

YEAR ENDED 30 APRIL

**2022**

*Our mission is **to protect human capital in safe spaces by creating trusted ecosystems in the workplace using best-in-class security products enabled by SaaS-based cloud control and enterprise-class services.***

*With our 2025 strategy firmly in focus, we continue to take bold steps to achieving our goals, demonstrating resilience to global impacts, a long-term sustainable business model and a strong will to win.*

*Marie-Claire Dwek, CEO*

# CONTENTS

---

About Newmark Security .....	4
At a Glance .....	5
Highlights .....	6
<b>Strategic Report</b>	
Chairman’s Statement .....	8
Business Model .....	10
Chief Executive Officer’s Review .....	13
Our Divisions – People and Data Management .....	16
Our Divisions – Physical Security Solutions division .....	21
Financial Review .....	24
Principal Risks and Uncertainties .....	26
S172 Statement .....	28
<b>Corporate Governance</b>	
Our Board .....	31
Governance Principles .....	33
Directors’ Report .....	37
Directors’ Remuneration Report .....	41
Audit Report .....	43
<b>Financial Report</b>	
Financial Statements .....	52
<b>Shareholder Information</b>	
Shareholder Information .....	92

# ABOUT NEWMARK SECURITY

---



*Newmark helps organisations to protect human capital in safe spaces, with secure cloud control of their people's access, time keeping and identity data at work.*

**Safe. Seamless. Secure.**

Newmark Security PLC (AIM:NWT) delivers long-term shareholder value through the provision of products and services in the security and enterprise data sectors. From its locations in the UK and North America, Newmark operates through subsidiary businesses that are well-positioned in specialist, high-growth markets with a reputation for innovation and quality leadership established through 25-years of engineering excellence.



**Grosvenor Technology** serves the Access Control and Human Capital Management markets globally, providing cloud-controlled solutions that combine hardware, software and services to collect and secure people's access, time keeping and identity data at work. These solutions help companies maintain privacy, ensure compliance and reduce operating costs, and are increasingly provisioned as-a-service through recurring subscriptions.



**Safetell** provides physical security installations and services to numerous end-users across the public and private sectors, with a broad product portfolio ranging from Entrance Control and Automatic Doors to a wide array of Building and Asset Protections solutions. Safetell works collaboratively with clients to design complete security solutions which builds long-standing relationships, high degrees of customer retention and significant proportions of repeat business.

As a leading provider of electronic and physical security systems, Newmark's products and services have become the industry standard in people and data security in the workplace. Our solutions help organisations to ensure people feel *safe* in their environment, can *seamlessly* access workspaces to be productive, and have the essential reassurance that their identity data is kept *securely*, in compliance with the most stringent data protection measures.

Newmark benefits from long-term relationships with many blue-chip customers and incremental partnerships with influential software vendors, particularly in North America. By continuously investing in innovative technology for high-growth security markets that focus on protecting human capital, the Newmark strategy is generating an increasing proportion of its revenues from recurring services, building a business that has long-term stability and sustainability at its core.

# AT A GLANCE

Year ended 30 April 2022



**Newmark**  
SECURITY PLC

Revenue

**£19.1m**

+8% (2021: £17.7m)



**Grosvenor**  
TECHNOLOGY

People & Data Management  
Division

**£14.5m**

+15% (2021: £12.6m)



**Safetell**  
SECURITY | MAINTENANCE

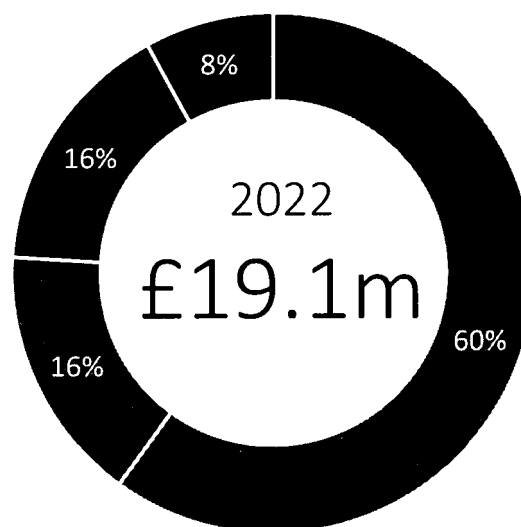
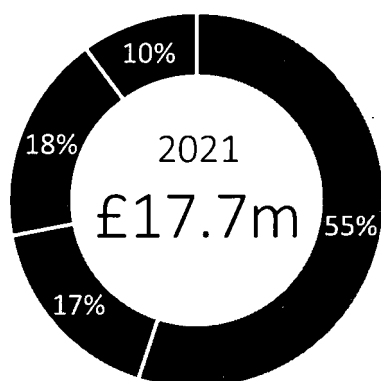
Physical Security Solutions  
Division

**£4.6m**

-8% (2021: £5.0m)

## Revenue split by division and line of business

- HCM
- Access Control
- Safetell Products
- Safetell Service



Employees

**103**

-8% (2021: 112)

Locations

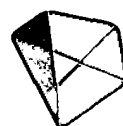
**5**

(2021: 5)

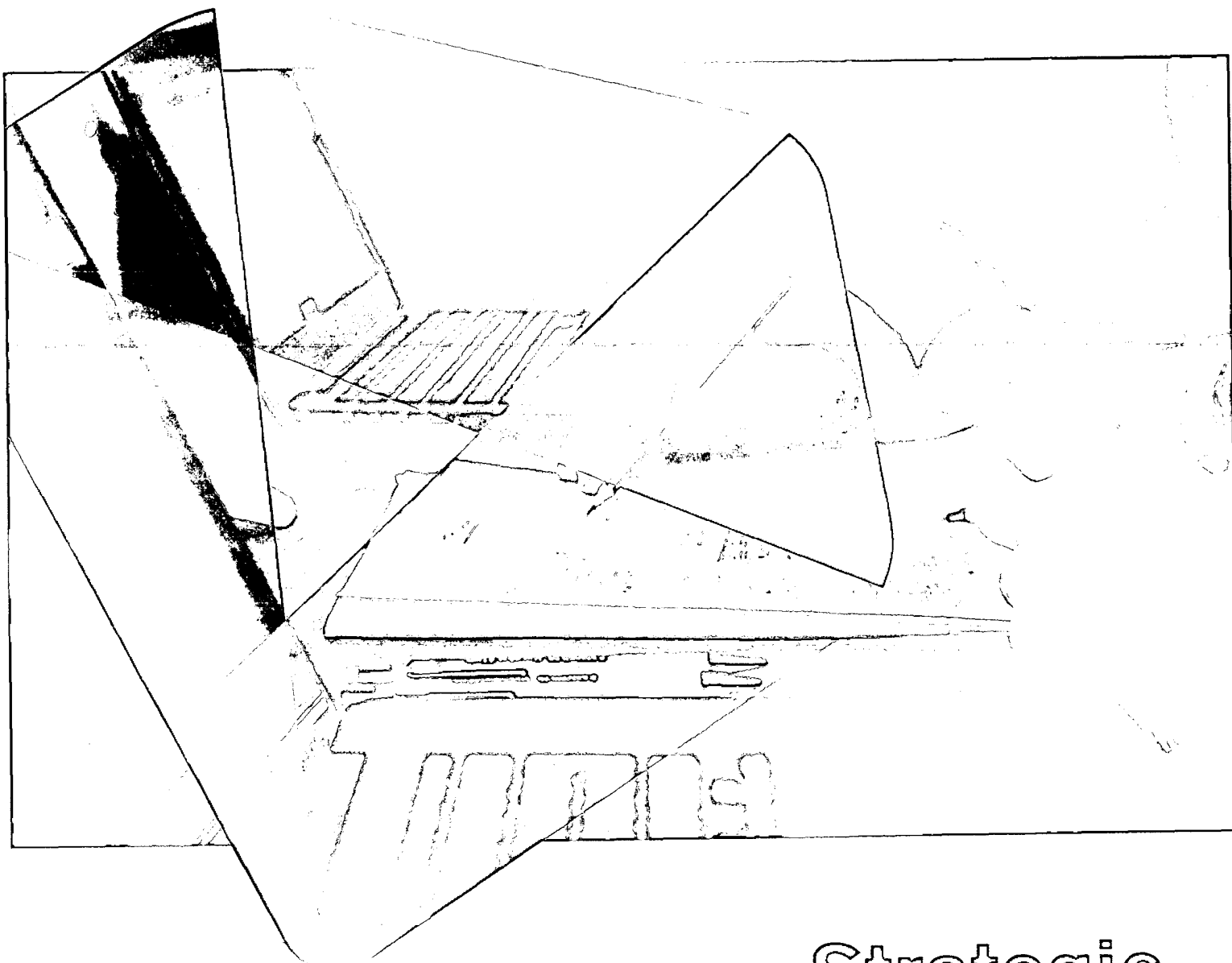
# HIGHLIGHTS

Year ended 30 April 2022

Revenue	Gross profit margin	EBITDA
£19.1m +8.4% (2021: £17.7m)	33.5% -4.0% pts (2021: 37.5%)	£0.03m -97% (2021: Profit £1.0m)
Operating (loss)/profit before exceptional items	(Loss)/profit after tax	(Loss)/earnings per share
-£1.1m (2021: Profit £0.1m)	-£0.8m (2021: Profit £0.2m)	-0.32p (2021: Earnings 0.03 pence)
Cash generated from operations before exceptional items	Investment in development	Net assets
-£1.4m (2021: £0.2m)	£0.8m (2021: £0.7m)	£7.6m (2021: £8.2m)
People & Data Management Division Revenue	HCM Revenue	Access Control Revenue Revenue
£14.5m +15% (2021: £12.6m)	£11.4m +18% (2021: £9.7m)	£3.1m +4% (2021: £3.0m)
Annual Recurring Revenue from HCM SaaS and ClaaS	Access Control – Janus C4 Revenue	
£0.9m +605% (2021: £0.1m)	£0.8m +137% (2021: £0.4m)	
Physical Security Solutions Division Revenue	Products Revenue	Service Revenue
£4.6m -8% (2021: £5.0m)	£3.1m -3% (2021: £3.2m)	£1.5m -19% (2021: £1.8m)



Newmark  
SECURITY PLC



Strategic  
Report

---

# CHAIRMAN'S STATEMENT

---



## Overview

As we emerge from another COVID-impacted year, I am particularly pleased with the progress we have made in executing our strategy and setting the right foundations for our continued success. We are delivering on our strategic targets and achieving recurring revenue growth whilst taking prudent cost management initiatives that have enabled us to keep focusing on our new product pipeline. By offering complete solutions that are genuinely best-in-class, our reputation with clients is highly trusted and growing.

Our proactive approach through the pandemic has demonstrated our ability to manage the business for the long-term, building credibility with new clients and strengthening existing relationships through our willingness to be flexible and adapt to their needs. Our ability to provide technical solutions and hardware without requiring us to physically attend a site has been a huge advantage and will be an important factor as we scale.

We have seen the value of staying agile and prioritising our investments to create sustainable growth. With high confidence in our product portfolio and client-

focused strategy, we have taken the right measures to drive our business forward with disciplined execution.

By working towards an optimal structure and product mix, we are now extremely well-placed to scale our business, converting the opportunities we have already identified, expanding our network of partners, and embedding our range of solutions as subscriptions that we can jointly promote.

This has been an exciting year in the evolution of our business model, strengthened by the increasing traction we are achieving in North America, with solid development progress across all lines of business and a tremendous opportunity to convert this effort into incremental revenue growth in North America, the UK and Rest of World markets.

## Board and governance

The Board and its Committees continue to maintain a robust governance framework, led by our Chief Financial Officer, Paul Campbell-White, supported by the experience of an enhanced leadership team to provide independent challenge and ensure that good governance is promoted across the Group.

We follow the Quoted Companies Alliance Corporate Governance Code ("QCA Code"), and details on how the Company applies the principles of the QCA Code are set out in our Corporate Governance section on pages 31 to 36.

## Going concern

The Board continues to have a reasonable expectation that the

Company and the Group have adequate resources to continue in operational existence for the foreseeable future. We are in a stable position following market emergence from the restrictions of COVID-19, although cash remains a key focus. We have taken steps to mitigate the challenges we face managing our inventory levels and dealing with the global shortage of components we need to build our products.

During the year the Group increased its UK invoice discounting facility to £1.7 million and secured a new \$2 million US facility. This, together with an increased overdraft to £0.7 million has helped finance the Group's working capital needs in the year to 30 April 2022 ("FY22"). However, as a result of a combination of customer price rises, cost savings and unwinding of inventories, the Group has reduced cash outflows at the end of the year and therefore the overdraft facility has now reverted back to the original £0.2 million.

The Group's first covenant to be tested for the £2 million HSBC CBILs facility will be for the year ended 30 April 2023 and requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service. The latest forecast of the Group results in exceeding the debt service covenant test by 51% and will be tested again when a revised forecast is completed in February.

The Group is currently trading ahead of this forecast and has returned to profit after tax and operating cashflow generation in FY23.



We are optimistic that our growth will continue in the next 12 months, but with reduced investment outlays. A full analysis of the Group's going concern assessment is included in the Directors' Report on page 38. Accordingly, the directors consider it appropriate to prepare the accounts on a going concern basis.

## Dividend

The Board is not recommending the payment of a dividend for the year ended 30 April 2022 (2021: £Nil).

## Outlook

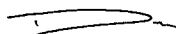
While the Group has again been affected by the global pandemic and restrictions imposed in the UK and internationally, I am pleased with the progress we have made this year. Despite inflationary pressures, we look forward with cautious optimism, particularly for the continued growth of our HCM business in North America, and we expect to benefit from the execution of our 2025 strategy which will see us build a greater proportion of recurring revenues. The outlook for our HCM business in the Rest of the World is also very promising, as we develop our capabilities, expand a wide range of partnership opportunities and onboard new customers.

Our Physical Security Solutions division, Safetell, will pursue its part of the strategy, growing its share of the Entrance Control and Automatic Door servicing market and by continuing to press its

advantage, offering complete security solutions with services that bring rapid response to customers' needs, targeting new markets where demand is strong and growing.

Once again, I am confident we are set up for growth. We are in a strong position to benefit from the exciting opportunities that our teams across the Group have worked hard to develop in the past year. We are forecasting revenue growth for the coming year and year to date results show we are on target to achieve this.

On behalf of the Board, I would like to extend my thanks for all the hard work and resilience shown by our teams in what has been another challenging but highly productive year. I look forward to a successful year ahead.



**Maurice Dwek**  
Chairman

20 January 2023

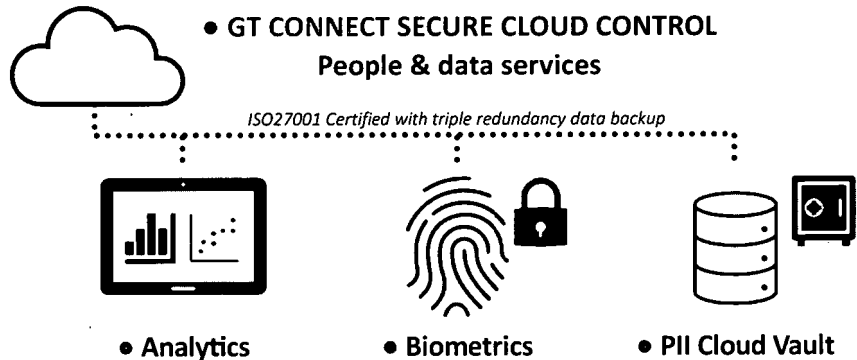
# BUSINESS MODEL



## SECURE CLOUD CONTROL

### SOFTWARE-AS-A-SERVICE

- COMPATIBLE IOT DEVICES •
- REAL-TIME STATUS •
- DEVICE DIAGNOSTICS •
- BI DASHBOARDS •
- SECURE DATA PROCESSING •
- PII CLOUD VAULT •
- AUDIT TRAIL •



## TIMECLOCK CONTROL

### CLOCK-AS-A-SERVICE

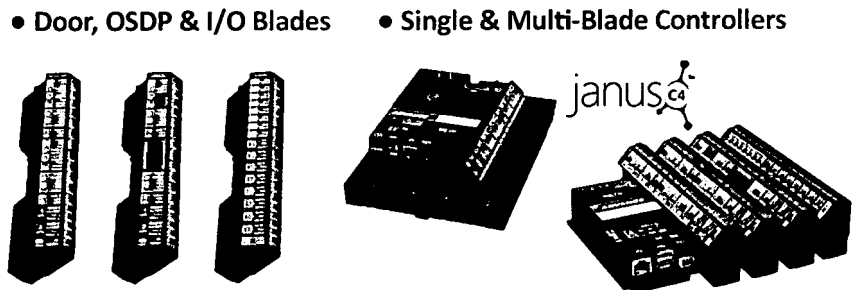
- GT CONNECT •
- GT8 / GT10 TIMECLOCK •
- TECHNICAL SUPPORT •
- DEVICE MANAGEMENT •
- DATA SERVICES •



## ACCESS CONTROL

### SOLUTIONS

- JANUS C4 •
- ACCESS CONTROL DEVICES •
- TECHNICAL SUPPORT •
- DEVICE MANAGEMENT •
- DATA SERVICES •



## SERVICES

CREATING TRUSTED  
ECOSYSTEMS IN THE  
WORKPLACE WITH  
SECURE CLOUD  
CONTROL

### ■ Remote Device Management

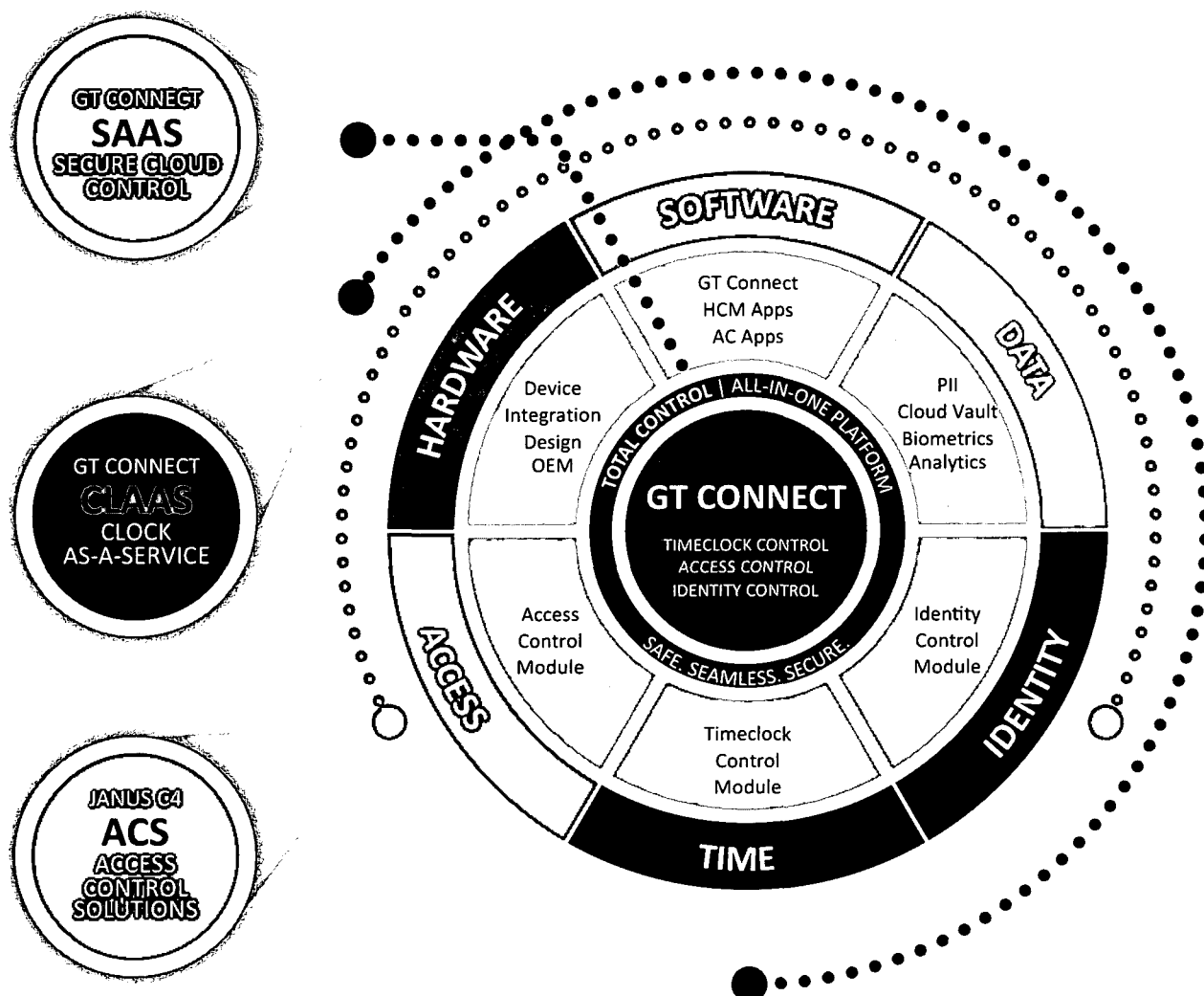
Manage and configure your networked devices centrally. Keep them up-to-date and secure with a single click. Includes remote setup assistance and expert support.

### ■ Technical Support

GT Connect is supported by our dedicated Technical Support team. Expert troubleshooting of technical problems with guaranteed SLA response times to resolve issues quickly.

### ■ Remote Device Diagnostics

Access to our cloud diagnostic platform. Your team can provide ultimate support and service to customers with advanced tools, eliminating engineer visits and reducing downtime.



#### ■ Identity Management

Biometric and personal data can be managed, distributed and backed-up securely and automatically across networked devices to assist in compliance with data protection laws.

#### ■ Data Management

Simplify integrations from your devices to your enterprise software with ease using our cloud-to-cloud platform. Data is transferred via a single encrypted connection keeping your operational costs low.

#### ■ System Management

Seamless backup and recovery services ensure your data is always secure, always available and automatically backed up in the cloud, providing unrivalled protection against data loss.

#### GT CONNECT

Secure cloud control of all compatible devices and the data they collect

#### GT PROTECT

Lifetime hardware warranty that protects your devices with the option to let us manage them for you



## PHYSICAL SECURITY SOLUTIONS

### PRODUCT PORTFOLIO

#### Building Security

Manual attack and ballistic resistant cash counters, windows and moving security screens  
Bullet resistant doors and partitions  
Security portals

#### Entrance Control

Certified secure portals and revolving doors  
Integrated speed gates to control the flow of staff and visitors to buildings  
Automatic doors and remote locking solutions

#### Asset Protection

Customised cash and asset storage and protection  
Cash and speech transfer units  
Storage functions to reduce risk of harm or damage to a secure environment

#### Other Products

Counter-terror and target hardening solutions  
A range of 'touchless' security solutions  
Other standard and bespoke physical products and services

### Complete security solutions

*Safetell is the UK's leading provider and installer of fully-integrated physical security solutions with accredited products, comprehensive services, certified maintenance engineers and responsive customer support – **all in one place.***

# CHIEF EXECUTIVE OFFICER'S REVIEW

---



## Overview

In another very challenging year, the gradual easing of restrictions imposed by Covid signalled a welcome return and the beginnings of a staged recovery as traditional businesses began to emerge.

Many of our blue-chip clients were impacted whilst their recovery efforts were hit by knock-on effects felt right across the supply chain, with the rising cost of goods and services and, in many cases, delivery and logistical delays.

In this context, Newmark was quick to adapt, taking several bold and critical steps that have made a significant difference to the speed and profile of our own recovery and forward momentum.

Throughout this year, we have continuously adapted our products, software and operations to ensure our long-term partnerships remain well-served and growing, expanding our product portfolio, investing in hardware adaptations to accommodate available componentry, building up valuable stock reserves and further integrating software to accelerate partner take-up and throughput.

In the year ended 30 April 2022 (FY22), following three years of substantial investment in product

innovation and software development, we have enhanced our solutions offering across all lines of business. This puts the business in a very strong position to execute on its strategic plan without requiring significant new development. This is already driving new client contracts and is building an extremely healthy pipeline for the year ahead.

This enormous effort has been achieved by an extremely committed and resilient team, to whom I am very grateful and especially proud of their significant progress and achievements.

## Performance

Group revenue has grown once again, increasing by 8% year-on-year to £19.1 million. This was primarily driven by Human Capital Management (HCM) sales in North America, up by 34% to £8.7 million. HCM has a rapidly growing recurring services contribution with Software-as-a-Service (SaaS) and Clock-as-a-Service (ClaaS) annual recurring revenues (ARR) increasing over 600% to £0.9 million by April 2022. This growth was driven by the first full year of our ClaaS subscription service.

Our Access Control business grew by 4% year-on-year to £3.1 million which was in line with expectations in a year that continued to be impacted by COVID-restrictions on physical site visits, causing delays to new projects and installations. Despite this, our new Access Control product, Janus C4, has been well-received by the market and is starting to generate anticipated returns, with sales up 137% at £0.8 million.

In a similarly difficult environment for physical product sales and servicing, Safetell, our Physical Security Solutions division, dropped back slightly with revenues down 8% to £4.6 million. The team responded quickly, undertaking numerous cost-cutting and re-organisation measures that saw gross margin levels increase to 40.4%. With a number of new and exciting national opportunities in the pipeline this puts the business in a very confident position for a return to top and bottom-line growth in the year ahead.

## Outlook

### *People and Data Management division - Grosvenor Technology*

Looking ahead, we will continue to build on the positive momentum we have achieved in Human Capital Management and Access Control, focusing on converting a rising number of opportunities in these fast-growing markets with our newly developed products and software. Our goal, to create longer-term and higher margin contracts with our partners and customers, will be accelerated as we launch our upgraded HCM SaaS platform, GT Connect. This will further increase recurring revenues, driving towards an ambitious ARR target. A key component of this success will be achieved by maintaining our ongoing commitment to deliver highly secure data processing, complying with international standards such as ISO 27001.

To mitigate further supply chain effects and logistics, we are exploring the establishment of a new manufacturing facility in North America, with the intention of streamlining the delivery of in-

country products in this fast-growing market.

On behalf of the Board, I would also like to take this opportunity to thank our outgoing Commercial Director, Andy Rainforth, who wanted to take on a new challenge closer to home. Andy's significant contribution, particularly helping the business navigate the recent impacts of the pandemic, has been tremendous and we are enormously grateful for the 8 years of service he has given.

I am also delighted to formally announce the appointment of Colin Leatherbarrow as Managing Director of Grosvenor Technology, stepping up from his former role as Chief Technology Officer. Colin is ideally placed to drive forward our ambitious growth plans in this business, having already led significant innovation and development across our technology operations since joining in October 2017.

#### ***Physical Security Solutions division - Safetell***

With access measures easing in recent months, the team has been hugely productive having successfully launched new products, expanded our client base, and formed new partnerships. Several delayed projects have now recommenced as we target larger contracts in entrance control, build national scale relationships for our Autodoor Service Department and extend our long-established banking experience to meet the growing demand for security screens across retailers of all sizes.

We were delighted to welcome Nick Shannon, who joined in February 2022 from G4S Secured Solutions to head up the division. He will lead the strategic focus to build the services side of the business with the aim of increasing

the proportion of recurring revenues. I am delighted to report that this work is already well underway and showing early signs of success, targeting significant growth in the year ahead.

## **Financial**

Whilst sharp increases in componentry and freight costs have impacted Group margins, we have implemented a programme of strict cost control and increased prices to mitigate the effect of higher costs. This has resulted in reduced losses for the second half of the year compared to H1. As we look forward, we expect to see the full benefit of the price rises and cost savings in the next financial year (FY23), whilst we start to utilise our recent investments in products and infrastructure to fuel our accelerating growth.

To facilitate this, we have secured a \$2 million US invoice discounting facility to provide additional working capital headroom. We have also invested to mitigate supply chain challenges by securing additional inventory to satisfy ongoing customer demand and stay ahead of the competition. Our working capital level is expected to ease as we reduce the inventory we are currently holding, allowing for improved cash flow generation.

As we build on our positive momentum, I am reassured that we have strong governance in place with appropriate commercial controls to achieve a very positive market and financial result over the forthcoming year, accelerating us towards our 2025 strategy.

I am very grateful for the support of our new CFO, Paul Campbell-White, who has made a tremendous contribution, helping to ensure that sound financial discipline underpins our operations, and all investment

decisions continue to align with our strategic goals.

## **Strategy**

As a strategic priority, our product initiatives have been carefully designed to increase recurring revenues, enabling us to make a powerful evolution from hardware to hardware-enabled software and services, based on providing 'secure cloud control'.

By offering secure cloud control of people's access, time keeping and identity data at work, we are shifting the strategic value paradigm, raising the customer focus from its former dependency on hardware 'clocks' and 'access terminals', to one that empowers the intelligent enterprise. Through our solutions, customers will gain the capability to enable and connect a broad range of internet-enabled devices securely in the cloud with unified software control – creating a trusted ecosystem in the workplace.

Establishing ourselves as an experienced and trusted security partner on whom our customers rely, has been an essential factor in our success for over 25 years. Over the past year, we have succeeded in turning this trust into expanded partnerships that reach beyond pure products and hardware subscription models, into more complete solutions – increasingly contracted via ongoing service arrangements that are based on combining hardware flexibility, secure cloud control and specialist support services. Leveraging our expertise in data security, our clear strategy is to generate sustainable, high quality recurring revenues that will scale and extend, over and beyond the product lifecycle, into the longer-term.

The favourable characteristics of subscription-based business

models make them particularly attractive to our customers, as worldwide consumption of software-as-a-service continues to grow strongly. Newmark, and in particular our People and Data Management Division, continue to follow this servitization trend with confidence.

As our business model evolution to hardware-enabled software-as-a-service gathers pace, our focus remains on winning trusted, long-term partnerships fulfilled by our unique combination of best-in-class products with market leading software and expert, specialist support services that put customers in control.

In an increasingly risk-aware enterprise environment, we have been working hard to broaden our reach and reputation as a trusted security partner, becoming a go-to brand for customers who are seeking this control to simplify the growing complexity of security and compliance requirements in the intersection between physical and digital worlds.

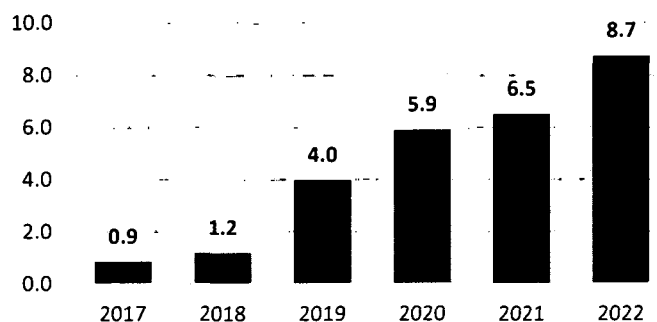
Our strategic focus and approach are opening a substantial market opportunity in which we now occupy a commanding position with key strategic partners. Our aim is to scale this model across an expanded partnership channel, matching this drive with speed of execution to secure greater market share. Converting our hard-earned competitive advantage will take time and we will continue to invest in people and infrastructure to drive business growth as we pursue an ambitious and achievable 2025 market strategy with a strong will to win.

Marie-Claire Dwek  
Chief Executive Officer

*M-C Dwek*

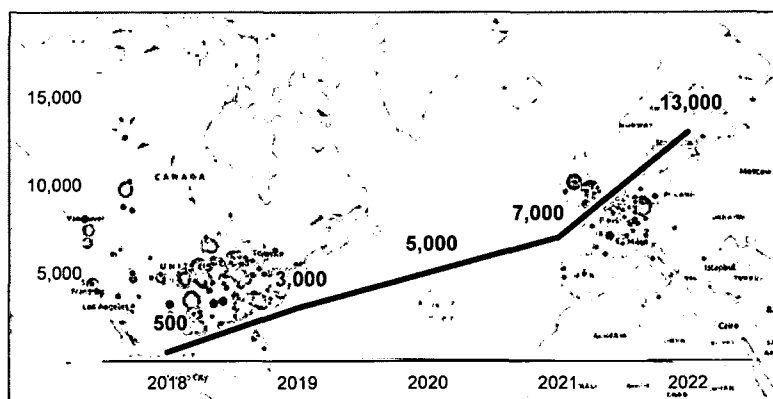
20 January 2023

## Five years of consecutive revenue growth: HCM in North America: £m



*"I am delighted with the continued progress we are making in North America, growing our pipeline of orders and expanding our partnerships with top tier software vendors. Operationally, we are well-positioned to match this demand with market-leading products, expert-led services and responsive support, and we are looking forward to growing our share of this important market in the year ahead. This is fuelling our growth in recurring revenues from timeclock cloud connections."*

## The rapid growth of timeclock cloud connections:



## OUR DIVISIONS –

## PEOPLE AND DATA MANAGEMENT

## Revenue information

£'000	2022	2021	Increase/ (decrease)	Percentage change
HCM North America	8,726	6,509	2,217	34%
HCM Rest of World	2,716	3,150	(434)	(14%)
<b>Total HCM</b>	<b>11,442</b>	<b>9,659</b>	<b>1,783</b>	<b>18%</b>
Janus C4	833	351	482	137%
Sateon Advance	1,010	1,146	(136)	(12%)
Legacy Janus	1,274	1,491	(217)	(15%)
<b>Total Access Control</b>	<b>3,117</b>	<b>2,988</b>	<b>129</b>	<b>4%</b>
<b>Division Total</b>	<b>14,559</b>	<b>12,647</b>	<b>1,912</b>	<b>15%</b>

## Performance overview

Grosvenor Technology (Grosvenor) is a market leader in Human Capital Management and Access Control solutions that helps organisations to protect and manage their most valuable assets – people in the workplace.

This year has marked an important moment of transition for Grosvenor, with significant progress in the evolution of our business model that now encompasses hardware-enabled software and services, centred around providing customers with 'secure cloud control'.

Our reputation for best-in-class products combined with the reliability of our services and support has been a key factor in our success over the last twelve months, and together with numerous transformation initiatives, is building momentum.

Overall, it has been a strong year with top line revenue growth of 15% to £14.6 million, primarily driven by strong growth of the

North American HCM business and our expanding relationships with Tier 1 software partners.

Growth was driven by traditional timeclock sales assisted by the first full year of our new GT8 timeclock, although there was also an increasing contribution from recurring services revenues.

HCM SaaS and ClaaS revenues quadrupled to reach an ARR of £0.9 million in April 2022. As a central tenet of our strategic plan, we are confident this growth trajectory will result in an even greater share of revenue in FY23.

HCM Rest of World continued to trade consistently on an underlying basis, working to increase future share-of-wallet across a number of smaller partners. However, there was a decline of 14% in the year primarily due to one of our European partners requesting that all billing be put through our North American business during FY22.

Access Control revenues increased by 4% to £3.1 million, with sales of our new Janus C4 product beginning to take-off, replacing

former legacy products with revenues of £0.8 million up 100% on the previous year, despite being another heavily COVID-impacted year.

Below the headline growth, key milestone achievements have included an ambitious upgrade to our product strategy, re-platforming our core cloud control software, GT Connect, and evolving the service model that underpins our lifetime warranty product, GT Protect.

These essential transformation steps have been achieved against a back-drop of solid trading, despite the effects of the pandemic and global supply chain challenges that we have faced over the last 12 months. Our substantive progress now puts the business in a commanding position to capitalise on the competitive advantage we have built, enabling us to confidently target growth in the months ahead.



***Accelerating growth in North America***

The success of our North American HCM operations continued to deliver double-digit growth for the fifth consecutive year, with revenues increasing by 34% to £8.7 million. With even stronger prospects and pipeline leading into the next year, this shows every sign of continuing well into the future.

Once again, we have benefitted from our partnerships with major software vendors such as Paycor, UKG and Workforce Software.

We are also extremely proud of our work with Paycor, creating a model partnership which encompasses all of our services consumed on a recurring basis, enabling us to supply directly to their very large base of end-customers.

With UKG, the anticipated further reduction in revenues, as a result of the merger between Ultimate and Kronos, did not materialise. In fact, revenue significantly increased in FY22 due to the ease with which our clocks integrate with the Ultimate software platform.

In addition, we continue to actively support Workforce Software to enhance and scale their services with customers, including a significant opportunity with one of the world's largest retailers.

***Confidently building forward with a strong and growing reputation***

We have worked hard across our full range of partners to achieve increasing share-of-wallet across the majority of our North American accounts, now acting as their preferred provider.

We are converting our reputation for excellence in product and reliability of service into fast-growing recurring revenues. Our platform-based recurring services has 100% customer retention, demonstrating the attractiveness of the model and the power of our strategic positioning. This included notable successes with AOD, Insperity and Azure, previously as purchasers of hardware-only products and now selling fully packaged hardware, software and service subscriptions.

Our strong reputation has also enabled us to attract several new and large partnership opportunities which we are hopeful will convert into substantial contracts in the next year, having received excellent engagement and excitement through early product demonstration and engineering reviews. Our traditional strength in engineering, supported by an enhanced strategic and commercial approach, gives us a high degree of confidence in success.

***A model opportunity to broaden European HCM***

Whilst many of the major HCM software vendors are based in North America, the Rest of World opportunity appears more fragmented and yet we have attracted a number of key European partners who have been essential to our local strategy. Internationally, the emerging overlap in HCM and Access Control creates a new cloud-based opportunity for combined solutions, and together these represent a very large market for our future growth.

Most notably during the year we have been working with Prottime, our largest European partner, to develop additional functionality within our Android feature set that enables them to adopt the new GT8 timeclock. As a result of this investment, we are confident this will provide an incremental growth channel for sales of GT8 hardware, software and related services as these devices become embedded. Prottime is another great example of a model partnership based on mutual collaboration, flexibility and adaptation, which embodies our strategic evolution towards recurring revenues based on the combination of hardware, software and support.

In a similar approach to our North America sales, we are delivering targeted activities to raise our share-of-wallet across our European partners and have a strong pipeline of new partners we are working to bring on-stream in FY23.

## Product update



Modular GT8 timeclock

### **Advanced facial recognition for the COVID-era**

Accurately identifying people, verifying they are who they say they are at a point in time and place, is no trivial task, even though its increasing prevalence and availability in devices like smartphones means it is now widely adopted by mainstream consumers. Far more than for a single user, timeclocks and access control devices must have the capability to identify a person from thousands of individual employee or visitor records in only a matter of seconds. The additional complexity of creating touchless experiences that identify individuals wearing face masks, and can also perform an accurate temperature check, were yet further challenges driven by the pandemic.

With over 25 years of engineering experience, once again Grosvenor rose to meet this need on behalf of its customers, developing a full range of readers and biometric technology that works seamlessly with our devices. Last year we launched advanced facial recognition capability on all of our GT10 and GT8 Android devices, as well as an optional temperature screening module for the GT8. This reinforced our ability to design and market best-in-class timeclocks and access control products, fit for the COVID and post-pandemic era.

### **Modular design reduces development costs for new devices**

GT8, our latest Android-based timeclock released at the end of the prior year, continues to gain traction in the market with its combination of performance, ease-of-use and enhanced cyber security. This builds on the previous success of the GT10 timeclock launched in 2017-2018, with our hardware designs receiving certification locally and globally. In addition to existing European (CE), US (FCC) and global (UL) standards conformity, this year we also added Mexican (NOM) and Indian (BIS) certifications to our key products, recognising the strategic importance of new territories where we see demand and future growth opportunity.

During this year, we have continued with our policy of modular design and reuse to reduce development costs and reinvent the efficiency of our innovation projects, radically shortening the time it takes to bring new products to market. An example of this is the current redesign of the GT10 device, which will be a valuable addition to our product range. This new timeclock will benefit from reusing a significant part of the GT8 design, PCBA and firmware. This will be launched in H1 FY23.

### **Trusted ecosystems in the workplace – ensuring complete data integrity from end-to-end**

At the core of our security proposition is our commitment to data security, privacy and connectivity across cloud-connected global estates of timeclock and access control devices. Our commitment to create trusted ecosystems in our customers' workplaces spans edge devices (IoT), multiple systems integrations and is unified by secure cloud control.

Our devices encrypt data at rest and in transmission, along with strong authentication mechanisms, to ensure data and Personally Identifiable Information (PII) is managed securely, meeting all levels

of compliance. Whilst regulations vary greatly across different territories, our flexible middleware enables us to impose the appropriate rules globally and locally, with control at the edge and in the cloud.

Our platform also delivers real-time remote diagnostics with advanced remote sessions, event logging, secure firmware, and application updates, giving us the ability to efficiently update devices *en masse*. Pushing out the latest software, security patches or application releases to thousands of devices can now happen at the press of a button.

To validate the integrity of our systems, during the year we commissioned an independent third-party to conduct a comprehensive and successful Penetration Test on both our cloud services and edge devices.

We were also delighted to achieve certification for the internationally recognised standard ISO 27001 for information management, which focuses on confidentiality, integrity and availability of data, again underpinning our in-depth and systematic approach to data security, privacy and risk management.

### **The next generation of secure cloud control with GT Connect**

In the last twelve months our existing cloud platform, GT Services, has controlled over 13,000 connected devices, generating millions of transactions per month, securely processing biometric finger and facial templates in real-time, and acting as a trusted middleware data transformation agent. This enabled our software to continue to fulfil its mission-critical role generating time and attendance payroll data for hundreds of thousands of employees globally.

The incremental technology behind these results, whilst impressive, has some limitations as we scale and we therefore continued with our strategic commitment to invest

heavily in developing the next generation of the GT Connect platform, ready for launch.

The upgraded GT Connect is as efficient as it is scalable and removes previous limitations, with a new cloud architecture, advanced multi-tenanted hosting, an enhanced security model and operating on a microservices framework. The new platform is capable of high transaction throughput and unlimited scaling, ensuring high service availability whilst running the latest IoT-based device protocols with an API-first design and a modern user interface.

With the development and testing complete, this platform moved into a BETA phase during H1 FY23 with a small group of customers. Scheduled for broad customer release in H2 FY23, GT Connect will be the core platform on which we will base all new software recurring services.

#### ***Stepping-up preparation behind-the-scenes to accelerate Access Control***

Sales of Janus C4 are now accelerating as expected as the focus of our sales efforts, meanwhile much progress has been made behind-the-scenes, with many initiatives brought forward to accelerate growth in FY23. These include:

**1. Portfolio rationalisation:** we have now announced the end-of-life of our legacy Janus & Sateon systems, which will continue to be supported until the end-of-life date, set for April 2023. This brings to a close systems that have been in the market for over 30 years and have formed the basis of our early reputation as a security solutions provider. Our decision will free valuable capacity and enable us to shift our focus onto Sateon Advance and Janus C4 as the priorities for customer transition and growth over the next year. This streamlined journey will enable us to enhance the benefits we bring to all our customers.

**2. Accelerated product migration:** during the year, we completed the development of a new *C4 Migration Tool* that enables legacy sites to upgrade to Janus C4, making the transition simple, convenient and painless. In parallel, we have also developed a *Controller Upgrade Utility* that can be used in the field to upgrade C2 controllers to be compatible with Janus C4, saving significant time, effort and cost for customers. These measures clearly signal our product intent, driving confidence in our support, reassuring customers in their ongoing journey with Grosvenor.

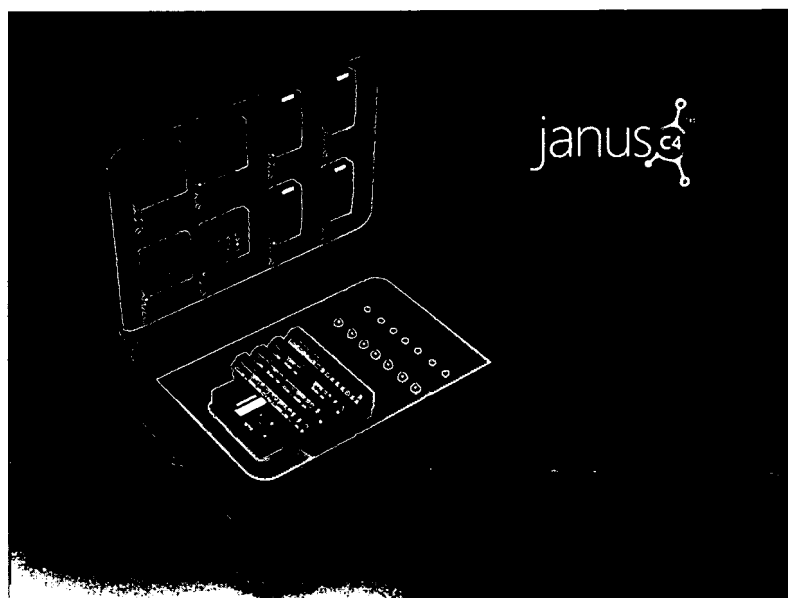
**3. Next generation Advance Driver:** alongside our new migration tools, we have released a new *Advance Driver* for Janus C4 which contains newly designed Advance controller firmware that enhances the performance of all sites and fixes minor legacy scaling issues reported at some larger sites.

**4. Signature product line from HID Global:** due to supply chain issues and shortage of low frequency components, HID Global has launched a new range of Signo™ readers that only contain high frequency chips. Our partnership with HID Global allows us to provide customers with much desired HID® products as part of our combined solution.

**5. New software support agreement for Janus C4:** in April we launched a new software support agreement for Janus C4 and are now seeing this being taken up by customers across the country. This provides an additional revenue stream and provides end-users with direct support from Grosvenor.

Looking ahead, we have reviewed and enhanced our **2025 Roadmap for Access Control**, with several design commitments that will bring forward additional features requested by users to continue our product leadership into the future. This includes a further commitment to develop solutions in close collaboration with our software partner, Gamanet.

Janus C4 Security Management System



***The visible customer advantage of de-risking our supply chain***

Well-documented global shortages in silicon fabrication, key componentry and logistics mean that supply chain challenges seem likely to continue for at least the next twelve months. To counter this our teams have worked tirelessly to identify additional supplies, new delivery routes and alternative componentry. Our proactive approach has already created a visible advantage with customers, attracting new prospective customers into the pipeline who have been unable to source devices from their former suppliers.

A major step forward for Newmark has been the appointment of an experienced full-time Global Operations and Supply Chain Director in North America, Brian Hack. He has ensured the steady supply of components and hardware with advanced planning, integrated product schedules and engineering co-ordination. Our engineers work continuously with product and supply chain management to identify opportunities to de-risk hardware, where necessary redeveloping the electronics and firmware to utilise alternative components. This has remained a key activity through this year, and we expected it to remain so well into next year.

***A total focus on executing the plan***

With the substantial progress and preparations made this year, our task becomes one of focused execution in the months ahead, to leverage the considerable investments we have made. With a significant programme of development now completed, we have been able to reduce the overall development team size and composition, looking forward with a renewed focus on research to plan and sequence the next generation of market leading hardware, software and services.

We continue to invest in quality initiatives and procedures, reducing the level of product turn-backs or fails. This includes significant progress we have made using the Lean/Kaizen methodology, which will continue. A direct operational impact has already been achieved, improving metrics across both customer interactions and equipment reliability.

Data security and privacy will always continue to be a priority, operating a mature framework of policies, risk-management procedures, and monthly senior management governance, chaired by our Data Protection Officer.

***Generating trust and confidence through specialist Customer and Professional Services teams***

Presenting a human face to customers is central to our success and is the best opportunity to demonstrate our specialist expertise. We will continue to develop our Customer Helpdesk experience with enhanced training, documentation, and systems, to ensure customers get the critical support they need, precisely when they need it.

Our Professional Services team, now present in three continents, remains a key differentiator that can be used efficiently to leverage significant scale through and with our partners. Whilst enterprise customers will always demand a tailored solutions approach, with effective onboarding we deliver Grosvenor solutions fully integrated into partner solutions, mobilising our partners' customer-facing teams, and removing huge bottlenecks and extra work downstream with their customers. As we grow our global partner relationships, we will need to match this with the continuity of an effective Professional Services response, one which benefits from the careful preparations we have made this year.

## OUR DIVISIONS –

## PHYSICAL SECURITY SOLUTIONS DIVISION

## Revenue information

£'000	2022	2021	Increase/ (decrease)	Percentage change
Products	3,131	3,220	(89)	(3%)
Service	1,455	1,791	(336)	(19%)
<b>Division Total</b>	<b>4,586</b>	<b>5,011</b>	<b>(425)</b>	<b>(8%)</b>

## Performance overview

Safetell continues to develop its presence in the UK as a leading provider and installer of integrated door solutions and physical security.

To accelerate our growth strategy, we were delighted to appoint a new managing director, Nick Shannon, who joined in February 2022 from G4S Secured Solutions and brings significant industry and leadership experience, as well as a valuable network of relationships across the sector.

Overall, this was a year which saw the gradual easing of lockdown restrictions and a phased return to normal contact. However, the challenges felt by physical businesses remained acute, as they began to focus on priorities for recovery whilst many battled staff shortages and office closures due to the emergence of the Omicron variant.

Against this backdrop, our installation and maintenance services were particularly affected, down 19% to £1.5 million. This was further impacted by a contraction in our traditional rising screen market due to an accelerated reduction in the number of bank branches across the country.

Although trading throughout the year was below expectations, with top line revenue down 8% to £4.6 million, early efforts to implement cost reduction measures meant that gross margin increased slightly to 40.4% (2021: 40.1%).

In the face of globally challenging operating conditions, our experienced team acted with enormous resilience to adapt and build ahead, using this time to diversify our product offering by bringing automatic doors and entrance control into our product portfolio, as well as investing to further enhance our customer service and support response. By leveraging deep knowledge of security standards in traditional markets, we have also targeted entry into several new high growth sectors with crucial early success.

With access measures normalised in recent months, our return to growth has already begun. Several delayed projects have now recommenced and demand for security products and services appears to have recovered to above pre-pandemic levels. This provides confidence the business is now very well-positioned to achieve its ambitious growth strategy.

**Targeting larger contracts in entrance control**

Entrance control products typically generate larger contracts and build on our core capabilities across the group. Orders and pipeline growth from government, blue light and custodial sectors remained strong throughout the year, and we have secured and completed our first orders in new office, industrial and data centre environments with a growing bank of quotations for future work.

We see further opportunities to use our knowledge of standards and experience working in very high security environments, opening-up new sectors for our physical products and installation services such as data centres, utilities, and distribution logistics, where the solution and the customer's protection of their service is more important than the cost. Our early successes in each of these sectors confirm that entering and competing in these markets is achievable with the right products and services. Maintenance services that follow-on from initial installation will also help to grow our Autodoor Service Department.

***Building recurring service revenues, with a focus on automatic doors***

In the automatic door market, we have strengthened our focus on building recurring service revenues and are proud of our record in repairing and upgrading customer doors rather than replacing them. We have added a further 100 sites during the last year and now provide call-out support for over 1,800 sites, with a growing national footprint.

A strategic priority in our long-term plan is to grow service and maintenance work in the UK autodoor servicing market, estimated at twice the size of Safetell's traditional target markets. We anticipate this will generate strong recurring revenues and account for an increasing share of turnover in the coming years.

In FY22, service and maintenance of automatic doors grew in-line with expectation, including two significant wins for our Autodoor Service Department; one for a leading high street bank and another extending our maintenance contract with a national petrol retailer by an additional 100 sites, due to the excellent service we have already provided. The advantage of having all of our service engineers security cleared to BS7858, the UK standard for vetting of people employed in the security sector, coupled with our 'Repair-not-replace' mentality, continues to strike a positive chord with our customers, particularly those with larger national estates.

In addition, the rapid and continuous growth of high security environments, such as data centres, provides a significant scaling opportunity for Safetell. By focusing on developing partnerships with established Facilities Management providers, leveraging our reputation for

quality, service and rapid response, we are already being invited to support a range of new infrastructure projects. This includes several examples in the government and nuclear power sectors, giving us earlier than anticipated entry into highly selective markets. Looking ahead, we will seek to extend this through frameworks and accreditations relevant to our services, such as the UK CNI (Critical National Infrastructure).

***Providing national organisations with high quality security solutions in building and asset protection***

In the building and asset protection market, we have maintained our focus on high quality standards as a leading provider of high specification, physical security solutions.

Sales of our traditional physical security products, such as security walls, doors, screens, counters and cash transfer units, remained steady and, whilst the growth anticipated fell just short of expectations, down 3% to £3.1 million, it was broadly in line with the previous years. This was accompanied by strong pipeline and forward momentum which we expect to contribute to a very positive FY23, including:

- A renewal of a two-year rising screen maintenance contract with a leading high street bank which commenced in November 2021.
- The completion of a £1 million colleague protection screens roll-out for a national retail chain; with a follow-on £0.2 million order of screens, a further a £1 million order pipeline and new discussions with other national chains.
- The completion of phase 1 of a large project with a major police force.

– We have continued our impressive record of innovation with two of our traditional products recently re-certified by The Loss Prevention Certification Board (LPCB).

– We are investing in the development of new low-cost protection screen variants for smaller retailers who are facing the impact of a national rise in armed robbery and assaults but who cannot afford high-end security installations for individual stores.

Whilst our traditional work of installing and maintaining rising screens has continued to be impacted by the reduction in the number of banks across the country, we have forged strong experience in the design and installation of security screens in the retail sector and have worked with many of the large supermarket and national chains. This, whilst further diversifying our product portfolio in automatic doors and entrance control, means the business is now better balanced and strategically well-placed to capitalise on a larger and growing addressable market.

***Organising for competitive advantage in fast-growing security markets***

In what has been a busy and productive year for our Safetell team, with the introduction of new product lines, new strategic partnerships and onboarding of new clients, a number of organisational improvements have also been undertaken.

The reorganisation of the business has been completed with the appointment of a new managing director. Additionally, at the beginning of the new financial year, the business will further invest in sales and marketing to support its two key growth areas in

automatic door servicing and entrance control.

Operational improvements in the year have primarily focused on back-office processes, such as resource prioritisation and planning, as well as the strategic realignment of service operations to ensure maximum competitive advantage in our chosen markets. This included improvements in technology to assist dynamic routing of service engineers, as well as enhanced service information and support to ensure customers needing to urgently resolve any access or maintenance issues within their revenue-critical operations, can receive faster response and shorter time-to-resolution.

The global and UK economic environment also prompted a sourcing review of our manufacturing and logistics suppliers to ensure we continue to be as efficient and competitive as we can be, as well as creating broader and more localised options for enhanced customer response. All of these measures provided valuable reassurance in the resilience and stability of our operating platform that can more easily be scaled as we grow.

***Fast forward with focused execution***

With reorganisation now completed, we will continue to drive focused execution in each of our business lines as opportunities to support our growing base of customers develop, reflected by a strong and growing pipeline that already extends well into the next year and beyond.

Increasing threats from crime and terrorism have made physical protection and security a priority for businesses in most sectors and, as many businesses prepare to meet the new 'Protect Duty'

legislation, which is expected to come into force in 2023, we expect this to drive many new opportunities to help customers create safer spaces for their employees and colleagues.

Whilst maintaining trust in our products continues to be a priority, we continue to invest and emphasise the strength of our customer service, offering full-service solutions and rapid response for support and maintenance.

As a clear strategic focus, combining our competitive advantage with the high levels of customer trust we have earned, will increasingly translate into long-term partnerships with a growing proportion of recurring service revenues. With these foundations in place and already showing results, the business will remain on track to benefit from further efficiency gains as it scales.



*"As we grow our contracts and reputation for service excellence across traditional and new sectors, I am more confident than ever that this business has a bright future and will grow to meet the ambitious targets we have set. With a solid outlook for the year ahead, our early wins in new sectors already demonstrate this, and as we grow our efficiency will increase, whilst always keeping our customers at the forefront of everything we do. These relationships are at the very centre of our strategy to build a more sustainable, long-term product and services business and strong brand upon which customers feel entirely confident to rely."*

**Nick Shannon, MD**

# FINANCIAL REVIEW

## Revenue

Key Performance Indicators	2022 £'000	2021 £'000	Increase/ (decrease) £'000	Percentage change %
<b>People and Data Management Division</b>				
HCM	11,442	9,659	1,783	18.5%
Access Control	3,117	2,988	129	4.3%
	<b>14,559</b>	<b>12,647</b>	<b>1,912</b>	<b>15.1%</b>
<b>Physical Security Solutions Division</b>				
Products	3,131	3,220	(89)	(2.8%)
Service	1,455	1,791	(336)	(18.8%)
	<b>4,586</b>	<b>5,011</b>	<b>(425)</b>	<b>(8.5%)</b>
<b>Group Revenue</b>	<b>19,145</b>	<b>17,658</b>	<b>1,487</b>	<b>8.4%</b>

Group revenue increased by 8.4% to £19.1 million (2021: £17.7 million) driven by a strong HCM performance in North America. Revenues in the Physical Security Solutions division were impacted by further lockdown restrictions and the decline in the traditional rising screens market as more banks and building societies close. Further commentary and discussion can be found in the relevant divisional sections.

Gross profit margins have reduced to 33.5% (2021: 37.5%) due to a rise in operating costs of the People and Data Management division. Their gross margins decreased to 31.4% (2021: 36.5%) as a result of the significant increase in componentry and freight costs arising from global supply chain challenges. However, customer price rises in the second

half of the year have helped reduce the impact of these cost increases. The Physical Security Solutions division achieved a gross profit of 40.4% (2021: 40.1%) with the small increase due to headcount savings.

### **Administrative expenses and average employees**

Administrative expenses before exceptional items have increased by 15% to £7.5 million (2021: £6.5 million). This has mainly been the result of the one-off COVID-19 related savings incurred last year such as furloughs, which saved £0.2 million group-wide contractual pay reductions along with other savings in travel and marketing. There has also been an increase in consultancy costs to support the execution of the strategic business plan, partly offset by a £0.1 million foreign currency gain due to the increase

in the value of the USD versus GDP. Overall average employees have decreased to 103 (2021: 112) driven by reductions in Safetell and Grosvenor UK, partly offset by an increase in Grosvenor US. Staff costs increased by £0.3 million or 5% to £7.1 million (2021: £6.8 million).

### **Exceptional costs**

During the year exceptional costs of £0.1 million (2021: £0.1 million) were incurred relating to continued streamlining of positions in Grosvenor and Safetell. In 2021 there were £0.2 million of restructuring costs and an exceptional credit of £0.1 million related to the exit of a lease commitment at Safetell whereby the asset had been written down by £0.1 million in the prior year.

	2022 £'000	2021 £'000	Increase/ (decrease) £'000	Percentage change %
<b>Gross Profit</b>	<b>6,419</b>	<b>6,629</b>	<b>(210)</b>	<b>(3.2%)</b>
<b>Gross Profit Margin</b>	<b>33.5%</b>	<b>37.5%</b>		



### **Profitability**

The current year loss from operations before exceptional items was £1.1 million (2021: profit £0.1 million). The decline in profitability was caused by the impact of global supply chain challenges on gross margins and an increase in costs to execute the strategic business plan.

Loss after tax for the year was £0.8 million (2021: profit £0.2 million). This is after tax credits which are discussed in more detail below.

### **Taxation**

A tax credit of £0.6 million (2021: £0.3 million) was recognised in the year. This resulted from a current tax credit of £0.4 million (2021: £0.4 million) due to the continued R&D claims at Grosvenor of £0.3 million and for Safetell of £0.1 million and a £0.2 million deferred tax credit (2021: £0.1 million charge). The credit was primarily from the recognition of tax losses.

### **Earnings per share**

Loss per share was 0.32p (2021: earnings of 0.03p) being a reduction of 0.35p. The decrease was due to the reduction in profitability in FY22.

### **Balance sheet**

Net assets have reduced by £0.6 million to £7.6 million (2021: £8.2 million) due to the loss after tax for the year. This is presented as a decrease in cash and cash equivalents of £0.3 million to £0.2 million (2021: £0.5 million) and an increase in short term borrowings of £2.4 million to £3.0 million due to drawing down of invoicing discounting from both the UK and new \$2 million US facility and increase in lease payments. The rise

in property, plant and equipment and long-term borrowings is mainly as a result of the £0.9 million prior year adjustment to reflect a longer lease term for a land and buildings lease term. See note 2 of the financial statements for further details of this adjustment. Inventory has increased by £0.9 million to £4.0 million with additional purchases of scarce processors and screens to secure future supply and some impact of the global componentry shortage on prices. Trade and other receivables decreased by £0.5 million primarily due to a reduction in corporation tax recoverable related to the R&D tax credit. At the prior year end there were two years of R&D tax credits due, whereas there was only one year due at 30 April 2022. Trade and other payables have decreased by £0.7 million as result of unwinding of prior year creditor balances.

### **Research & Development (R&D)**

The Group has slightly increased its R&D investment at £0.8 million (2021: £0.7 million) in the People and Data Management division. The investment this year has been focused on the cloud development of GT Connect, our upgraded SaaS platform which will be launched in FY23. There has also been further development on facial recognition technology for our clocks.

### **Cashflow**

During the year cash reduced by £0.3 million to £0.2 million (2021: £0.5 million). Cash generated from operating activities decreased by £1.0 million to an outflow of £0.6 million (2021: inflow £0.4 million) mainly driven by a decrease in operating profits and a £1.2 million

working capital outflow due to higher inventories and creditor outflows. There was also a £0.1 million outflow from exceptional items and a net tax receipt of £0.8 million (2021: £0.4 million) due to two years of R&D tax credits. As mentioned above, we have continued investment in research and development and also property plant and equipment of £1.3 million (2021: £1.0 million), the increase coming from investment in ClaaS clocks. The main financing movements related to the drawdown of £2.3 million of invoice discounting from both the UK and US facilities (2021: £0.9 million repayment), lease principal repayments of £0.4 million (2021: £0.5 million) and £0.3 million of interest and repayments from the Coronavirus Business Interruption Loan Scheme ("CBILS") which started to be paid back from September 2021 over a 5-year term.

### **Cashflow forward currency contracts**

During the year we executed our foreign exchange strategy by entering into forward contracts. The strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing US Dollars (USD) position from revenues and the existing cost base in both GBP and Euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position.

# PRINCIPAL RISKS AND UNCERTAINTIES

---

Risk management is integral to the way the Board and leadership team manage the Group and each divisional Managing Director monitors and reports on their most significant risks on a continuing basis. Risks are reviewed by the Board on a quarterly basis and actions are taken as appropriate to provide reasonable mitigation against those risks.

The principal risks facing the business, the potential impact and mitigating actions are detailed below:

## **Market conditions**

The risk of further future lockdowns could result in a year of depressed trading activity and delays in customer projects. The impact is somewhat reduced by the geographic spread and the nature of our customers. Commercially, we have been sensitive to the evolving demands of our customers but we also operationally monitor activity levels for support and new business. The Chief Financial Officer monitors cashflows and potential financing opportunities and discusses these regularly with the Board to support the reduced cash generation from lower levels of trading. Lag effects of COVID-19 such as the global componentry shortage have constricted certain lines of supply which has meant longer lead times for ordering and an increase in cost to purchase. The Group monitors the position regularly with detailed inventory modelling done by Grosvenor's Operations and Supply Chain Director. Brexit has resulted in an additional administration burden but, as yet, has not significantly impacted trading. Customer prices were put up significantly in the

year ended 30 April 2022 to minimize the impact of increasing componentry and freight costs.

## **Sales of new products**

The Group has incurred substantial strategic expenditure on new developments within the People and Data Management division, based on market intelligence. Due to the dynamic nature of the market itself there is a risk of market needs moving during the development process. The Group mitigates this risk by carrying out customer trials and ascertaining features required by customers.

## **Service agreements**

The majority of service revenues within the Physical Security Solutions division are from 1 to 3-year service agreements and there is the risk that these may not be renewed due to cost reduction programmes, by managing the contract externally or by utilising in-house resource. If the service agreements are not renewed it is likely that those customers would still require our services but would be charged on a call out basis without an overriding contract resulting in less certainty over future revenues. The Company has service level agreements with these customers which are closely monitored and holds regular meetings with those customers to check on their satisfaction levels.

## **Input prices and availability**

Operating performance is impacted by the pricing and availability of its key inputs, which include electronic components, steel and security glass. The pricing and availability of such inputs can be quite volatile at times due to supply and demand dynamics and

the input costs of the supply base. The Group manages the effect of such demands through a rigid procurement process, long-term relationships with suppliers, economic purchasing, multiple suppliers and inventory management. It has also been able to adapt to the exceptional componentry availability issues experienced since 2021 by re-designing certain products to reduce the risk of not having enough inventory to meet demand.

## **Quality control**

There is the potential for functional failure of products when in use, thereby leading to warranty costs and damage to our reputation. Quality control procedures are therefore an essential part of the process before the product is delivered to the customer. With the support of external quality auditors, the quality control systems are reviewed and improved on an on-going basis to ensure that the Group is addressing this risk through a certification process which is undertaken by a recognised and reputable authority before being brought to market.

## **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer fails to meet its obligations, and the Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before supplying goods or services with purchase limits established for each customer, which represents the maximum open amount they can order without requiring approval.

A weekly review of the trade receivables' ageing analysis is undertaken, and customers' credit is reviewed continuously. Customers that become "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the local management otherwise pro forma invoices are raised requiring payment in advance.

#### **Liquidity risk**

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Chief Financial Officer receives weekly reports of balances on all bank accounts and regular cash to assess the required level of short-term financing to draw down on.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Foreign exchange risk arises when individual Group entities enter transactions denominated in a currency other than their functional currency. Liabilities are settled with the cash generated from the individual group entities' operations in that currency wherever possible, otherwise the liabilities are settled in the functional currency of the group entities. During the year a forward contract currency strategy was implemented to reduce the volatility of exchange rate fluctuations to the Group.

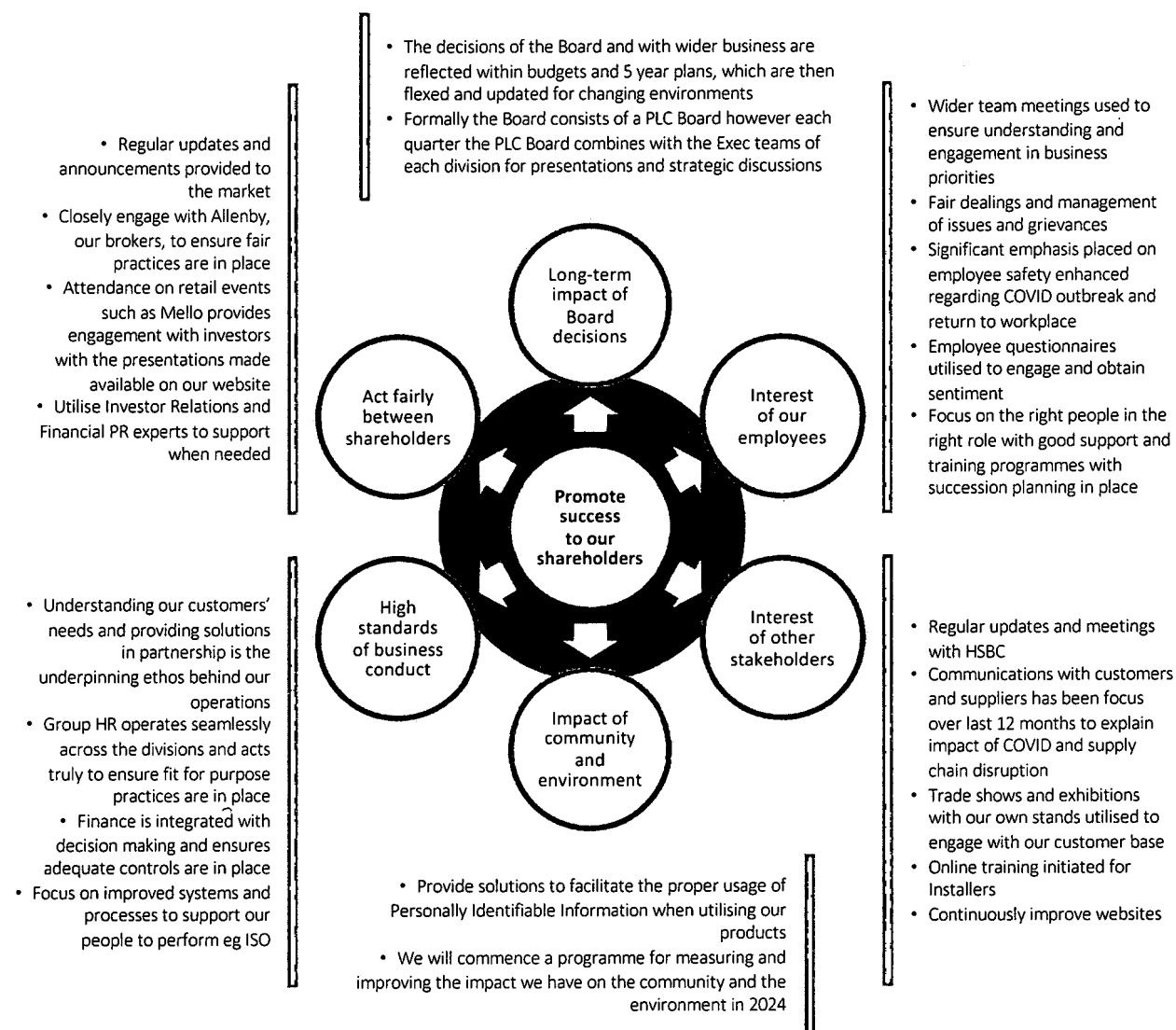


*"Whilst it has been a challenging year, significant steps have been made to ensure growth in the coming year is sustainable. These steps include a combination of customer price increases, cost savings and improved commercial measures."*

**Paul Campbell-White, Chief Financial Officer.**

# S172 STATEMENT

The Companies Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters when performing their duty to promote the success of the Company under s172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. This s172 statement explains how the Directors act accordingly.



## Key Board decisions

During the year the Board started to deliver on the Strategic Business Plan which was approved by the Board in the last financial year. The Strategic Business Plan spans the year to 30 April 2025 and has a number of significant workstreams attributed to it driving increased shareholder value.

1. Initiate a North American expansion plan and market intelligence forum at Grosvenor ensuring considered and executable plans are in place. This involves investment in people and processes which support scalable and sustainable growth in the existing business and to drive both ClaaS and SaaS uptake.

2. Invest in enterprise-wide internal systems at Grosvenor to support the effective roll out of SaaS and ClaaS as well as streamlining processes and further enabling staff capability.

3. Invest in our people by communicating core values, investing in our skills inventory and mobilising recruitment.

The Board and Shareholders approved a reorganisation of Newmark's share capital in November 2021 which involved a 50:1 sub-division and subsequent consolidation of the Company's share capital. This was done to:

- improve the liquidity of the Company's shares and increase trading volumes;
- improve investor perception of the Company; and
- improve marketability of the Company's shares.

The impact of COVID and resulting supply chain challenges led to significant cash outflows in the year to 30 April 2022. As a result, during the year the Board approved the following measures to increase the Group's banking facilities. These included:

- secured a \$2 million US invoice discounting facility;
- increased the UK invoice discounting facility; and
- increased the UK overdraft limit, although this went back to the original £0.2 million limit in August 2022

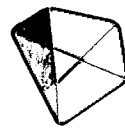
The Board also approved cost cutting measures to help improve the Group's profitability in the year to 30 April 2023.

#### **Approval**

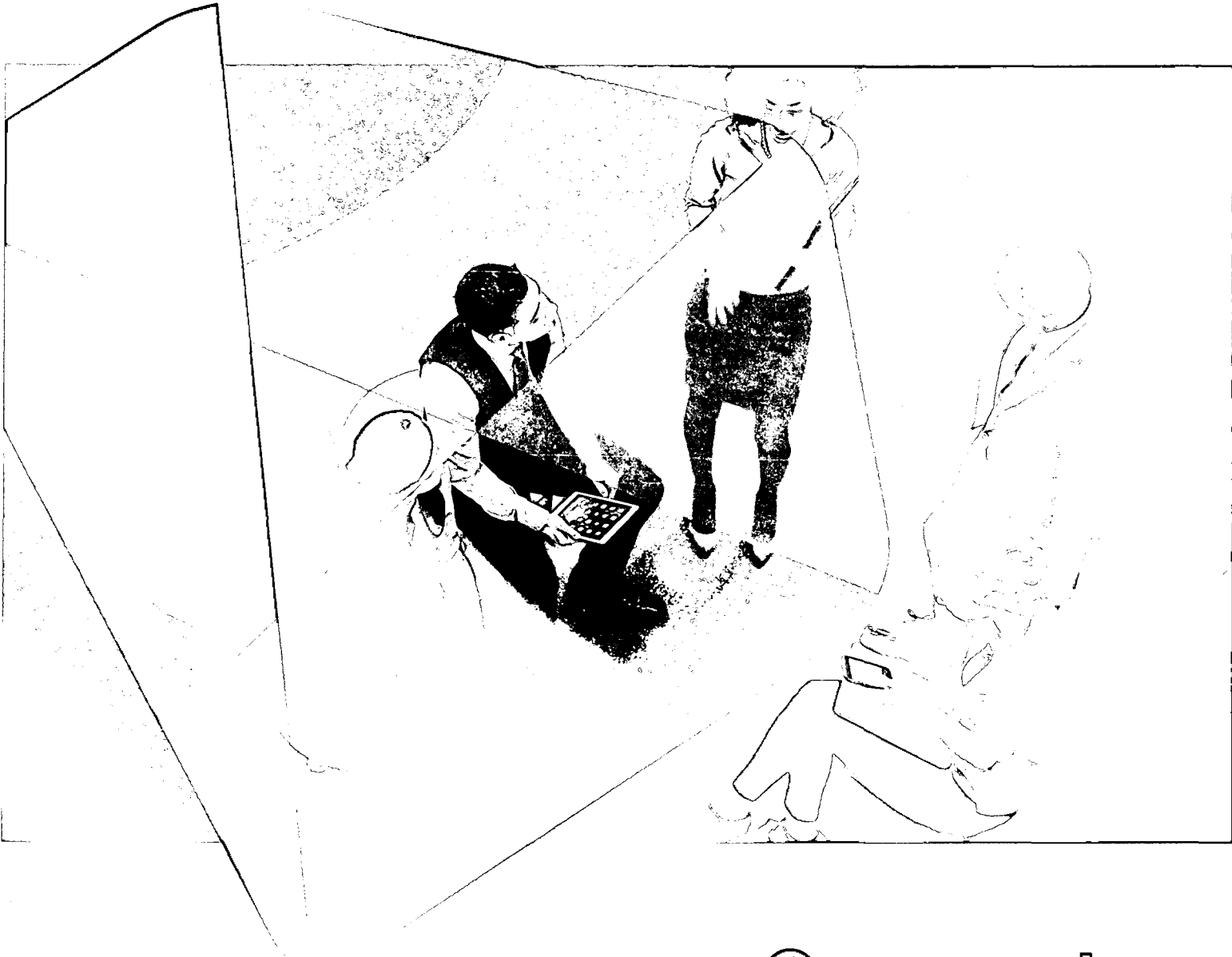
The Strategic Report was approved by order of the Board on 20 January 2023.



**M-C Dwek**  
Director



Newmark  
SECURITY PLC



# Corporate Governance

---

# OUR BOARD

---

## Chairman's Introduction

The Board and its Committees have a fundamental role in the governance framework by using their wide experience in providing independent challenge and support and ensuring that good governance is promoted across the different businesses within the Group. The Board is responsible for the success of the Group and providing leadership within the framework of existing controls and ensures that its duties to shareholders and other stakeholders are understood.

### ***The Board***

A summary of the career history of each of the Directors is given below showing their vast experience in senior management positions across a wide variety of industries.

### ***Maurice Dwek Chairman***

Maurice Dwek was the founder of the Dwek Group in 1963 as a distributor of PVC products with factories involved in engineering and other consumer products. The company was listed on the London Stock Exchange in 1973 and he was Director of Subsidiary Companies and subsequently responsible for Group acquisitions and disposals. He disposed of this interest in 1988 through a management buyout. Subsequently he was Chairman of Arlen PLC (electronics) and Owen & Robinson PLC (sports footwear, retailing and jewellery) and floated Newmark Security on the Alternative Investment Market of the London Stock Exchange in 1997 acting as Executive Chairman until 2005.

### ***Marie-Claire Dwek Chief Executive Officer***

Marie-Claire Dwek was Marketing Director of Newmark Technology Limited (specialised electronic security systems) 1996-2000, responsible for the planning, leadership and strategic marketing. Between 2002–2013 Marie-Claire was responsible for the management and investment in various property portfolios for Motcomb Estates and joined Newmark Security as Chief Executive Officer in 2013. Marie-Claire regularly attends training courses and modules for executive development e.g., Cranfield University. Any changes in the business environment are monitored and researched closely within the leadership team and with the CEO. Strategic responses are formed accordingly and executed with Board approval. Trade journals and news articles are used to keep abreast of current market conditions.

### ***Paul Campbell-White Chief Financial Officer***

Paul Campbell-White is a Fellow Chartered Accountant qualifying in 2000 whilst working with KPMG. Subsequent to KPMG, Paul worked at ITV plc, a leading UK media group for ten years in a variety of Group and Divisional Roles. Paul was previously Chief Financial Officer of Brave Bison Group plc (AIM: BBSN), a digital media and technology company, and Chief Financial Officer of Warner Bros. TV Production UK. Prior to those appointments, he was Group Financial Controller of Shine Group, an international television production and distribution group and Interim Group Financial Controller at Channel 4. Most recently, he has been Interim Chief Commercial Officer of CognitionX, a technology company in the events space.

**Michel Rapoport**  
**Non-Executive Director**

Michel Rapoport held various senior positions in Ripolin (paint) in Paris between 1974-79 including President 1976-79. He then worked at Alcatel (telephony and electronics) 1979-91 including President Mailing and Shipping products division 1990-91. He moved to Pitney Bowes between 1991-95 where he was Chairman Pitney Bowes France and Vice President Pitney Bowes International. Michel was president and CEO of Mosler (\$300m revenue physical and electronic security products and services) 1995-2001 and was President and CEO at Laroche Industries Inc., (chemical product manufacturer and distributor) between 2001 and 2005. He has been managing partner of SAR Industries (real estate holdings) since 2007. Michel thus brings to the Board his experience from holding senior positions in similar industries, and his knowledge of operating in North American markets which is particularly relevant given the growth in revenue from that source in the current year.

**Robert Waddington**  
**Non-Executive Director**

Robert Waddington qualified as a Chartered Accountant in 1964. He was a director of Hambros Bank Ltd from 1984 to 1997, and director/chairman of several private companies involved in engineering, property, and steel stockholding between 1996 and 2008. He was also a director from 1997 to 2006 of Stanley Leisure PLC, a UK Stock Exchange listed company operating in the Betting and Gaming industries. Robert therefore contributes his experience from holding senior positions in different businesses as well as his financial and accounting knowledge. Robert stepped down from his position on the Newmark Board on 8 September 2022.

**Terence Yap**  
**Non-Executive Director**

Terence Yap, a Singapore citizen resident in Hong Kong, is currently the Chairman of Guardforce AI Co Ltd, a group focusing on delivering technologically innovative security solutions within the Asia Pacific region. Prior to this he was Chief Executive of Guardforce Cash Solutions (Thailand) a leading security solution provider with more than 12,000 international employees. From 2006 to 2014 he was Chief Financial officer of China Security and Surveillance Technology, Inc which was listed on both the NYSE and Dubai International Financial Exchange. Throughout his career Mr Yap has developed specific skill sets regarding change management, investor relations, capital market operations and corporate restructuring. Mr Yap has over 25 years' experience in the telecommunications and security sectors and is a member of the Hong Kong Security Services Training Board, a Fellow member of the Hong Kong Institute of Directors, a Fellow member of the Chartered Management Institute (UK) and a member of the Australian Institute of Company Directors.



# GOVERNANCE PRINCIPLES

We have adopted the Quoted Companies Alliance Corporate Governance Code (“QCA Code”) to assist in putting into place an effective corporate governance framework which will deliver results. Your Board understands that good governance is one of the foundations of its sustainable growth strategy. The Chairman is responsible for Corporate Governance in the Group. There were no key governance related matters that occurred in the year and no significant changes in governance arrangements.

Details on how the Company applies the principles of the QCA Code are set out below.

## **Principle 1: Establish a strategy and business model which promote long-term value for shareholders**

Newmark Security is a leading provider of people and data management and physical security solutions through its subsidiaries, Grosvenor Technology Limited and Safetell Limited, in the UK, and Grosvenor Technology LLC in the USA, with exports to Europe and USA, and worldwide through our established customer base. The Company aims to help address some of the major challenges facing corporations in an environment of ever-increasing global security concerns and add value for all our stakeholders through partnership and innovation. We will continue to develop exceptional and secure products backed up by industry leading support. The Company strategy is focused on delivering growth through the development of new products, providing its customers with much-needed peace of mind whilst also improving business efficiency and

flexibility through innovative technology. The three core markets served, Access Control, Human Capital Management (HCM) and physical security, are anticipated by industry analysts to grow significantly in the medium to long-term. The company takes a ‘deep and narrow’ approach in each of these markets through the provision of products and services that are highly developed and specialist, thus delivering tangible added value to its downstream partners and creating barriers to entry to potential competitors.

Grosvenor Technology’s products are at the cutting edge of access control and human capital management technology. The business is well positioned to capitalise on the crossover between these two aspects of electronic security and continued investment ensures that it stays at the forefront of this marketplace. Long term strategies are in place to increase recurring revenues through the provision of more cloud-based services on an ongoing basis, particularly in the HCM sector. This is envisaged to deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

Safetell is one of the industry leaders in high-demand physical security products and is perfectly placed to service the industry. The market for asset security products and services is fast growing with the ever-increasing threat of terrorism and crime placing security high on the priority list for corporate clients. It is the policy of the Company to maintain the highest standards of product quality meeting statutory and

regulatory requirements by the control of its sales, purchasing, production, delivery, installation and service activities.

The principal risks and uncertainties associated with the business activities are set out on page 26 of the Strategic Report.

## **Principle 2: Seek to understand and meet shareholder needs and expectations**

The Company engages with shareholders through a variety of traditional and digital media. In addition to regulatory announcements and reports, the Company communicates through a variety of channels. The CEO participates in yearly interviews with online investor news platforms and channels as well as giving regular non-material updates on social media platforms. The Company makes announcements in industry, trade and general business publications and through RNS feeds.

The Board members attend AGMs and welcome shareholder attendance. Our corporate broker maintains a dialogue with our institutional investors and arranges meetings with the Executive Directors as required. The website contains an overview of the markets operated in, the Company’s vision and strategy and multi-media detail of the separate Physical Security Solutions and People and Data Management divisions. Historic reports, statements, announcements and share price information are also accessible within the website (<https://newmarksecurity.com>).

**Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success (see also s172 section)**

The Company recognises that there are several resources and relationships that are considered to be strategically important. These include major clients, key suppliers, value added resellers and our banking partners, and these relationships are managed at a senior level within each division with the most important receiving additional executive attention.

The Company further identifies the need to nurture and develop relationships with all stakeholder groups. Feedback is gathered from customers through sales and marketing functions with key customer meetings. Regular supplier reviews are conducted to ensure the Company's and vendors' needs and ambitions are met.

The Company recognises the importance of its employees to its achievements. Regular internal communication meetings are conducted across all sites to ensure employees are knowledgeable about a range of topics. Questions and suggestions are encouraged through a range of formal and informal channels directly to divisional Managing Directors. These employee feedback channels have led to tangible outputs and changes to working practices. Our staff expect to be able to work in a safe and comfortable environment, and to be provided with the necessary skills and knowledge to perform their work to the required standard. We provide ongoing training wherever required and conduct routine appraisals with the staff.

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has overall responsibility for the Group's systems of internal control and risk management. The Board identifies the major business risks with management and establishes appropriate procedures to measure and manage those risks. These involve a system of measurement, control and reporting on a variety of internal and external factors. There are detailed procedures for the production of budgets covering profit and loss accounts, balance sheets and cash flows. Monthly subsidiary and group management accounts are produced with comparisons against budget and prior year.

Management also reports on major changes in the business environment including any possible impact on forecasts.

The principal risks and uncertainties associated with the business activities are set out in the Strategic Report on page 26.

**Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Chairman's role is to ensure that the Board operates effectively to deliver the long-term success of the Group. This includes ensuring that the Non-Executive Directors always have access to the executive management team to provide both support and challenge, all directors are able to express their views openly at Board meetings and that all directors are encouraged to bring independent judgement to bear on all issues. There are specific instructions in place for the timetable and content of Board papers so that the directors are properly briefed before the Board meetings. The

Board has a number of matters reserved for its consideration, with the principal responsibilities being to monitor performance and to ensure that there are proper internal controls in place, to agree overall strategy, to approve major capital expenditure and to review budgets.

At 30 April 2022, the Board comprised a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. Under the Company's Articles of Association, the appointment of all Directors must be approved by the shareholders in General Meeting, and additionally one-third of the Directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each Director has undertaken to submit themselves for re-election at least every three years.

Board meetings are held a minimum of four times a year and the Board of the Parent Company also attend the Board meetings of the subsidiary companies on the same day. All members of the Board attended all four Board meetings held over the last year. The Board members also have discussions during the year on the progress of the Group and any particular issues which arise. All Directors commit the time necessary to meet their responsibilities as directors. There were two meetings of both the Audit and Remuneration Committee during the year, both of which were attended by all members of those committees.

For the year under review two of the four Non-Executive Directors are considered to be independent. These are Terence Yap and Robert Waddington. Maurice Dwek and Michel Rapoport are not considered to be independent in view of their substantial

shareholdings in the Company. However, the Board considers that both Mr Dwek and Mr Rapoport bring a wealth of experience from across a range of businesses, as well as their knowledge of being involved in listed and other companies together with their experience of the People and Data Management and the Service industry.

Any Director may, in furtherance of his duties, take independent professional advice where necessary, at the expense of the Company. All Directors have access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole, and who is responsible to the Board for ensuring that agreed procedures and applicable rules are observed.

Marie-Claire Dwek and Paul Campbell-White, as Executive Directors, are full-time employees of the company during the year. There are no minimum time commitments for the Non-Executive Directors who spend whatever time is required to fulfil their duties and responsibilities.

**Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The CEO works closely with the senior leadership teams of the subsidiary companies to keep abreast of market trends, economic trends, technological advances and customer expectations to remain agile and adjust to the changing times. She meets with customers and suppliers on a regular basis. She also regularly attends security exhibitions in the UK and worldwide as well as forums, corporate and networking events, and keeps the Board up to date with all developments.

Changes in the business and economic environment are discussed fully at Board meetings. The Board is informed of changes in accounting requirements by the Company auditors and in regulatory requirements by the NOMAD via the Chief Financial Officer.

**Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Chairman carried out an evaluation of the Board during the year and deemed that it was working satisfactorily, in particular:

1. The good mix of skills and experience of the Board members.
2. The amount of challenge and expression of views at meetings.
3. The attendance of all the Company Board members at the subsidiary company Board meetings.
4. The level of information, both financial and operational, available prior to and at the Board meetings.
5. Matters arising at each meeting are followed up promptly and the results reported back to Board members.

The performance of the Board is kept under continuous review. The Board does not consider that it is appropriate to perform a more formal board appraisal process utilising third parties at the current date, taking into consideration the size and nature of the Company. However, this will be kept under review and the board will consider on an annual basis whether to implement a more formal appraisal process.

**Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Group aims to have a corporate culture that keeps staff

satisfied in their roles and fully motivated so that staff retention levels are high, and absenteeism is low. All senior management are aware of our culture. Staff are encouraged to submit ideas and suggestions as to how this can be achieved. The Group also tries to ensure that the staff have the appropriate lifestyle benefits and are provided with appropriate development training, both internally and externally.

All senior leadership team members (including Group Human Resources manager) attend monthly management meetings, attended by both Executive Directors, to report on their department's activities and where relevant to highlight any issues with customers, suppliers, employees or other stakeholders.

The Group is committed to maintaining high standards for the environment, and our relationship with employees, customers and suppliers. The Group is committed to being environmentally friendly and we have identified the key waste streams from our businesses so that the amount of landfill is reduced by separating waste into these different streams. Records are maintained as evidence that these forms of waste are separated and collected by licensed waste collection companies, and these are reported at management meetings. Our efforts with stakeholder groups are detailed under principle 3 above.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the board**

The Chief Executive Officer, Marie-Claire Dwek, is responsible for the day-to-day management of the business, developing the Group's strategy for discussion with the Board and then implementing that

strategy. The Chief Financial Officer, Paul Campbell-White, is responsible for the financial reporting of the Group and supporting the CEO in developing and implementing the Group strategy. The two Executive Directors have prime responsibility for engagement with shareholders.

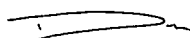
The Non-Executive Directors, Michel Rapoport, Robert Waddington and Terence Yap are responsible for bringing their expertise and judgement in assisting in the development of strategy and measuring its performance, challenging the Executive Directors and reviewing their performance. All Directors are required to notify the Company Secretary of any conflicts of interest and there have been no such relationships declared.

The Audit Committee assists the Board, and its terms of reference are included on the company website. Its composition, duties and main activities during the year is included in the Report of the Directors. The terms of reference of the Remuneration Committee are included on the company website. Its composition, duties and main activities during the year is included in the Directors' Remuneration report. There is no Nomination Committee. Given the size of the business, all senior appointments are considered by the Board as a whole. The matters reserved for the Board are set out under Principle 5. The Board will continue to monitor the governance framework in line with the Group's plans for growth and will make further adjustments and improvements as required.

**Principle 10: Communicate how the company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Board communicates with shareholders through the annual report and accounts, interim report other regulatory announcements, the Annual General Meeting (AGM) and one-on-one meetings with both existing and potential shareholders. At the end of the Annual General Meeting shareholders are encouraged to express their views to the Directors. Corporate information is available to shareholders and other stakeholders on the Company website including details of the activities of the different businesses, and announcement. The Company also receives updates from its corporate brokers on the views of shareholders.

The Directors' remuneration report is on pages 41 and 42 and an overview of the Audit Committee's duties and activities during the year are on page 39 and on the Corporate Governance section of the Company's website.



**M Dwek**  
Chairman

20 January 2023

# DIRECTORS' REPORT

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2022.

## Financial results and dividends

The Board is proposing a dividend of Nil per share (2021: Nil per share).

## Directors

The Directors who served during the year and to the date of signing were as follows:

M Dwek

M-C Dwek

G Feltham (resigned 3 September 2021)

P Campbell-White (appointed 17 September 2021)

M Rapoport

R Waddington (resigned 8 September 2022)

T Yap

Details of the Directors' service contracts are shown in the Directors' remuneration report on page 41. M Dwek and T Yap retire in accordance with the articles of association. M Dwek and T Yap being eligible, offer themselves for re-election at the next annual general meeting.

## Financial instruments

For full details of changes to the Group's management of its financial instruments and its general objectives, policies and processes in respect of financial

instruments, please refer to note 19 to the financial statements.

## Likely future developments in the business of the Company

Information on likely future developments, exposure to relevant risks and subsequent events in the business of the Group has been included in the Strategic Report and in note 27 - Subsequent events.

## Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2022 and 30 April 2021 were as follows:

	Percentage holding at 30 April 2022	30 April 2022(b)	30 April 2021
M Dwek (a)	20.2%	1,895,989	94,799,467
M Rapoport	12.5%	1,171,100	58,555,000
R Waddington	1.0%	98,000	4,400,000
M-C Dwek	0.5%	50,000	2,500,000
G Feltham (left the Company during the year)	-	-	800,000

(a) These shares are held in the name of Arbury Inc., 51 per cent. of the equity share capital of which is, at the date of this report, beneficially owned by M Dwek. (b) These holdings are lower than the prior year as a result of the 50:1 share re-organisation that took place on 10 November 2021.

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2022 and 30 April 2021 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2022	Number of Ordinary Shares under the EMI Scheme 30 April 2021
M-C Dwek	573,363	28,668,274
G Feltham (left the Company during the year)	0	5,900,000

The 30 April 2022 options for M-C Dwek above have been restated for the 50:1 share re-organisation that took place on 10 November 2021.

The Directors had no other interests in the shares or share options of the Company or its subsidiaries.

## Research & Development (R&D)

The Group is committed to on-going R&D. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of development costs

capitalised in the year was £764,000 (2021: £731,000). This is discussed further in the Financial Review.

**Going concern**

Based on the Group's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The original covenant required the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test used the calculation of Net Assets less Intangible Assets and required the result to exceed £3.1 million. In the year ended 30 April 2022 profitability and cashflows were significantly impacted by the COVID-19 pandemic, increase in freight costs and the global componentry shortage as the Group had to increase stock levels to meet anticipated demand and pay higher prices for many components. As a result of this, in January 2022, HSBC agreed to a waiver of the year ended 30 April 2022 covenant calculation. The

first covenant to be tested will be for the year ended 30 April 2023 and requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing, based on audited accounts. No other financing facilities of the Group have any covenant requirements.

In September 2021, the Group increased its UK invoice discounting facility with HSBC to £1.7 million to provide additional working capital headroom. At 30 April 2022, £1.4 million was being utilized. In February 2022, the Group secured a 3 year \$2 million invoice discounting facility with Seacoast National Bank against invoices raised from our US operation. At 30 April 2022, \$1.1 million of the facility was being utilized. The level of invoice discounting available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates. In January 2023 the Group increased the UK invoice discounting facility by another £0.6 million to £2.3 million.

As at 30 April 2022 the Group had a £0.4 million overdraft facility with its bankers, HSBC, although none was utilized as the Group had a positive bank balance of £0.2 million at year end. This overdraft facility was reduced to £0.2 million on 31 July 2022.

The Group's going concern assessment is based on the Group returning to net cashflow generation in the year to 30 April 2023. This is forecast to be a result of the combination of the impact of increasing customer prices in the second half of the last financial year, continued growth in revenues, cost savings introduced in May 2022 and stock levels starting to unwind from their historic high levels.

The latest forecast of the Group results in exceeding the debt service covenant test by 51% and will be tested more fully when a

revised forecast is completed in February. As a consequence of the revised forecast findings, the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of the target. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 51% headroom in the latest covenant calculation, it would take a large reduction in Gross Material Margin to result in a covenant breach at April 2023. However, management are confident that the shortfalls will not occur particularly given we are only a few months away from the year end but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and has returned to profit after tax and operating cashflow generation in FY23.

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to January 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice discounting facilities and also extend the overdraft facility. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

### **Audit Committee**

The Audit Committee comprises R Waddington, M Dwek, M Rapoport and T Yap and a copy of its written terms of reference are included on the web site. The Audit Committee principal duties are as follows:

- Reviewing and approving the interim results for the six months ended 31 October 2021.
- Agreement of the independence of the auditors and their planning report for the year-end financial statements including the proposed audit fees and non-audit services.
- Reviewing and approving the audited annual report and accounts for the year ended 30 April 2022.
- Discussion with the external auditors of any accounting or financial issues arising in the course of their work.
- Discussion of the auditors' assessment of the adequacy of internal controls.

The main areas of activity during the year included:

- Discussion of the development costs capitalised.
- Impairment reviews of the underlying businesses.
- Review and discussion of going concern and forecasts including the impact of COVID-19 and supply chain disruption.

### **Remuneration Committee**

The Remuneration Committee comprises M Rapoport, M Dwek, R Waddington and T Yap and meets at least once a year to review the terms and conditions of employment of Executive Directors including the provision of incentives and performance related benefits. The Directors' Remuneration report is set out on pages 41 and 42 and the terms of reference are on the website.

### **Directors' responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether the Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements and the

company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

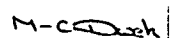
### **Website publication**

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

***Approval***

This Directors Report was approved by order of the Board on 20 January 2023.

A handwritten signature in black ink, appearing to read 'M-C Dwek', followed by a vertical line.

M-C Dwek  
Director



# DIRECTORS' REMUNERATION REPORT

---

## **Authority**

The Remuneration Committee is responsible for approving the remuneration of Executive Directors. The remuneration of Non-Executive Directors is approved by the full Board of the Company.

## **Membership**

The majority membership of the Remuneration Committee is required to comprise Independent Non-Executive Directors and at 30 April 2022 comprised four existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Robert Waddington and Terrance Yap.

The relevant parts of the career history of the members of the Remuneration Committee are summarised in the Corporate Governance section on pages 31 and 32.

## **Remuneration policy**

The Group's policy is to offer remuneration packages which are appropriate to the experience, qualifications and level of responsibility of each Executive Director and are in line with directors of comparable public companies. Bonuses are awarded based on company performance as contractually stipulated.

## **Service and consultancy agreements**

The Company entered into a consultancy agreement with Arbury Inc. on 1 September 1997 for the services provided to the Company by Mr Dwek. The agreement may be terminated by either party subject to 12 months' notice being served. Arbury Inc. is paid a fee in line with the level of responsibilities of Mr Dwek who is

also entitled to the provision of a car for which the Company will meet all running expenses. The Company entered into a service agreement on 12 April 2013 with Ms M-C Dwek which may be terminated by either party serving twelve months' notice. The Company entered into a service agreement on 9 September 2019 with Mr Feltham which may be terminated by either party serving six months' notice. Mr Feltham left the business on 3 September 2021. The Company entered into a service agreement on 6 September 2021 with Mr Campbell-White which may be terminated by either party serving six months' notice.

## **Loss of office**

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

## **Director's emoluments**

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2022 were as follows:

	Consultancy agreement £'000	Salary** £'000	Fees £'000	Bonus £'000	Other Benefits* £'000	Total £'000	Pension £'000	Total including pension £'000
<b>Executive Directors</b>								
M-C Dwek	-	208	-	-	28	236	24	260
P Campbell-White	-	114	-	5	8	127	3	130
G Feltham	-	112	-	-	1	113	2	115
<b>Non-Executive Directors</b>								
M Dwek (a)	80	-	-	-	34	114	-	114
M Rapoport	-	-	25	-	-	25	-	25
R Waddington	-	-	25	-	-	25	-	25
T Yap	-	-	25	-	-	25	-	25
<b>2022</b>	<b>80</b>	<b>434</b>	<b>75</b>	<b>5</b>	<b>71</b>	<b>665</b>	<b>29</b>	<b>694</b>
<b>2021</b>	<b>78</b>	<b>333</b>	<b>75</b>	<b>79</b>	<b>52</b>	<b>617</b>	<b>31</b>	<b>648</b>

\*Includes £6,000 for share options expense \*\* Includes compensation for loss of office for G Feltham

Emoluments of the highest paid Director were £260,000 (2021: £337,000). Bonus payments are based on performance against set targets at an increasing percentage of salary for the extent of exceeding the agreed targets. The Directors' share interests are detailed in the Directors' Report on page 37. (a) The Company paid a consultancy fee of £80,000 (2021: £78,000) to Arbury Inc., a company 51 per cent. owned by M Dwek.

### Share option schemes

The Newmark Security PLC EMI Share Option Plan enables the Board to grant qualifying share options under the HM Revenue & Customs' Enterprise Management

Incentive ("EMI") tax code and also unapproved share options to employees and directors.

The Remuneration Committee has administered and operated the scheme. Further details of the

share option schemes are set out in note 25 to the financial statements.

The number of approved share options issued to the Directors as at 30 April 2022 are as follows:

Name	No. of options	Date of grant	Exercise price payable
M-C Dwek	247,272	August 2013	90p
M-C Dwek	38,191	September 2014	90p
M-C Dwek	22,857	September 2015	90p
M-C Dwek	146,250	October 2019	90p
M-C Dwek	118,793	October 2019	50p

The number of options and exercise price payable above have been restated to reflect the 50:1 share re-organisation that took place on 10 November 2021.

There were no options granted or exercised during the year with 162,500 (2021: 2,005,952) vesting. These options vested before the 50:1 share re-organisation.

G Feltham left the Company on 3 September 2021 and his 5,900,000

options granted in October 2019 have now lapsed.

### Approval

This remuneration report was approved by order of the Board on 20 January 2023.

*M-C Dwek*

M-C Dwek  
Director

# INDEPENDENT AUDITORS REPORT

## TO THE MEMBERS OF NEWMARK SECURITY PLC

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Newmark Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2022 which comprise, the consolidated income statement, the consolidated and Parent Company statement of financial position, the consolidated statement of cash flows, the consolidated and Parent Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Given our assessment of risk and the significance of this area, we have determined going concern to be a key area of focus for the audit. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting and response to the key audit matter is included in the "Key Audit Matters" section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### Overview

Coverage <sup>1</sup>	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 97%) of Group total assets		
Key audit matters		2022	2021
	Revenue recognition	✓	✓
	Going concern	✓	✓
	Recoverability of goodwill and non-current assets	✓	✓
Materiality	Group financial statements as a whole  £276,000 (2021: £182,000) based on 1.5% of average revenue for the past two years (2021: 1% of average revenue was used to account for the temporary fluctuation of performance as result of Covid-19.)		

#### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Audit work to respond to the assessed risks was performed directly by the Group audit engagement team, full scope audit procedures were performed on all four operating entities within the Group, which were the significant components of the Group. Analytical procedures were carried out where relevant on the non-significant components. All work was carried out by the Group engagement team.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<sup>1</sup> These are areas which have been subject to a full scope audit by the group engagement team

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Going concern (Note 1)</b></p>	<p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the financial statements of the Group and Parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risk might affect the Group's and Company's financial resources or ability to continue operations over a period of at least twelve months from the date of approval of the accounts.</p> <p>The risk most likely to adversely affect the Group's and Parent Company's available financial resources and have an impact on its ability to meet its obligations over this period is the Group's covenant compliance in respect of external funding to maintain cashflows, covenant compliance and increased uncertainty around the longer-term impact on the economy and impact on Group operations. The first covenant measurement point is 30 April 2023, but by reference to the audited accounts for the year then ended.</p> <p>Because of the significance of the judgements in this area we considered going concern to be a key audit matter.</p> <ul style="list-style-type: none"> <li>• We obtained an understanding on going concern assessment and process.</li> <li>• We obtained and reviewed post-year-end trading and covenant forecasts for the CBILs loan, to test that the Directors have reasonably evaluated the risk in respect of covenant compliance, including related sensitivity analysis.</li> <li>• We obtained and reviewed communication with the Group's primary bankers with regards to the financing, specifically their view on the likely outcomes should Debt Service Covenants fail in the future. We also had direct conversations with the Group's primary bankers on the same subject matter.</li> <li>• We compared cash requirements in the forecasts to the available facilities of the Group with actual cash level post year-end.</li> <li>• We reviewed the accuracy and reasonableness of the Directors' forecast through assessment of the accuracy of retrospective reviews; consideration of the Directors' future business plans and any projects in the pipeline</li> <li>• We reviewed the disclosures in the financial statements against best practice guidance and accounting standards.</li> </ul> <p><b>Key observations:</b></p> <p>Our observations are set out in the conclusions relating to going concern section of our report</p>
<p><b>Revenue Recognition (Notes 1 and 3)</b></p>	<p>As detailed in note 1 and 3, the Group's revenue relates to the sale of products and services recognised at a point in time (delivery), and services recognised over time.</p> <p>There is a risk around the identification of performance obligations and application of IFRS 15 for material contracts and that revenue around the</p> <ul style="list-style-type: none"> <li>• We reviewed management's assessment of the separable performance obligations in revenue contracts against the requirements of IFRS 15, and cross checked this against the underlying contracts. We also tested sales on a sample basis over the year to confirm appropriate and consistent revenue recognition policies had been applied.</li> </ul>

	<p>year end is recognised in the appropriate period.</p> <p>We therefore determined the recognition of revenue to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We performed a three-way matching test of revenue transactions recognised during the year (invoice, delivery and settlement) on a sampling basis.</li> <li>• We selected a sample of products dispatched in the final month of the year and the first month post year end from goods dispatched note listing and confirmed the timing and associated performance obligation has been applied correctly.</li> <li>• We tested a sample of post year-end credit notes to related invoices to verify that the revenue was valid and recognised in the correct period.</li> <li>• We reviewed material (based on performance materiality) manual journals to revenue to confirm that they had been posted in line with normal business transactions or supporting evidence obtained from management.</li> <li>• In respect of service income, we looked at a sample of contracts to assess whether we were satisfied that the services revenue was appropriately recognised over time and we calculated expectations in respect of related accrued and deferred income and compared this with management's calculations.</li> </ul> <p><b>Key observations:</b> We did not identify any indicators to suggest that revenue had not been recognised appropriately in accordance with IFRS 15.</p>
<p><b>Recoverability of goodwill - Group (Notes 1, and 12)</b></p> <p><b>Recoverability of Parent Company Investment in subsidiaries – Parent Company (Notes 1, and 3)</b></p>	<p>The Group's accounting policy in relation to impairment of goodwill is included within note 1 and further explained in note 12 of the Group financial statements. The Parent Company's accounting policy on investment in subsidiaries is included within Company note 1.</p> <p>Accounting standards require management to perform an impairment review annually to consider possible impairment in goodwill and consider whether there are any</p>	<ul style="list-style-type: none"> <li>• We have assessed management's impairment review: we recalculated the CGU component's value in use using our calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards and compared these values against the CGU component value and the investment in subsidiaries value.</li> </ul>

	<p>indicators of impairment impacting investments in subsidiaries balance in the Parent Company.</p> <p>Management exercise significant judgement in determining the underlying assumptions used in the impairment review of the two operating cash generating units (CGUs). These assumptions include the discount rate, the forecast operating margins and the growth rate. Increased uncertainty is noted on operating results in the short to medium term due to the aftereffects of COVID-19, the Russian-Ukraine war outbreak and the consequential effects on the supply chain and sales.</p> <p>Due to these various judgements exercised by management, this area concluded to a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We have challenged and assessed the reasonableness of the CGU component level FY23 budgets and expected growth rate assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends.</li> <li>• We have performed sensitivity analysis over the key assumptions used by management, specifically the discount rate, long term growth rate and operating profit.</li> <li>• We reviewed the disclosures in Group note 12 and Parent Company note 3 against accounting standard requirements, including the impact of changes in key assumptions.</li> </ul> <p><b>Key observations:</b> We did not identify anything to suggest that management's impairment review failed to incorporate all critical considerations impacting the recoverability of goodwill in the Group or investments held in subsidiaries in the Parent Company.</p>
--	---	--

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2022 £	2021 £	2022 £	2021 £
<b>Materiality</b>	276,000	182,000	151,800	125,000
<b>Basis for determining materiality</b>	1.5% of average revenue for 2022 and 2021	1% of average revenue for 2021 and 2020	55% of Group materiality	2% Parent Company Net assets
<b>Rationale for the benchmark applied</b>	Loss making entity, revenue is key performance driver.  1% of Average revenue used in 2021 to mitigate COVID- 19 impact.		The Parent Company is a holding entity. As part of Group reporting consideration, materiality used by audit team is the lower of Group allocated materiality and statutory materiality.	

	Operations expected to normalise going forward and thus 1.5% of average revenue was used in 2022.		In the current year, the Parent Company materiality was restricted to a percentage of Group materiality. In 2021 the statutory materiality was the lower of the two.	
Performance materiality	193,000	127,000	106,300	87,500
Basis for determining performance materiality	70% Group materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.		70% materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.	

### Component materiality

We set materiality for each component of the Group based on a percentage of between 35% and 55% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £96,000 to £151,800. In the audit of each component, we further applied performance materiality levels of between 60% and 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5,300 (2021: £3,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the *Annual report* other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul>
--	--



	In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
<b>Matters on which we are required to report by exception</b>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>

### Responsibilities of Directors

As explained more fully in the Directors' report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks through our accumulated knowledge and consideration of sector information that is applicable to the Group.
- We considered these risks to be highest within areas of material estimation, including impairment of goodwill and non-financial assets, calculation of provisions against inventory and receivables and valuation of deferred tax assets (items included in the KAM), as well as transactions around the year end and manual journals at component and consolidation level.
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, accounting standards, Companies Act 2006 and certain requirements from UK and US tax legislation and with the assistance of our internal tax specialists.
- Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management and review of board minutes.
- We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

To address the risk of fraud due to revenue recognition through our journals testing we obtained a list of journal entries to revenue and reviewed manual postings with values greater than predetermined thresholds.

- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

**Nick Poulter**

CF887AF4183C463...

Nick Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Guildford, UK

20 January 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)



# Financial Report

---

# FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR END 30 APRIL 2022

	Notes	2022 £'000	as restated 2021 £'000
Revenue	3	19,145	17,658
Cost of sales		(12,726)	(11,029)
<b>Gross profit</b>		<b>6,419</b>	<b>6,629</b>
Administrative expenses		(7,633)	(6,662)
<b>(Loss)/profit from operations before exceptional items</b>		<b>(1,090)</b>	<b>84</b>
Exceptional redundancy costs	4	(124)	(181)
Other exceptional credits	4	-	64
<b>Loss from operations</b>	4	<b>(1,214)</b>	<b>(33)</b>
Finance costs	7	(220)	(113)
<b>Loss before tax</b>		<b>(1,434)</b>	<b>(146)</b>
Tax credit	8	630	297
<b>(Loss)/profit for the year</b>		<b>(804)</b>	<b>151</b>
Attributable to:			
- Equity holders of the parent		(804)	151
<b>(Loss)/earnings per share</b>			
- Basic (pence)	9	(0.32)	0.03
- Diluted (pence)	9	(0.32)	0.03

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 £'000	as restated 2021 £'000
<b>(Loss)/profit for the year</b>	<b>(804)</b>	<b>151</b>
Foreign exchange on the retranslation of overseas operation	143	(196)
<b>Total comprehensive loss for the year</b>	<b>(661)</b>	<b>(45)</b>
Attributable to:		
- Equity holders of the parent	(661)	(45)

The notes on pages 56 to 83 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 APRIL 2022**

		2022	as restated 2021	as restated 2020
<b>ASSETS</b>	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	10	2,088	2,017	2,186
Intangible assets	11	5,564	5,505	5,234
Deferred tax	8	410	206	329
<b>Total non-current assets</b>		<b>8,062</b>	<b>7,728</b>	<b>7,749</b>
<b>Current assets</b>				
Inventory	14	3,983	3,125	2,544
Trade and other receivables	15	3,979	4,438	3,664
Cash and cash equivalents		157	484	620
<b>Total current assets</b>		<b>8,119</b>	<b>8,047</b>	<b>6,828</b>
<b>Total assets</b>		<b>16,181</b>	<b>15,775</b>	<b>14,577</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	16	3,105	3,782	3,246
Other short-term borrowings	17	2,958	602	1,301
<b>Total current liabilities</b>		<b>6,063</b>	<b>4,384</b>	<b>4,547</b>
<b>Non-current liabilities</b>				
Long term borrowings	18	2,447	3,066	1,673
Provisions	21	100	100	100
<b>Total non-current liabilities</b>		<b>2,547</b>	<b>3,166</b>	<b>1,773</b>
<b>Total liabilities</b>		<b>8,610</b>	<b>7,550</b>	<b>6,157</b>
<b>TOTAL NET ASSETS</b>		<b>7,571</b>	<b>8,225</b>	<b>8,257</b>
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital	22	4,687	4,687	4,687
Share premium reserve	23	553	553	553
Merger reserve	23	801	801	801
Foreign exchange difference reserve	23	(159)	(302)	(106)
Retained earnings	23	1,649	2,446	2,282
<b>Total attributed to equity holders</b>		<b>7,531</b>	<b>8,185</b>	<b>8,217</b>
<b>Non-controlling interest</b>		<b>40</b>	<b>40</b>	<b>40</b>
<b>TOTAL EQUITY</b>		<b>7,571</b>	<b>8,225</b>	<b>8,257</b>

The financial statements were approved by the Board of Directors and authorised for issue on 20 January 2023.



Paul Campbell-White Director

The notes on pages 56 to 84 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2022**

		<b>2022</b>	<b>As restated</b>
	<b>Notes</b>	<b>£'000</b>	<b>2021</b>
			<b>£'000</b>
<b>Cash flow from operating activities before exceptional items</b>			
Net (loss)/profit after tax from ordinary activities		(804)	151
Adjustments for: Depreciation, amortisation and impairment	4	1,248	1,028
Exceptional items	4	124	117
Finance cost	7	220	113
Gain on sale of property, plant and equipment	4	(30)	(5)
Share based payment		7	13
Income tax credit	8	(630)	(297)
<b>Operating (loss)/profit before changes in working capital and provisions</b>		<b>135</b>	<b>1,120</b>
Decrease/(increase) in trade and other receivables		(29)	(805)
(Increase)/decrease in inventories		(856)	(652)
(Decrease)/increase in trade and other payables		(658)	582
<b>Cash generated from operations before exceptional items</b>		<b>(1,408)</b>	<b>245</b>
Exceptional items	16	(124)	(244)
<b>Cash generated from operations after exceptional items</b>		<b>(1,532)</b>	<b>1</b>
Income taxes received		871	369
<b>Cash flow from operating activities</b>		<b>(661)</b>	<b>370</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	10	(561)	(272)
Sale of property, plant and equipment		30	-
Research and development expenditure	11	(766)	(744)
		<b>(1,297)</b>	<b>(1,016)</b>
<b>Cash flow from financing activities</b>			
Bank loans (paid)/received	18	(267)	2,000
Principal paid on lease liabilities	24	(376)	(487)
Proceeds/(repayment) on invoice discounting	17	2,263	(905)
Interest paid on lease liabilities	24	(48)	(37)
Interest paid		(84)	(51)
		<b>1,488</b>	<b>520</b>
<b>Decrease in cash and cash equivalents</b>		<b>(470)</b>	<b>(126)</b>
Cash and cash equivalents at beginning of year		484	620
Exchange differences on cash and cash equivalents		143	(10)
<b>Cash and cash equivalents at end of year</b>		<b>157</b>	<b>484</b>

The notes on pages 56 to 84 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Amounts attributable to owners of the parent £'000	Non- controlling interest £'000	Total equity £'000
At 1 May 2021 (as restated)	4,687	553	801	(302)	2,446	8,185	40	8,225
Loss for the year	-	-	-	-	(804)	(804)	-	(804)
Other comprehensive income	-	-	-	143	-	143	-	143
Total comprehensive income/(loss) for the year	-	-	-	143	(804)	(661)	-	(661)
<i>Transactions with owners</i>								
Share based payment	-	-	-	-	7	7	-	7
As at 30 April 2022	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(159)</b>	<b>1,649</b>	<b>7,531</b>	<b>40</b>	<b>7,571</b>

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Amounts attributable to owners of the parent £'000	Non- controlling interest £'000	Total equity £'000
At 1 May 2020	4,687	553	801	(106)	2,327	8,262	40	8,302
Effect of prior year adjustment	-	-	-	-	(45)	(45)	-	(45)
At 1 May 2020 (as restated)	4,687	553	801	(106)	2,282	8,217	40	8,257
Profit for the year	-	-	-	-	171	171	-	171
Effect of prior year adjustment	-	-	-	-	(20)	(20)	-	(20)
Profit for the year (as restated)	-	-	-	-	151	151	-	151
Other comprehensive loss	-	-	-	(196)	-	(196)	-	(196)
Total comprehensive income/(loss) for the year	-	-	-	(196)	151	(45)	-	(45)
<i>Transactions with owners</i>								
Share based payment	-	-	-	-	13	13	-	13
As at 30 April 2021 (as restated)	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(302)</b>	<b>2,446</b>	<b>8,185</b>	<b>40</b>	<b>8,225</b>

See note 2 for details of prior year adjustment.

The notes on pages 56 to 84 form part of these financial statements.

## 1. Accounting policies

Newmark Security PLC (the “Company”) is a public limited company, limited by shares, registered number 3339998 in England & Wales. The consolidated financial statements of the Company for the year ended 30 April 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

### *Basis of preparation*

The consolidated financial statements have been prepared on a historical cost basis.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income and expenses, and assets and liabilities. These judgements and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to the accounting estimates are recognised in the period in which the revision is made.

None of the new standards or amendments to standards have had any impact on the accounting policies of the group in the year.

No new standards that are not yet effective have been early adopted or are expected to have a material impact on the Group’s profit or loss.

### **Going concern**

Based on the Group’s latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme (“CBILS”). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The original covenant required the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth (“TNW”) test applicable for the year ended 30 April 2022 based on audited accounts. This test used the calculation of Net Assets less Intangible Assets and required the result to exceed £3.1 million. In the year ended 30 April 2022 profitability and cashflows were significantly impacted by the COVID-19 pandemic, increase in freight costs and the global componentry shortage as the Group had to increase stock levels to meet anticipated demand and pay higher prices for many components. As a result of this, in January 2022, HSBC agreed to a waiver of the year ended 30 April 2022 covenant calculation. The first covenant to be tested will be for the year ended 30 April 2023 and requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing, based on audited accounts. No other financing facilities of the Group have any covenant requirements.

In September 2021, the Group increased its UK invoice discounting facility with HSBC to £1.7 million to provide additional working capital headroom. At 30 April 2022, £1.4 million was being utilized. In February 2022, the Group secured a 3 year \$2 million invoice discounting facility with Seacoast National Bank against invoices raised from our US operation. At 30 April 2022, \$1.1 million of the facility was being utilized. The level of invoice discounting available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates. In January 2023 the Group increased the UK invoice discounting facility by another £0.6 million to £2.3 million.

As at 30 April 2022 the Group had a £0.4 million overdraft facility with its bankers, HSBC, although none was utilized as the Group had a positive bank balance of £0.2 million at year end. This overdraft facility was reduced to £0.2 million on 31 July 2022.



The Group's going concern assessment is based on the Group returning to net cashflow generation in the year to 30 April 2023. This is forecast to be a result of the combination of the impact of increasing customer prices in the second half of the last financial year, continued growth in revenues, cost savings introduced in May 2022 and stock levels starting to unwind from their historic high levels.

The latest forecast of the Group results in exceeding the debt service covenant test by 51% and will be tested more fully when a revised forecast is completed in February. As a consequence of the revised forecast findings, the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of the target. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 51% headroom in the latest covenant calculation it would take a large reduction in Gross Material Margin to cause in a covenant breach at April 2023. However, management are confident that the shortfalls will not occur particularly given we are only a few months away from the year end but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and has returned to profit after tax and operating cashflow generation in FY23.

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to January 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice discounting facilities and also extend the overdraft facility. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

#### *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team comprising the Chief Executive Officer and Chief Financial Officer.

#### *Basis of consolidation*

The Group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2022. Subsidiaries are entities controlled by the group. The company controls a subsidiary if all three of the following elements are present: power over the subsidiary; exposure to variable returns from the subsidiary; and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *Revenue*

##### *Performance obligations and timing of revenue recognition*

The majority of the group's revenue is derived from selling hardware, with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Software sales are recognised when the license key is given to the customer, as the customer has a right to use the Group's intellectual property as it exists at a point in time when the licence is granted (a 'passive' license). There is ongoing support provided but this is a distinct separate performance obligation, and provided under a separate contract. There are no significant upgrades provided that are fundamental to the ongoing use of the license by the customer.

The Group provides support and service contracts to customers, which are invoiced separately to the goods and software noted above and are considered to be distinct performance obligations. The revenue from support, Software-as-a-Service (SaaS) and Clouds-as-a-Service (CaaS) contracts in the people and data management division is recognised over time as the customer simultaneously receives and consumes the benefits of the service over the life of the contract. The revenue is recognised straight line over the life of the contract.

In the Physical Security Solutions division, most service revenue is recognised at a point in time and is based on the company fulfilling its performance obligations with work completed in any given month. For some smaller contracts a regular fee is charged for a period of service rather than per visit and is therefore recognised over time.

The Group also provide maintenance and installation services. Revenue for maintenance contracts is recognised at a point in time, as and when maintenance work is performed for the customer and is based on the level of work required at that

time. Revenue for installation services is also recognised at a point in time, when the work has been completed. Where there is an additional fee for project management relating to the installation, this is treated as one performance obligation and invoiced when the installation is complete.

#### *Determining the transaction price*

The Group's revenue is derived from fixed price contracts for each revenue stream and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

#### *Allocating amounts to performance obligations*

For most contracts, there is a fixed unit price for each product or service sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to allocate to each revenue stream sold to one customer. Where a customer orders more than one service (i.e. product, installation and ongoing service), the Group is able to determine the split of the total contract price between each revenue stream by reference to each standalone selling price (all revenue streams are capable of being, and are, sold separately).

#### *Payment terms*

Payment for all revenue streams noted above is due between 30 and 60 days after the invoice is raised. For all revenue recognised at a point in time, the invoice is raised when the product or service has been supplied. Deferred income arises where invoices relate to maintenance visits for several sites and not all have been visited at year end. Accrued income is recognised following a service visit that requires an application process to be adhered to under the main contract spanning 1-3 years. Once the application process is finalised an invoice is raised and the value is removed from accrued income.

For service revenue recognised over time, the invoice is raised on a monthly basis for most customers.

#### *Business combinations*

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

#### *Goodwill*

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

#### *Impairment of non-financial assets*

Impairment tests on goodwill are undertaken annually on 30 April. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the cost of sales line item in the income statement for research and development and in the administration line for goodwill. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment, management has to make judgements and estimates about future events which are uncertain. Adverse results compared to these judgements could alter the decision of whether an impairment is required.

### *Foreign currency*

The consolidated financial statements are presented in sterling, which is the main functional currency of the Group's operating entities.

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- (ii) income and expenses are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

### *Financial assets*

The Group's financial assets comprise trade and other receivables, accrued income, cash and cash equivalents. Trade and other receivables, excluding VAT receivables, are measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within overheads in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### *Financial liabilities*

Financial liabilities are obligations to pay cash and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, overdraft, accruals, loan and invoice discount account. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

### *Cash flow hedges*

Cash flow hedges are accounted for under fair value. Fair value is calculated by establishing the mark to market value. Movements on the fair value are reflected in the income statement with the fair value being reflected in current assets or liabilities on the balance sheet.

### *Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

### *Leases*

For any new contracts entered into the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

#### *Internally generated intangible assets (research and development costs)*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised hardware and firmware development costs are amortised over seven years being the period the Group expected to benefit from selling the products developed. Amortisation is charged from when the asset is ready for use and the expense is included within the cost of sales line in the income statement.

Software development costs are generally written off over four years which is deemed to be an accurate reflection of the useful economic life of the products developed.

Each project is reviewed individually between Finance and the Technical Director regularly to ascertain appropriate accounting treatment.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

#### *Licences, patents, trademarks and copyright*

Costs associated with licences, patents, trademarks, copyrights etc. are capitalised as incurred and are amortised over the expected life of the asset of seven years or to another period if specified in the contract.

#### *Taxation*

Income tax expense represents the sum of the tax currently payable or receivable and deferred tax.

Research & Development (R&D) claims are made each year on the basis that the Group overcomes technological uncertainties. This work is carried out for the internal development of hardware and software in the Groups own products and services that it sells and also carries out this work on behalf of other companies. The internal development R&D claim results in a deduction that can be used to reduce tax payable or shown as a credit within current tax, at a reduced rate, as a cash tax credit. Where the Group performs the research and development on behalf of other companies a Research and Development Expenditure Credit (RDEC) is claimed whereby a credit is received within administration costs as reducing the costs to serve.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date unless the tax is adjusted regarding a previous period whereby the appropriate rate is used accordingly.

#### *Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### *Property, plant and equipment*

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their

expected useful economic lives. It is applied at the following rates:

Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20% per annum straight line
Fixtures and fittings	–	10-15% per annum straight line
Computer equipment	–	25-33.3% per annum straight line
Motor vehicles	–	25-33% per annum reducing balance

#### *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

#### *Provisions*

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions, where it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Dilapidation provisions are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is included within the overall cost of the right of use asset and depreciated over the remaining term of the lease.

#### *Cash and cash equivalents*

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the statement of financial position.

#### *Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### *Dividends*

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the consolidated income statement in the year in which they become payable.

#### *Holiday pay provision*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary costs of the future holiday entitlement and so accrued at the balance sheet date.

#### *Government grants*

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised net against the costs that they are intended to compensate.

#### *Non-controlling interests*

Non-controlling interests are recognised at the Group's proportionate share in the recognised amounts of the acquiree's

identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

*Critical accounting estimates and judgements*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimates**

*(a) Estimate – cash forecasts used for value in use of cash-generating units and going concern review*

The Group tests annually whether goodwill, intangible and tangible assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations derived from cash forecasts. These calculations require the use of estimates as detailed in note 12 including forecasts from formally approved cash projections to April 2025. Management uses judgement to estimate the extent and timing of future cashflows. The forecasts used to assess the going concern within the review period to April 2024 are based on the same operating forecasts as the impairment review.

*(b) Estimate – Useful economic life*

The useful economic life used for intangible assets is an estimate based on a review of the historical, commercial and technical experience of senior members of the management team. The key estimate is that Capitalised hardware and firmware development costs are amortised over seven years being the period the Group expected to benefit from selling the products developed.

**Judgements**

*(a) Judgement - Development costs*

Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out on page 60. These costs are amortised over the period that the Group expects to benefit from selling the products developed. The judgements concerning compliance with the above criteria and the expected useful life of these assets are made using the historical, commercial and technical experience of senior members of the management team.

*(b) Judgement - value of recognised deferred tax relating to losses*

The Group tests the recoverability of tax losses based on recent results combined with Management's projections. Management reviews profitability over a period of 5 years and assesses the utilisation of tax losses prior to being in a position of tax paying. Management uses judgement to estimate the quantum of taxable losses that will be utilised and recognises a deferred tax asset as appropriate. See note 8.

**2. Prior year adjustment**

On adoption of IFRS 16 ("Leases") in the year ended 30 April 2020, the initial recognition of one of the Subsidiary's right of use land and building leases was based on a 5 year lease term. A subsequent review of this lease during the year ended 30 April 2022 highlighted that the lease term was in fact 15 years and not 5 years as per the original interpretation of the lease agreement. The recognition of an additional 10 years of lease term has resulted in a prior year adjustment to increase right of use land and buildings asset net book value at 30 April 2020 and 30 April 2021 by £924,000 and £929,000 respectively. The corresponding lease creditor increased at 30 April 2020 and 30 April 2021 by £969,000 and £994,000 respectively. The lease creditor adjustment is split between short-term and long-term borrowings as shown in the table below. The overall impact is a reduction in total net assets and corresponding reduction in retained earnings at these dates of £45,000 and £65,000 respectively. In respect of the income statement for the year ended 30 April 2021, this resulted in a reduction in the depreciation charge of £5,000 and an increase in the lease interest cost of £25,000. Net impact on the profit before tax is a reduction of £20,000.

**Changes to the statement of financial position**

	As previously reported	Adjustment at 1 May 2020	Adjustment at 30 April 2021	As restated at 30 April 2021
	£'000	£'000	£'000	£'000
<b>Property, plant and equipment</b>				
Right of use land buildings				
Cost	614	911	-	1,525
Depreciation	(294)	13	5	(276)
Net book value	320	924	5	1,249
<b>Other short-term borrowings</b>				
Lease creditor	(386)	50	(25)	(361)
<b>Long-term borrowings</b>				
Lease creditor	(288)	(1,019)	-	(1,307)
<b>Capital and reserves</b>				
Retained earnings	2,511	(45)	(20)	2,446

**Changes to the income statement**

	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
<b>Loss from operations is after charging for:</b>			
Depreciation of property, plant and equipment	(560)	5	(555)
<b>Finance Costs</b>			
Lease interest cost	(37)	(25)	(62)

**3. Revenue**

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing of revenue are affected by economic data and the relationship with the revenue recognition policy above.

	People and Data Management division		Physical Security Solutions division		Total	
	2022	2021	2022	2021	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Product sales (includes hardware and software)	13,468	11,941	3,132	3,220	16,600	15,161
Installation and Professional Services	180	241	-	-	180	241
<i>Support, Service and SaaS contracts</i>						
Recurring revenue - point in time	-	-	1,455	1,575	1,455	1,575
Recurring revenue - over time	910	465	-	216	910	681
	<u>14,558</u>	<u>12,647</u>	<u>4,587</u>	<u>5,011</u>	<u>19,145</u>	<u>17,658</u>



*Revenue recognised as follows*

Point in time	13,648	12,182	4,587	4,795	18,235	16,977
Over time	910	465	-	216	910	681
	<u>14,558</u>	<u>12,647</u>	<u>4,587</u>	<u>5,011</u>	<u>19,145</u>	<u>17,658</u>

Support, Service, SaaS and ClaaS contracts have a recurring nature to the contracts whereby the customer has purchased products along with a contract usually spanning 12 – 36 months for maintenance and call outs, warranty, technical support or for SaaS contracts – device, data and identity management services. The nature of certain contracts such as support, maintenance, SaaS and ClaaS are consumed over the course of the contract whereas the customer benefits from service and call out obligations at the time of delivery.

**Primary Geographic Markets**

	2022 £'000	2021 £'000
UK	8,039	8,425
USA	8,287	7,237
Belgium	1,029	854
Canada	766	416
Netherlands	476	676
Middle East	71	37
Sweden	86	20
Switzerland	58	81
Ireland	59	43
Other	274	285
	<u>19,145</u>	<u>17,658</u>

There were two customers that accounted for more than 10% of Group revenue at £3.2 million and £2.5 million respectively (2021: one customer accounted for more than 10% of revenue at £3.2 million).

**4. Loss from operations**

This has been arrived at after charging/(crediting):

		2022 £'000	as restated 2021 £'000
Staff costs	5	7,119	6,781
Exceptional redundancy costs		124	181
Exceptional adjustments for onerous lease surrender		-	(64)
Depreciation of property, plant, and equipment	10	542	560
Amortisation of intangibles assets	11	706	473
Foreign exchange differences		(130)	17
(Profit) on disposal of tangible non-current assets		(30)	(5)

<b>Auditors remuneration:</b>	2022 £'000	2021 £'000
Audit fees payable to the Company's auditor for the audit of:		

- Company annual accounts	20	15
- Group annual accounts	42	25
Other fees payable to the Company's auditors:		
- Audit of subsidiary companies	70	45
- Tax compliance	32	30
	<u>164</u>	<u>115</u>

#### Exceptional costs

During the year exceptional costs of £124,000 (2021: £117,000) were incurred due to restructuring costs in Grosvenor, Safetell and the parent company. In the prior year there were £181,000 of restructuring costs mainly in Grosvenor and an exceptional £64,000 credit related to the exit of a lease commitment at Safetell whereby the asset had been written down in the previous year.

#### 5. Staff costs

	2022	2021
	£'000	£'000
Staff costs (including the Executive Directors and excluding exceptional redundancy costs) comprise:		
Wages and salaries	6,048	5,861
Share options expense	7	13
Defined contribution pension costs	286	261
Employer's national insurance contributions and similar taxes	778	646
	<u>7,119</u>	<u>6,781</u>
The average numbers employed (including the Executive Directors) were:	2022	2021
	No.	No.
Management, sales and administration	49	56
Production	54	56
	<u>103</u>	<u>112</u>

Furlough credits of £183,000 were received during the prior year and recognised in the lines where the costs were incurred.

#### Key management remuneration (comprising the Executive Directors and Directors of subsidiary companies):

	2022	2021
	£'000	£'000
Salaries*	842	1,202
Employers national insurance contributions and similar taxes	131	103
Share options expense	7	13
	<u>1,025</u>	<u>1,407</u>

The emoluments of the Directors of the parent company are set out in the Directors' remuneration report on pages 41 and 42.

\*Includes termination costs of £30,000 in current year.

#### 6. Segment information

*Description of the types of products and services from which each reportable segment derives its revenues*

The Group has two main reportable segments:

- People and Data Management division – This division is involved in the design, manufacture and distribution of access-control systems (hardware and software) and the design, manufacture and distribution of HCM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 76.0% (2021: 71.6%) of the Group's revenue.
- Physical Security Solutions division (previously called the Asset Protection division) – This division is involved in the design, manufacture, installation and maintenance of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. This division contributed 23.9% (2021: 28.4%) of the Group's revenue.

*Factors that management used to identify the Group's reportable segments*

The Group's reportable segments are strategic business units that offer different products and services. The two divisions are managed separately as each involves different technology, and sales and marketing strategies. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Segment assets and liabilities exclude group company balances.

	People and Data Management division 2022 £'000	Physical Security Solutions division 2022 £'000	Total 2022 £'000
Revenue from external customers	14,558	4,587	19,145
Finance cost	99	20	119
Depreciation	304	228	532
Amortisation	703	-	703
Segment profit/(loss) before income tax	312	(103)	209
Additions to non-current assets	1,292	158	1,450
Disposal of non-current assets	488	198	686
Reportable segment assets	13,094	2,299	15,392
Reportable segments liabilities	4,722	1,530	6,252
	as restated People and Data Management division 2021 £'000	Physical Security Solutions division 2021 £'000	as restated Total 2021 £'000
Revenue from external customers	12,647	5,011	17,658
Finance cost	54	18	72
Depreciation	296	246	542
Amortisation	470	-	470
Segment profit before income tax	1,120	161	1,281
Additions to non-current assets*	1,012	254	1,266
Disposal/modification of non-current assets	322	440	762
Reportable segment assets	11,586	2,515	14,101
Reportable segments liabilities	3,569	1,435	5,004

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts:

	<b>as restated</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		
Total revenue for reportable segments	19,145	17,658
<b>Profit or loss before income tax expense</b>		
Total profit or loss for reportable segments	209	1,281
Parent company salaries and related costs	(809)	(868)
Other parent company costs	(834)	(534)
Loss before income tax expense	(1,434)	(121)
Corporation taxes	630	297
(Loss)/profit after income tax expense	(804)	176
<b>Assets</b>		
Total assets for reportable segments	15,392	14,101
Parent company assets	* 789	1,674
Group's assets	16,181	15,775
<b>Liabilities</b>		
Total liabilities for reportable segments	6,252	5,004
Parent company liabilities	** 2,358	2,546
Group's liabilities	8,610	7,550

\*PLC bank overdraft is set off against other group cash balances and has therefore been included within the asset line owing to an offsetting arrangement that is in place with HSBC.

\*\*Parent company liabilities include dormant companies' intercompany balances which eliminate fully on consolidation therefore do not feature in the consolidated financial statements.

#### Geographical information:

	<b>Non-current assets by location of assets</b>	
	<b>2022</b>	<b>as restated 2021</b>
	<b>£'000</b>	<b>£'000</b>
UK	7,092	7,522
USA	560	209
	<b>7,652</b>	<b>7,731</b>

	Reportable segment totals 2022 £'000	PLC 2022 £'000	Group Totals 2022 £'000	as restated Reportable segment totals 2021 £'000	PLC 2021 £'000	as restated Group Totals 2021 £'000
<b>Other material items</b>						
Additions to non-current assets	1,450	-	1,450	1,266	-	1,266
Disposals and modifications of non-current assets	623	-	623	762	-	762
Depreciation and amortisation	1,235	13	1,248	1,022	16	1,033

**7. Finance costs**

	2022 £'000	as restated 2021 £'000
Lease interest cost	44	62
Bank loans and overdraft	101	17
Invoice discounting	75	34
	<u>220</u>	<u>113</u>

**8. Tax and Deferred tax**

	2022 £'000	2021 £'000
<i>Current tax expense</i>		
UK corporation tax on profit for the year	(338)	(337)
Overseas corporation tax	-	42
Adjustment to provision in prior periods	(88)	(125)
	<u>(426)</u>	<u>(420)</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(159)	169
Effect of change in corporation tax rate	(61)	-
Adjustment to provision in prior periods	16	(46)
	<u>(204)</u>	<u>123</u>
<b>Total tax (credit) / charge</b>	<u><b>(630)</b></u>	<u><b>(297)</b></u>

The reasons for the differences between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

**8. Tax and Deferred tax (continued)**

	<b>2022</b>	<b>as restated</b>
	<b>£'000</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss before income tax	<u>(1,434)</u>	<u>(146)</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	(272)	(28)
Research and development allowances	(142)	(199)
Effects on profits on items not taxable or deductible for tax purposes	24	(81)
Effects of corporation tax change	(61)	-
Losses arising in year where no deferred tax recognised	25	-
Recognition of previously unrecognised deferred tax assets	(178)	46
Write-off of previously recognised deferred tax assets	35	-
Difference arising from utilisation of capital allowances	6	71
Different tax rates applied in overseas jurisdictions	4	11
Adjustments for tax credit relating to previous periods	(71)	(125)
Total tax (credit)	<u>(630)</u>	<u>(297)</u>

The Group has the following tax losses, subject to agreement by HMRC Inspector of Taxes, available for offset against future trading profits as appropriate:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Management expenses	170	177
Trading losses	<u>5,203</u>	<u>4,591</u>
	<u>5,373</u>	<u>4,768</u>

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
A deferred tax asset has not been recognised for the following:		
Management expenses	170	8
Trading losses	<u>732</u>	<u>1,691</u>
	<u>902</u>	<u>1,699</u>

**Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2021: 19%). The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023 and was substantively enacted in May 2021. The £61,000 increase in net deferred tax assets as a result of this change in tax rate is recorded in the year ended 30 April 2022.

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets if it is probable that these assets will be recovered. The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, and amounts (charged)/credited to the consolidated income statement are as follows:

	Total	Accelerated capital allowances	Other temporary and deductible differences	Available losses
Asset/(liability)				
At 1 May 2021	206	146	(526)	586
Income statement (charge)/credit	204	(113)	(146)	463
At 30 April 2022	<u>410</u>	<u>33</u>	<u>(672)</u>	<u>1,049</u>
Asset/(liability)				
At 1 May 2020	329	185	(442)	586
Income statement (charge)/credit	(123)	(39)	(84)	-
At 30 April 2021	<u>206</u>	<u>146</u>	<u>(526)</u>	<u>586</u>

Deferred tax assets have been recognised in respect of available losses which are expected to be matched against future trading profits. Management reviews the estimate mid-year and assesses whether latest projections impact the level of recognised deferred tax. Management allow for a fluctuation in projections and apply a level of cautiousness to recognition so that it allows for profit fluctuations. A 10% fluctuation in future profitability could result in a change of £17,000 to the recognition of deferred tax.

There are unrecognised deferred tax assets as listed above, which have not been recognised due to the uncertainty of the timing of future profits.

## 9. Earnings per share (EPS)

	2022 £'000	as restated 2021 £'000
<i>Numerator</i>		
(Loss)/profit used in basic and diluted EPS	(804)	151
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	252,267,880	468,732,316
Weighted average number of dilutive share options	-	5,939,692
Weighted average number of shares used in diluted EPS	<u>252,267,880</u>	<u>474,672,008</u>

The total number of share options are disclosed in note 25. The weighted average number of dilutive share options relate to options, without any performance criteria, issued with an exercise price being less than the year end average mid-market price.

The weighted average number of shares reduced during the year as a result of the 50:1 share re-organisation which was approved at the Company's AGM on 10 November 2021.

The basic earnings per share before exceptional items has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic earnings per share as follows:

	2022 £'000	as restated 2021 £'000
Earnings per share - basic and diluted	(0.32)	0.03
Exceptional costs	0.05	0.02
Earnings per share before exceptional items	<u>(0.27)</u>	<u>0.05</u>

## Reconciliation of earnings

Profit for calculation of basic and diluted earnings per share	(804)	151
Exceptional costs	124	117
Profit before exceptional items	(680)	268

## 10. Property, Plant and Equipment

	Right of use land and buildings (as restated) £'000	Right of use plant, machinery and motor vehicles £'000	Leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total (as restated) £'000
<b>Cost</b>						
Balance at 1 May 2021	1,525	853	562	262	1,517	4,719
Additions	-	124	11	51	499	685
Disposals	(37)	(146)	(212)	(106)	(185)	(686)
Net exchange differences	4	3	-	2	18	27
<b>Balance at 30 April 2022</b>	<b>1,492</b>	<b>834</b>	<b>361</b>	<b>209</b>	<b>1,849</b>	<b>4,745</b>
<b>Depreciation</b>						
Balance at 1 May 2021	(276)	(489)	(454)	(214)	(1,269)	(2,702)
Disposals	-	137	194	80	185	596
Net exchange differences	(2)	-	-	(2)	(5)	(9)
Depreciation	(174)	(174)	(36)	(47)	(111)	(542)
<b>Balance at 30 April 2022</b>	<b>(452)</b>	<b>(526)</b>	<b>(296)</b>	<b>(183)</b>	<b>(1,200)</b>	<b>(2,657)</b>
<b>Net book value 30 April 2022</b>	<b>1,040</b>	<b>308</b>	<b>65</b>	<b>26</b>	<b>649</b>	<b>2,088</b>
<b>Cost</b>						
Balance at 1 May 2020	1,886	697	686	283	1,426	4,978
Additions	62	188	29	61	182	522
Disposals	(138)	(29)	(153)	(80)	(79)	(479)
Lease modification	(283)	-	-	-	-	(283)
Net exchange differences	(2)	(3)	-	(2)	(12)	(19)
<b>Balance at 30 April 2021</b>	<b>1,525</b>	<b>853</b>	<b>562</b>	<b>262</b>	<b>1,517</b>	<b>4,719</b>
<b>Depreciation</b>						
Balance at 1 May 2020	(343)	(314)	(567)	(281)	(1,287)	(2,792)
Disposals	138	24	153	80	79	474
Lease modification	160	-	-	-	-	160
Net exchange differences	1	-	-	2	8	11
Depreciation	(232)	(199)	(40)	(15)	(69)	(560)
<b>Balance at 30 April 2021</b>	<b>(276)</b>	<b>(489)</b>	<b>(454)</b>	<b>(214)</b>	<b>(1,269)</b>	<b>(2,702)</b>
<b>Net book value 30 April 2021</b>	<b>1,249</b>	<b>364</b>	<b>108</b>	<b>48</b>	<b>248</b>	<b>2,017</b>



**11. Intangible assets**

	Goodwill £'000	Development costs £'000	Licenses, patents and copyrights £'000	Other £'000	Total £'000
<b>Gross carrying amount</b>					
Balance at 1 May 2021	6,872	9,412	61	9	16,354
Additions - internally developed	-	257	-	-	257
Additions - external costs	-	507	1	-	508
<b>Balance at 30 April 2022</b>	<b>6,872</b>	<b>10,176</b>	<b>62</b>	<b>9</b>	<b>17,119</b>
<b>Amortisation and impairment</b>					
Balance at 1 May 2021	(4,137)	(6,686)	(23)	(3)	(10,849)
Amortisation	-	(695)	(8)	(3)	(706)
Balance at 30 April 2022 *	(4,137)	(7,381)	(31)	(6)	(11,555)
<b>Carrying amount 30 April 2022</b>	<b>2,735</b>	<b>2,795</b>	<b>31</b>	<b>3</b>	<b>5,564</b>
<b>Gross carrying amount</b>					
Balance at 1 May 2020	6,872	8,681	48	9	15,610
Additions - internally developed	-	501	-	-	501
Additions - external costs	-	230	13	-	243
<b>Balance at 30 April 2021</b>	<b>6,872</b>	<b>9,412</b>	<b>61</b>	<b>9</b>	<b>16,354</b>
<b>Amortisation and impairment</b>					
Balance at 1 May 2020	(4,137)	(6,222)	(17)	-	(10,376)
Amortisation	-	(464)	(6)	(3)	(473)
Balance at 30 April 2021 *	(4,137)	(6,686)	(23)	(3)	(10,849)
<b>Carrying amount 30 April 2021</b>	<b>2,735</b>	<b>2,726</b>	<b>38</b>	<b>6</b>	<b>5,505</b>

\*balance includes impairment provisions for Goodwill of £4,137,000 and Development costs of £3,578,000 totalling £7,715,000

The Group has no contractual commitments for development costs (2021: £Nil).

**12. Goodwill and impairment**

The carrying amount of goodwill is allocated to the cash generating units (CGU's) as follows:

	2022 £'000	2021 £'000
People and Data Management division	2,735	2,735

The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections from the Strategic Business Plan updated with the results from the annual budget process covering a three year period to 30 April 2025. The discount rate that was applied was 12.5% for the People and Data Management division (2021: 17%), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. The compound revenue growth rate for the People and Data Management division increased to 21% (2021: 16%). The growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The gross margin assumed in the forecasts is 32% to 38% (2021: 38% to 42%) with the decline due to change in product mix and impact of lower percentage margins for larger customers. The impairment review applied

sensitivities reducing the long term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 58%.

### 13. Subsidiaries

The subsidiaries of Newmark Security PLC, all of which have been included in these consolidated financial statements, are as follows in the current and prior year:

Name		Country of incorporation	Proportion of ownership interest (*)	Activity
Custom Micro Products Limited		Great Britain	100%	Dormant
Newmark Technology Limited	(2a)	Great Britain	100%	Dormant
Newmark Technology (C-Cure Division) Limited		Great Britain	100%	Dormant
Safetell International Limited		Great Britain	100%	Dormant
Safetell Limited		Great Britain	100%	Trading
Safetell Security Screens Limited		Great Britain	100%	Dormant
Vema B.V.		The Netherlands	100%	Holding
Vema N.V.	(2b)	The Netherlands	98%	Dormant
Vema UK Limited	(2c)	Great Britain	100%	Dormant
Grosvenor Technology Limited		Great Britain	100%	Trading
Newmark Group Limited		Great Britain	100%	Dormant
Sateon Limited		Great Britain	100%	Dormant
ATM Protection (UK) Limited	(2d)	Great Britain	86.70%	Dormant
ATM Protection Limited	(2e)	Great Britain	86.70%	Dormant
Grosvenor Technology LLC	(2a)	USA	100%	Trading

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51%, Newmark Security PLC 47%.
- (c) Owned by Vema NV
- (d) Owned by Safetell Limited
- (e) 100 per cent. Owned by ATM Protection (UK) Limited

(3) The registered offices for Group companies are as follows:

For all the companies incorporated in Great Britain and the Netherlands the registered office is 91 Wimpole Street, London W1G 0EF apart from Safetell Limited, Safetell International Limited and Safetell Security Screens Limited registered office is Unit 46, Fawkes Avenue, Dartford, Kent DA1 1JQ.

Grosvenor Technology LLC registered office is 3009 Green Street Florida USA.

**14. Inventories**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	2,345	1,719
Work in progress	168	220
Finished goods and goods for resale	1,755	1,497
Less provision for slow moving and obsolete stock	(285)	(293)
	<b><u>3,983</u></b>	<b><u>3,125</u></b>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Opening provision	(293)	(350)
Stock written off	73	57
Provided for in year	(65)	-
Closing Provision	<b><u>(285)</u></b>	<b><u>(293)</u></b>

The amount of inventories consumed in the year was £8,286,000 (2021: £7,530,000).

**15. Trade and other receivables**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	3,075	2,496
Less provision for impairment	(35)	(40)
Trade receivables (net)	<u>3,040</u>	<u>2,456</u>
Other receivables	281	429
Accrued income	43	103
Prepayments	285	631
Corporation tax recoverable	330	819
	<b><u>3,979</u></b>	<b><u>4,438</u></b>

At 30 April 2022 £2,261,000 (2021 £nil) of trade receivables had been transferred to a provider of invoice discounting services. The Group is committed to secure any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates for the Physical Security Solutions division are based on the historical credit losses experienced over the three year period prior to the period end, the risk profile of the customer mix and the assumption that this mix will not change significantly. Credit insurance also exists for those customers where it is believed that there might be a credit risk.

The expected loss rates for the People and Data Management division are also based on the historical credit losses experienced

over the three year period prior to the period end, the ageing of debtors, the credit control procedures which are in place and the type of business customer which is not expected to change significantly. Where necessary for customers with a different risk profile and for new customers, the customer's most recent financial and any forward looking information is reviewed on an individual basis.

The historical loss rates are then reviewed for current and forward-looking information on macroeconomic factors affecting the Group's customers which are normally not expected to change significantly in the geographic areas in which those customers are based. Any balances past due which are over credit insurance limits will also be considered for provision.

At 30 April 2022 trade receivables of £497,000 (2021: £174,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Current £'000	30 days past due £'000	60 days past due £'000	120 days past due £'000	Total £'000
As at 30 April 2022					
Gross carrying amount	2,578	287	145	65	3,075
Loss provision	-	(6)	(8)	(21)	(35)
Expected Loss ratio	0.0%	(2.1)%	(5.5%)	(32.3%)	(1.2%)
As at 30 April 2021					
Gross carrying amount	2,322	111	9	54	2,496
Loss provision	(30)	(2)	-	(8)	(40)
Expected Loss ratio	(1.3%)	(1.8%)	0.0%	(14.8%)	(1.6%)

Certain contracts require an applications process to be followed whereby the services are carried out, validated with the customer and then invoiced. These amounts are recorded as accrued income collected in the year, without impairment, prior to validation and following the service. These total £43,000 (2021: £103,000) and are not included in the above table.

Movements on Group provisions for impairment of trade receivables are as follows:

	2022 £'000	2021 £'000
Opening balance	40	54
Increase/(decrease) in provisions	(5)	(14)
<b>Closing balance</b>	<b>35</b>	<b>40</b>

The movement on the provision for impaired receivables has been included in the administrative expense line in the income statement.

## 16. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	1,021	2,085
Other tax and social security	1,118	473
Other payables	289	160
Deferred income	268	282
Accruals	366	727
Holiday pay provision	43	36
Corporation tax payable	-	19
	<b>3,105</b>	<b>3,782</b>

All deferred income brought forward in 2022 and 2021 has been fully recognised in the current year.

**17. Short term borrowings**

	2022	as restated 2021
	£'000	£'000
Lease creditor (note 24)	297	361
Invoice discount accounts	2,261	-
Bank loan	400	241
	<u>2,958</u>	<u>602</u>

The UK invoice discount account is secured by a debenture on all assets of Grosvenor Technology Limited, and a corporate guarantee and indemnity from the parent company and Safetell Limited. The US invoice discount account is secured by a debenture on all assets of Grosvenor Technology LLC.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The interest is at a fixed annual interest rate of 4.69%. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2023. The covenant for the year to 30 April 2022 was waived by HSBC.

Information about fair values on the financial liabilities is given in note 20.

**18. Long term borrowings**

	2022	as restated 2021
	£'000	£'000
Lease creditor (note 24)	1,114	1,307
Bank loan	1,333	1,759
	<u>2,447</u>	<u>3,066</u>

Information about fair values on the financial liabilities is given in note 20.

**19. Financial instruments**

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more financial risks the details of which are disclosed in the Strategic report on page 26.

**19. Financial instruments (continued)***Financial instruments*

Categories of financial assets and liabilities are detailed below:

	<b>Amortised cost</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current financial assets</b>		
Trade and other receivables*	3,064	2,665
Cash and cash equivalents	157	484
<b>Total current financial assets</b>	<b>3,221</b>	<b>3,149</b>
*includes accrued income and excludes VAT receivable		
	<b>Financial liabilities measured at amortised cost</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current financial liabilities</b>		
Trade and other payables	1,310	2,245
Accruals and holiday pay provision	409	763
Loans and borrowings (2021: as restated)	2,958	602
<b>Total current financial liabilities</b>	<b>4,677</b>	<b>3,610</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings (2021: as restated)	2,447	3,066
<b>Total non-current financial liabilities</b>	<b>2,447</b>	<b>3,066</b>
<b>Total financial liabilities</b>	<b>7,124</b>	<b>6,676</b>

*Financial instrument risk exposure management*

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, apart from as mentioned within the expected credit loss review in note 15, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

*Principal financial instruments*

The principal financial instruments used by the Group, from which financial instrument risk arises are:

- Trade receivables, other receivables excluding VAT and accrued income
- Cash and cash equivalents including overdrafts
- Trade and other payables including holiday pay and accruals
- Invoice discounting
- Lease liabilities.

*General objectives, policies and processes*

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

**19. Financial instruments (continued)***Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that the Group has sufficient funds to meet its liabilities when they become due. The Group has one major central bank facility under which any overdrafts can be offset against cash balances held by other UK subsidiaries. Both Grosvenor Technology Limited and Safetell Limited have invoice discounting facilities. The Group Finance Director receives daily reports of all bank and invoice discount accounts, and the balance of the available invoice discount facility.

Overdraft and banking facilities are renewed annually.

Budgets are prepared by each subsidiary and approved by the Group Board so that the cash requirements of the Group facility are anticipated and revised forecasts will be produced for any major variances from budget.

The maturity analysis of the undiscounted financial liabilities measured at amortised cost is as follows:

	as restated	
	2022	2021
	£'000	£'000
up to 3 months	1,915	3,111
3 to 6 months	196	178
6 to 12 months	279	429
Later than 1 year and not later than 5 years	2,857	3,403
	<u>5,247</u>	<u>7,121</u>

*Credit Risk*

Credit risk is the risk of financial loss to the Group if a customer fails to meet its obligations, and the Group is mainly exposed to credit risk from credit sales.

In line with Group policy potential new customers are subject to a financial review, including where possible, external credit ratings, before goods or services are supplied. This is used to set credit terms and purchase limits (representing the maximum open amount they can order without requiring approval) for each customer. A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reviewed continuously. Customers that become "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the local management otherwise pro forma invoices are raised requiring payment in advance. Credit insurance is obtained by the Group when considered appropriate. A review of the existing credit loss exposure can be found in note 14.

*Foreign currency risk*

The Group's main foreign currency risk is the short-term risk associated with financial assets denominated in US dollars and Euros relating to the UK operations whose functional currency is sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the customer. The Group is exposed to currency risk on financial liabilities which are denominated in currencies other than sterling and this risk is measured against costs of purchasing in foreign currencies. The Group is also exposed to currency risk on the translation of profits generated in the US.

The group's foreign exchange strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing USD position generated from revenues and the existing cost base in both GBP and euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position. Given the volatility in foreign currency rates experienced in early 2022, the Group paused with taking out new hedges. Therefore at 30 April 2022 there was only one contract in place for \$250,000 which would translate to £186,860 in the first half of the next financial year. Subsequent to the year end, the hedging policy was recommenced and as at 30 June 2022 contracts were in place for \$2,950,000 to convert into a mixture of GBP and euros over the following 12 months.

**19. Financial instruments (continued)***Functional currency of individual entity*

As of 30 April the net exposure to foreign exchange risk in currencies other than the functional currency of that operating company was as follows:

	US Dollar		Euro	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Net foreign currency financial assets/(liabilities)	453	1,234	(167)	(412)
Pound sterling	453	1,234	(167)	(412)

The effect of a 10% strengthening of the Euro and Dollar against Sterling at the statement of financial position date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net decrease in pre-tax profit for the year and decrease of net assets of £32,000 (2021: £91,000). A 10% weakening in the exchange rates would, on the same basis, have increased pre-tax profit and increased net assets by £26,000 (2021: £75,000).

*Capital*

The Group considers its capital to comprise its ordinary share capital, share premium account, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Loan covenants are disclosed in note 17.

The cash-to-adjusted-capital ratios were as follows:

	as restated	
	2022	2021
	£'000	£'000
Loans and borrowings	5,405	3,668
Less cash and cash equivalents	(157)	(484)
Net borrowings	5,248	3,184
Total equity	7,571	8,225
Net borrowings to adjusted capital ratio	69.3%	38.7%

**20. Financial assets and liabilities**

Fixed rate liabilities at 30 April 2022 comprise of the £1,733,000 bank loan being repaid on monthly instalments ending August 2026 and £1,410,000 of lease liabilities with a remaining life of between 1 to 10 years.

The weighted average interest rate of fixed rate liabilities at 30 April 2022 is 3.94% (2021: 3.95%).



*Fair values*

The book value and fair values of fixed rate financial liabilities are as follows:

	<b>Book value 2022 £'000</b>	<b>Fair value 2022 £'000</b>	<b>Book value 2021 £'000</b>	<b>Fair value 2021 £'000</b>
Bank Loan	1,733	1,943	2,000	2,242
Lease liabilities (2021 as restated)	1,411	1,584	1,668	1,870
	<u>3,144</u>	<u>3,527</u>	<u>3,668</u>	<u>4,112</u>

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

The fair values of all other financial assets and liabilities at 30 April 2022 and 2021 are equal to their book value.

**21. Provisions**

	<b>Leasehold dilapidations £'000</b>
As at 1 May 2021 and 30 April 2022	<u>100</u>

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. On recognition of the initial provision, an equal amount was recognised as part of the cost of the leasehold improvements. This cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

**22. Share capital**

	<b>2022</b>		<b>2021</b>	
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
<b>Allotted, called up and fully paid</b>				
Ordinary share of 5p each	9,374,647	469	-	-
Ordinary shares of 1p each	-	-	468,732,316	4,687
Deferred shares of 0.9p each	468,732,350	4,219	-	-
		<u>4,687</u>		<u>4,687</u>

At the Annual General Meeting held on 10 November 2022, the Company sought shareholder approval for a sub-division and consolidation of the Company's share capital ("Capital Reorganisation"). The shareholders passed the resolution, and as of 11 November 2022, the new ordinary shares were admitted to trading on AIM. As a result of the Capital Reorganisation, each existing ordinary share was subdivided into one new ordinary share of 0.1 pence and one new deferred share of 0.9 pence. Immediately following the sub-division, shareholders received one consolidated ordinary share of 5 pence for every 50 ordinary shares of 0.1 pence.

Prior to the Capital Reorganisation, the Company's ordinary share capital consisted of 468,732,350 ordinary shares of 1 pence, and subsequent to the Capital Reorganisation, the Company's ordinary share capital consists of 9,374,647 ordinary shares of 5 pence with voting rights listed on AIM and 468,732,350 deferred shares of 0.9 pence with no voting rights.

The new ordinary shares have the same rights and benefits as the ordinary shares which existed before the consolidation, including voting, dividend and other rights.

The new deferred shares do not have any commercial value, are not tradable, and do not have any entitlement to voting or dividend rights. Shareholder certificates were not issued for the new deferred shares.

### 23. Reserves

The share premium account represents the excess of the subscription price of shares issued over the nominal value of those shares, less expenses of issue.

The merger reserve arose in the year ended 30 April 2003 when the Company made an offer to the Global Depositary Receipt ("GDR") holders of Vema N.V. for the 49 per cent. of the issued share capital of that company not already owned by the Group. The offer represented 1.5 Newmark shares for each GDR and the merger reserve represented the excess of market value over nominal value of the shares issued. Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement. Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations.

### 24. Leases

The group's liabilities relating to leased assets are as follows:

	<b>2022</b>
	<b>£'000</b>
Lease Liability at 30 April 2021 (as restated)	(1,668)
Additions	(119)
Interest payments	48
Interest expense	(48)
Lease payments	376
<b>Lease Liability at 30 April 2022</b>	<b><u>(1,411)</u></b>

	<b>2021</b>
	<b>£'000</b>
Lease Liability at 30 April 2020	(1,100)
Prior year adjustment (see note 2)	(969)
Lease Liability at 30 April 2020 (as restated)	(2,069)
Additions	(248)
Interest payments	37
Interest expense (as restated)	(62)
Lease surrendered (non cash)	64
Lease modification (non cash)	123
Lease payments	487
<b>Lease Liability at 30 April 2021 (as restated)</b>	<b><u>(1,668)</u></b>

The group mainly enters into leases for properties, vehicles and office equipment such as photocopiers. In the assessment of the right of use asset valuation management consider available extension and termination options and apply the most likely contract end date that will be utilised.

**24. Leases (continued)**

The lease liability repayment profile is shown below:

	<b>Total</b>	<b>Within 1 yr</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Lease payments	1,589	336	219	150	133	751
Finance charges	(178)	(39)	(35)	(25)	(20)	(59)
<b>Net present values at 30 April 2022</b>	<b>1,411</b>	<b>297</b>	<b>184</b>	<b>125</b>	<b>113</b>	<b>692</b>

	<b>Total</b>	<b>Within 1 yr</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Lease payments	1,730	379	336	219	150	646
Finance charges	(62)	(18)	(15)	(8)	(5)	(16)
<b>Net present values at 30 April 2021 (as restated)</b>	<b>1,668</b>	<b>361</b>	<b>321</b>	<b>211</b>	<b>145</b>	<b>630</b>

The nature of the right of use assets contracts are described below:

	<b>No of right of use assets leased</b>	<b>Range of remaining term (years)</b>	<b>No of leases with option to purchase</b>	<b>No of leases with termination option</b>
Office building	4	1-10	-	2
Vehicles	22	0-4	11	-
Other Equipment	2	0-2	1	-

See note 10 for further disclosures of the Group's Right of Use Assets. There are no leases with extension options or leases with variable payment terms linked to an index. There are no significant short term or variable lease expense payments however the Newmark Security PLC main office is a short term rental agreement with the rentals being reflected through administration expenses of £45,000 (2021: £56,000).

**25. Share based payments**

In April 2007, the Group adopted the Newmark Security PLC EMI Share Option Plan which enabled the Board to grant qualifying share options under the HM Revenue and Customs' Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. A new EMI Share Option Plan was set up in September 2019.

The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee.

Date of Grant	2022	2022	2021	2021
	Subscription price payable (pence)	No. of options	Subscription price payable (pence)	No. of options
August 2013	90	247,272	1.800	12,363,636
August 2014	90	38,191	1.800	1,909,589
September 2015	90	22,857	1.800	1,142,857
May 2016	146	40,000	2.920	2,000,000
October 2019	90	146,250	1.800	7,312,500
October 2019	50	118,791	1.000	5,939,692
October 2019	85	0	1.700	5,900,000
<i>Weighted average share prices</i>	86	<u>613,361</u>	1.72	<u>36,568,274</u>

- Share options modified in October 2019 by cancelling and issuing new options retaining the same traits as the cancelled share options with an updated subscription price at a weighted average impact of 0.22p
- All issued share options were adjusted on 10 November 2022 following the 50:1 share re-organisation in line with share plan rules. This resulted in the number of options reduced by 50 times and the exercise price increased by 50 times
- No new share options were issued during the year to 30 April 2022

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 3.6 years (2021: 5.3 years). The total number of exercisable share options outstanding at 30 April 2022 was 445,820 (2021: 19,853,582). The share based remuneration expense for equity settled schemes was £7,000 (2021: £13,000).

## 26. Related party transactions

Details of Directors' remuneration are given in the Directors' Remuneration report on pages 41 to 42.

## 27. Subsequent events

Robert Waddington, a non-executive director of the Company, decided on 6 July 2022 to step down from the Board of Directors and left the business on 8 September 2022.

**COMPANY STATEMENT OF FINANCIAL POSITION****At 30 April 2022 Financial Statements****Company number: 3339998**

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
<b>Fixed assets</b>					
Investment in subsidiaries	3		14,236		16,361
Tangible assets	4		17		21
Intangible assets	4		3		6
Deferred tax asset			-		35
			<u>14,256</u>		<u>16,423</u>
<b>Current assets</b>					
Debtors	5	<u>4,707</u>		<u>4,133</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(13,773)</u>		<u>(12,767)</u>	
Net current liabilities			(9,066)		(8,634)
Total assets less current liabilities			<u>5,190</u>		<u>7,789</u>
<b>Amounts falling due after one year</b>					
Long term borrowings	7		(1,338)		(1,772)
<b>Net assets</b>			<u><u>3,852</u></u>		<u><u>6,017</u></u>
<b>Capital and reserves</b>					
Called up share capital	8		4,687		4,687
Share premium account	8		553		553
Merger reserve	8		801		801
Profit and loss account			(2,189)		(24)
<b>Shareholder's funds</b>			<u><u>3,852</u></u>		<u><u>6,017</u></u>

The Company's loss for the current year was £2,172,000 (2021: loss £278,000).

The notes on pages 87 to 90 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 20 January 2023.



P Campbell-White  
Director

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
<b>01 May 2021</b>	4,687	553	801	(24)	6,017
<i>Comprehensive Income/(loss) for the year</i>					
Income and total comprehensive income/(loss) for the year	-	-	-	(2,172)	(2,172)
<i>Transaction with owners</i>					
Share based payments	-	-	-	7	7
<b>30 April 2022</b>	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(2,189)</b>	<b>3,852</b>
<b>01 May 2020</b>	4,687	553	801	241	6,282
<i>Comprehensive Income/(loss) for the year</i>					
Income and total comprehensive income/(loss) for the year	-	-	-	(278)	(278)
<i>Transaction with owners</i>					
Share based payments	-	-	-	13	13
<b>30 April 2021</b>	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(24)</b>	<b>5,921</b>

The notes on pages 87 to 90 form part of these financial statements.

## 1. Accounting policies

### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). All policies are the same for the Group and company except as noted.

### *Disclosure exemptions adopted*

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- Certain comparative information as otherwise required by the UK endorsed IFRS;
- Certain disclosures regarding the company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- Disclosure of related party transactions with other wholly owned members of the Group headed by Newmark Security PLC;
- The disclosure of the remuneration of key management personnel; and
- Separate disclosure of lease maturity analysis.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments; and
- Financial instruments.

### *Profit and Loss Account*

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2022 is £2,172,000. (2021: loss of £278,000).

### *Tangible and Intangible assets*

Items of property, plant and equipment and intangible website costs are recognized at cost. Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	– 33% per annum straight line
Fixtures and fittings	– 10% per annum straight line
Motor vehicles	– over the term of the lease, usually 3 years on a straight line basis.
Website costs are amortised	– 33% per annum straight line

### *Dividends*

Dividends are recognized when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting ("AGM").

### *Investments*

Investments in subsidiary undertakings are stated at cost less provision for impairment, if any. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

*Intercompany balances*

Balances between Group companies which reflect trading and funding activity are short term. Balances between group companies are interest free and due on demand. Impairment provisions for intercompany balances are recognized based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

*Critical accounting estimates and judgements*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## (a) Estimated impairment of investment in subsidiaries

Where indicators of an impairment exist the carrying value is compared to the recoverable amount to identify the extent of the impairment.

The recoverable amounts are determined based on value-in-use calculations. These calculations require the use of estimates as detailed in note 3 of the company accounts.

**2. Staff costs**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (including the Executive Directors) comprise:		
Wages and salaries	675	656
Defined contribution pension costs	34	32
Employer's national insurance contributions and similar taxes	100	68
	<u>809</u>	<u>756</u>
The average numbers employed (including the Executive Directors) were:	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Office and management	4	4
	<u>4</u>	<u>4</u>

**3. Investments in subsidiaries**

	<b>£'000</b>
<b>Cost</b>	
At 30 April 2022 and 30 April 2021	<u>21,869</u>
<b>Impairment provision</b>	
At 30 April 2021	5,508
Impairment	<u>2,125</u>
At 30 April 2022	<u>7,633</u>
<b>Net book value</b>	
At 30 April 2022 and 30 April 2021	<u><u>14,236</u></u>

The subsidiaries of Newmark Security PLC are listed in note 13 of the Group financial statements.



Impairment reviews were completed for operating cash generating units of People and Data Management division and the Physical Security Solutions division. The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections covering a three year period to 30 April 2025 (2021: four year period). The discount rate that was applied was 12.5% for the People and Data Management division (2021: 17%) and 12.5% for the Physical Security Solutions division (2021: 15%), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

The compound revenue growth rate for the People and Data Management division increased to 21% (2021: 16%). The growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The gross margin assumed in the forecasts is 32% to 38% (2021: 38% to 42%).

For the People and Data Management division the growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The impairment review applied sensitivities reducing the long term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 70%.

For the Physical Security Solutions division the compound annual revenue growth rate for the year ended April 2022 to the year ended April 2025 is growing at a 15% rate (2021: 6%). The gross margin assumed in the forecasts is 43% (2021: 40% to 41%). The impairment review applied sensitivities reducing the long term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 29%.

The £2,125,000 impairment during the year is due to a re-assessment of the carrying value of an investment in a dormant entity, Custom Micro Products Limited. The full carrying value has now been provided for as at 30 April 2022.

#### 4. Tangible and intangible assets

	Right of use Motor vehicles £'000	Computers Fixtures and Fittings £'000	Total Tangible assets £'000	Intangible Website costs £'000
<b>Cost</b>				
Balance at 1 May 2021	34	11	45	9
Additions	-	7	7	-
<b>Balance at 30 April 2022</b>	<b>34</b>	<b>18</b>	<b>52</b>	<b>9</b>
<b>Depreciation</b>				
Balance at 1 May 2021	(13)	(11)	(24)	(3)
Depreciation	(8)	(3)	(11)	(3)
Balance at 30 April 2022	(21)	(14)	(35)	(6)
<b>Net book value 30 April 2022</b>	<b>13</b>	<b>4</b>	<b>17</b>	<b>3</b>
<b>Cost</b>				
Balance at 1 May 2020	34	11	45	9
<b>Balance at 30 April 2021</b>	<b>34</b>	<b>11</b>	<b>45</b>	<b>9</b>
<b>Depreciation</b>				
Balance at 1 May 2020	(4)	(7)	(11)	-
Depreciation	(9)	(4)	(13)	(3)
Balance at 30 April 2021	(13)	(11)	(24)	(3)
<b>Net book value 30 April 2021</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>6</b>

**5. Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amount due from Group undertakings	4,695	4,125
Prepayments	12	8
	<u>4,707</u>	<u>4,133</u>

All amounts shown under debtors fall due for payment within one year.

**6. Creditors: amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft*	939	141
Bank loan	400	241
Trade payables	27	47
Amount due to group undertakings	11,815	11,815
Other taxation and social security	408	262
Lease creditor	8	8
Accruals	176	253
	<u>13,773</u>	<u>12,767</u>

\*The overdraft relates to a Group composite overdraft facility, which is in a net cash positive position at the year end and there is a legal right and intention to settle this net.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2023.

**7. Long term borrowings**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Lease creditor	5	14
Bank loan	1,333	1,758
	<u>1,338</u>	<u>1,772</u>

The lease arises on a motor vehicle which is denominated sterling and is for a period of 36 months.

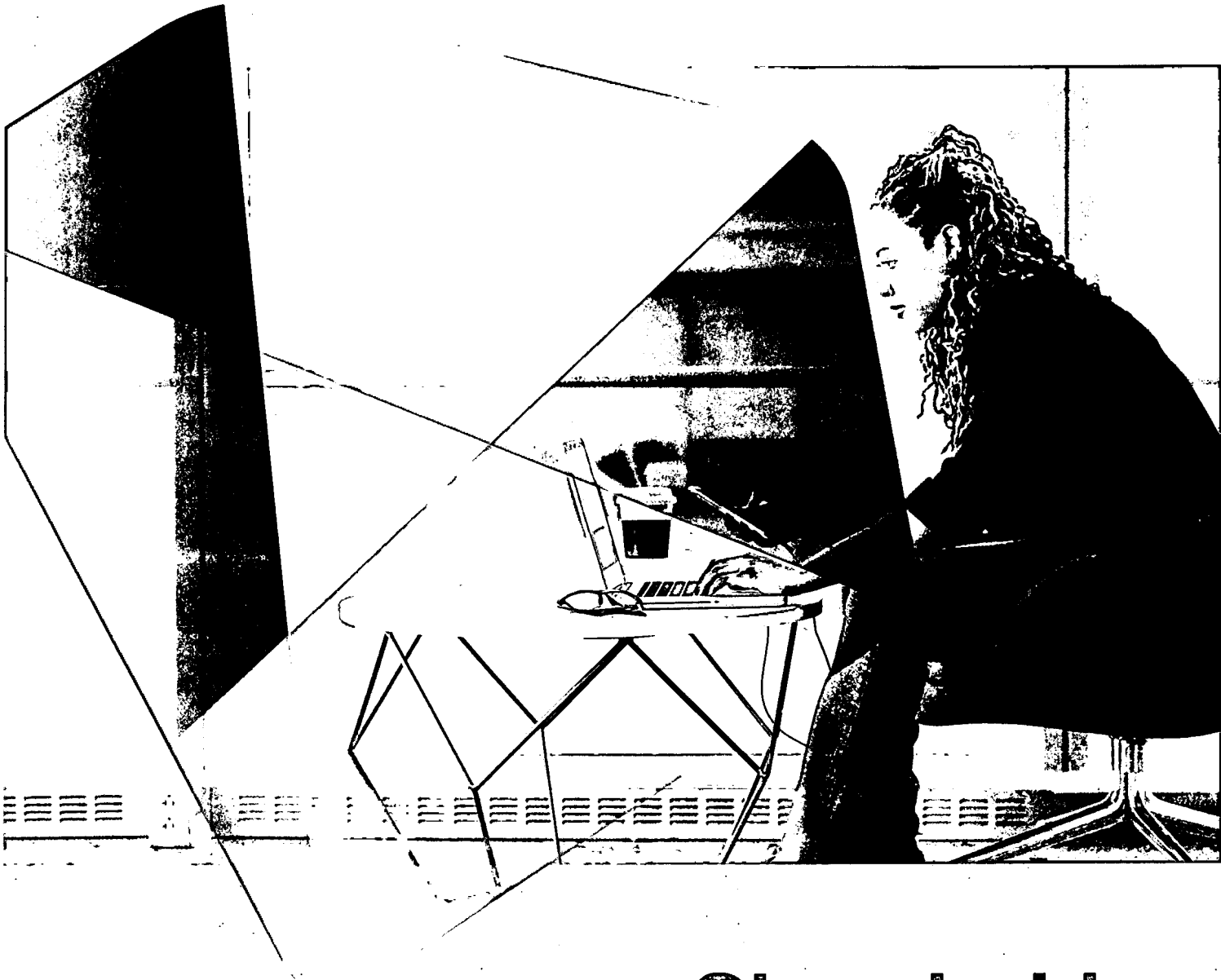
**8. Capital and Reserves**

Details of the Company's called-up share capital are disclosed in note 22 of the Group financial statements.

A description of reserves is disclosed in note 23 of the Group financial statements.



**Newmark**  
SECURITY PLC



# Shareholder Information

---

## DIRECTORS, SECRETARY AND ADVISORS

---

**Country of incorporation of**

**parent company:** England and Wales

**Legal form:** Public company limited by shares

**Directors:** M Dwek  
M-C Dwek  
P Campbell-White  
M Rapoport  
T Yap

**Registered office:** 91 Wimpole Street, London W1G 0EF

**Company number:** 3339998

**Auditors:** BDO LLP, 31 Chertsey Street, Guildford, Surrey GU1 4HD

**Nominated Adviser and Brokers:** Allenby Capital Limited, 5 St. Helens Place, London EC3A 6AB

**Registrars:** Link Asset Services, The Registry, 34 Beckenham Road,  
Beckenham, Kent BR3 4TU

**Solicitors:** Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR