Dissemination of a Regulatory Announcement that contains inside information according to REGULATION (EU) No 596/2014 (MAR).

3 October 2018

Newmark Security plc
("Newmark" or the "Group")

Preliminary Results for the year ended 30 April 2018

Newmark Security plc (AIM:NWT), a leading provider of electronic and physical security systems, today announces its preliminary results for the year ended 30 April 2018.

Financial highlights:

- Turnover from continuing business was £16.0 million (2017: £16.0 million)
- Gross margin from continuing operations before exceptional item was 36.1% (2017: 36.3%)
- Cost of sales within the consolidated income statement includes an exceptional provision for impairment of development costs of £698k (2017: £1,341k)
- Gross margin from continuing operations after exceptional items increased to 31.7% overall (2017: 27.9%)
- Loss from continuing operations before exceptional items was £1,039k. (2017: £1,378k)
- In addition to the impairment of development costs there were £140k (2017: £285k) of exceptional redundancy costs included within administrative expenses. For the year ended 30 April 2017 there was also £2,229k impairment provision of goodwill
- Loss from continuing operations after exceptional items was £1,877k (2017: £5,233k)
- Loss per share of 0.40 pence (2017: 1.11 pence)
- Cash outflow from operating activities was £0.20 million (2017: £1.01 million)
- Net cash reduced to £1.07million (2017: £1.37 million)

Operational highlights

- Sateon Advance had delivered a large volume of new systems and has been the most successful variant of Sateon
- Revenues from Human Capital Management (HCM) increased by 25.1%
- New supply agreements signed with Workforce Software (HCM solution provider in UK and US) and Ultimate Software (US HCM solution provider) will benefit future years revenue
- Decision taken to integrate additional platform using a third-party Integrated Security Management system with our Advance hardware
- Within the asset protection division, sales of cash handling equipment fell by 42% but all other product groups increased by 12%, and service revenue increased by 4.7%

Commenting on the results, Maurice Dwek, Chairman of Newmark, said "The Janus upgrade programme has continued to contribute to access control revenues as end users, faced with platform obsolescence through technology advances, migrate to Sateon. Development work on the Sateon Advance platform has now been completed as the current product is considered to be fully mature and technically robust. A new and additional Access Control platform is currently being developed in collaboration with a third-party supplier of Integrated Security Management systems (ISM) to take advantage of the growing desire for fully integrated security and building management systems. It is anticipated that this new offering will be brought to market in the second half of the current year and will sit alongside Sateon as two distinct platforms. In Human Capital Management (formerly called Workforce Management Systems), the GT-10 terminal continues to provide major opportunities with new and existing partners. Supply agreements have been executed with two major software partners and a Linux port of the Android based terminal is currently being developed. The IT31 is to undergo a mid-life refresh which is anticipated to create new revenue opportunities and increase contribution with existing clients".

"During the year, new products were developed in the asset protection division with the focus on providing counter terror security equipment for staff and customer protection".

"A programme of product re-certification to the latest UK security standards which started in the previous financial year was continued and, when completed, will assist in moving the business forward as our focus is moved to the increased level of crime and threat of terrorism within the UK. The final element of the certification process will be completed in the first half of the current year".

"The Board expects revenue growth in the electronic division following the completion of the two major supply agreements referred to above, and recovery of sales in the asset protection division boosting both the current and future years. The development of the new access control platform being developed with the supplier of ISM systems should also be completed in the year. The Board expects improved financial results for the current year.

M. Dwek
Chairman
3 October 2018

Annual Report and Notice of AGM

The Company's Annual Report and Accounts is being posted to shareholders next week and will be made available on the Company's website www.newmarksecurity.com. It will contain notice of the annual General Meeting of the Company to be held at the Quebec Suite, Radisson Blu Portman, 22 Portman Square, London W1H 7BG 11.00 a.m. on 30 October 2018.

For further information:

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Overview

Business model

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The Group manages its operations through two divisions: Grosvenor Technology, its electronic division and Safetell, its asset protection division.

The electronic division comprises two main product streams, being the design and distribution of:

- access control (AC) systems (hardware and software); and
- human capital management (HCM) hardware (formerly called workforce management systems), for time-and-attendance, shop-floor data collection, and access control systems.

Both activities have their own design teams creating products to meet the demands of their own markets and specific needs of customers. That said, the business increasingly sees synergies between the two lines of business as end user needs are driving convergence of both access control and human capital management. In addition, centralised sales and marketing, purchasing, dispatch and finance functions supplement the requirements of both activities. Manufacturing is mainly performed by external contractors using our intellectual property.

The majority of our access control customers are security installation companies dealing directly with end users. For HCM equipment, the majority of our customers are value-added resellers (VARs) dealing with either installation companies or end users. The division also has the capability to work on special projects directly with end users, assisting with the design and specification of systems to meet specific customer requirements. These tend to be larger contracts where the end user needs to ensure that their specifications are fully met.

The asset protection division comprises two main product streams:

- Design and installation of fixed and reactive security screens, reception counters, cash management systems and associated physical security equipment; and
- Service and maintenance of the above equipment, as well as CCTV systems, automatic door operators, locks and other 3rd party equipment utilizing a national network of security vetted installers.

The certified security products provide protection for staff and customers against the four main forms of security risk namely physical attacks and abuse, bomb and blasts from explosive devices, protection against gun attacks and fire resistant protection incorporated within the products mentioned previously.

Each security risk requires unique products which are not always interchangeable and Safetell works with customers, security consultants and certification bodies to design, develop and test products to ensure their suitability and provide effective protection.

Safetell's work is mainly project based and each project has its own customer specific needs and requires close cooperation with architects and security consultants to develop cost effective security solutions.

Safetell has forged key relationships with suppliers of other security products that complement its own range of products to provide a complete security solution to customers and will continue to seek and develop suitable security products to provide a single source supply of security products on projects.

Customers of the asset protection division range from leading blue-chip organisations to single sites, including banks and building societies, post offices, police forces, railway companies, local authorities and government departments, petrol outlets, hospitals, convenience stores, retailers and supermarket chains. The market varies across the product range.

Key performance indicators

	2017/18	2016/17
	£'000	£'000
Revenue from continuing operations	**16,052**	**16,036**
Gross profit before exceptional items from continuing operations	**5,792**	**5,815**
Gross profit from continuing operations	**5,094**	**4,474**
Gross profit percentage before exceptional items from continuing operations	**36.1%**	**36.3%**
Gross profit percentage from continuing operations	**31.7%**	**27.9%**

Financial review

Revenue in the year was again £16.0m analysed as follows:

	2017/18	2016/17	Increase/ (decrease)
	£'000	£'000	
Electronic division			
Access control	3,842	3,801	1.1%
Human capital management	4,118	3,291	25.1%
Total electronic division	7,960	7,092	12.2%
Asset protection division			
Products	4,874	5,870	(17.0%)

Service	3,218	3,074	4.7%
Total asset protection division	8,092	8,944	(9.5%)
TOTAL	**16,052**	**16,036**	**0.1%**

A detailed review of the activities, results and future developments is set out in the divisional sections below.

Electronic division (Grosvenor Technology)

Overview

Overall, this was a 'turn-round' year for the electronic division. The investment made in product development in recent years has started to be repaid with double digit revenue growth. This increase in revenue, combined with a reduction in overheads in both the UK and US operations, has delivered a significant reduction in Grosvenor's losses.

Several potential high-volume supply agreements have been executed in HCM, and although these did not play any major part in the past year's results, they are expected to contribute significantly towards the overall revenue ambitions for the current year.

Sateon Advance has continued the encouraging start it displayed since its launch in the second half of the previous financial year and several more major opportunities for both Sateon Advance as a complete solution and the OEM variants of the Advance Access Control hardware are currently being investigated. Negotiations are currently underway with one of the UK's largest security systems integrators and several US based global Access Control providers. Sateon Advance has delivered a large volume of new systems and displayed patterns of repeat business from customers throughout the UK, making it the most successful Sateon variant to date due to its innovative modular approach and simplified installation.

The research into opportunities for 'as a service' (aaS) revenues in new markets, facilitated through the provision of the GT-10 Android terminal, has shown that there is likely to be a higher return on investment in our existing markets by leveraging our core competences. Both HCM (particularly in the US) and to a lesser degree Access Control sectors, demonstrate a trend towards the downstream provision of cloud first and even cloud only services. Therefore, a decision has been taken to focus our aaS development on existing products, services and sectors.

Access Control

As reported previously the decision had been made to retire the legacy Janus range with no new systems installed or operating licences issued and consequently revenue declined by 31.7% to £1,254K (2017: £1,837K). Market pricing for hardware for site extensions or replacements has been increased to reflect the higher costs of manufacturing and supporting legacy products in lower volumes and, therefore, it is anticipated that this product family will yield a greater gross margin contribution. Existing Janus systems will now require either an extended support agreement or upgrading to Sateon to ensure continuity of service to end users. The Janus to Sateon upgrade programme continues to help drive revenues for the latter.

Sateon has continued its robust growth trajectory with an increase of 31.8% to £2,588k (2017: £1,964k). Sateon Advance has proven to be the most successful variant of the product to date and continues to grow in terms of both revenues and number of systems installed. During the year a review was conducted on Sateon to test its feature set and technical stability versus market expectations and it was concluded that the product was mature and that all necessary development was complete. A final release including critical bug fixes was released in the first half of the current year.

Development work has continued to create non-proprietary variants of the Advance hardware range to allow it to be integrated with third party vendors' software. By adopting an 'open protocol' approach, incremental revenue is being generated as new channels are developed. As reported previously, a major European Workforce Management software provider has selected Advance as an OEM product to integrate with their proprietary access control solution. This partner's spend increased 80% to £710k in the year across the company. Negotiations are now underway with major global third party access control providers to supply this line as OEM products which would integrate with their various software platforms.

Grosvenor's collaboration with US based UniKey Technologies to launch a "frictionless door experience", was put on hold as UniKey's product development and delivery was slower than expected and failed to satisfy our fiscal tests. The market for mobile and/or biometric credentials is dynamic and rapid, driven in part by consumer adoption of biometric technologies on smart devices. Grosvenor is taking a non-proprietary and open protocol stance and is able to integrate any third party 'point of entry' reader or device into either its Access Control or HCM range of products.

Human Capital Management (HCM)

Across the UK and US entities, revenues from HCM products and services increased by 25.1%. Research has shown that demands for products and services are split by region. In EMEA, HCM providers have a requirement for an Access Control offering as they seek additional revenues through diversification. In the US however, it is recognised that the HCM sector generally and its sub sections, are large enough for software vendors operating in those markets to meet their revenue ambitions by crossing into immediately adjacent spaces, rather than follow the broader diversification seen in their European counterparts.

This means that product development needs to have a clear regionalised strategy, as has been the case during this period. In addition to the Advance OEM Access Control hardware development (detailed in the previous section) that plays to the trends in Europe, development has focused on the provision of added services on a 'as a service' basis, increasingly cloud-based, that aid software vendors reap additional value from their hardware, post-deployment.

In the UK based operation, HCM revenues grew 18.4% to £2,926k (2017: £2,472k). The Linux based IT series sales increased 32.7% with organic growth being shown across the majority of clients. A new supply agreement with Workforce Software, a HCM solution provider based in the UK and US, helped bolster these figures although revenues from this client will not reach full potential until future years.

The GT-10 continues to provide new opportunities in both the UK and US businesses. During the year under review a contract was signed to provide a variant of the GT-10 to a major European HCM partner and during 2018/19 this will become their flagship product. In the US, a supply agreement was reached with Ultimate Software, a leading US based provider of HCM solutions, to supply an OEM variant of the GT-10. The product will be known as the UltiPro and will host Ultimate Software's flagship SaaS solution that allows organizations to access greater people management functionality in the cloud. Revenues came on stream in June 2018.

The US based operation also experienced impressive organic growth, with increases in spend being seen in almost all of the client base so that revenues increased 45.5% to £1,192k (2017: £819k). As detailed in previous reports, the US HCM market is seen as holding significant potential for Grosvenor and it is pleasing that the increased investment in this region is yielding results.

Asset Protection Division (Safetell)

Revenue in the year decreased by 9.5% to £8,092k (2017: £8,944k) a decrease of 9.5% analysed as follows:

	2017/18 £'000	2016/17 £'000	Increase/ (decrease)
Products	4,874	5,870	(17.0%)
Service	3,218	3,074	4.7%
Total	**8,092**	**8,944**	**(9.5%)**

Products revenue decreased partly due to the decreased contribution from time delayed cash handling equipment sales to the Post Office so that cash handling equipment sales decreased by 42%. Overall, revenue in all other product groups increased by 12%. The revenue in the year was characterised by numerous small projects with the absence of larger longer term high value projects and, like the Service Division, continued to be affected by branch closures in the banking sector. Staff reduction and other measures in the second half of the year resulted in cost savings.

During the year, new products were developed and certified to UK security standards with the focus on providing counter terror security equipment for staff and customer protection. The distribution agreement entered into with Gunnebo UK in the previous financial year to distribute their Security Doors and

Partitioning range within the UK increased exposure into new markets but sales have been disappointing to date. This complements the existing Safetell product range and the increased product offering enables entry into new market sectors. A three-year fixed price supply contract with a leading financial institution ended in October but margins on this contract had been reduced due to imported component price increases directly related to the pound/Euro exchange rate.

A programme of product re-certification to the latest UK security standards which started in the previous financial year was continued which, when completed, will assist in moving the business forward as our focus is moved to the increased level of crime and threat of terrorism within the UK. The final element of the certification process will be completed in the second half of the current year.

Service revenue was 4.7% higher than the previous year. Safetell continues to upgrade old legacy systems as customers continue to invest in sites without the need to completely replace rising screens. Supporting new products with its multi skilled workforce continues unaltered. TC105 control system upgrades will continue as customers decide to reinvest in the protection that rising screens provide.

Taxation

The tax credit for the year reflects the operating loss for the year and the losses have been carried forward to be used against future profits.

Statement of financial position and cash flow

Development costs continued to be capitalised in accordance with the accounting policy and the development costs within intangible assets on the balance sheet were £896k lower than the previous year with capitalised expenditure of £332k more than offset by amortization £530k and an impairment provision £698k.

Trade receivables were £438k lower than the previous year reflecting both the timing of that revenue and the timing of payments by customers across the two divisions.

Overall net assets decreased from £8,800k to £6,924k.

Cash inflows from operating activities for the year was £252k (2017: outflow £1,008k), reflecting the improved trading result for the year and the movement in receivables referred to above. Overall there was a decrease in cash and cash equivalents of £297k (2017: £2,938k).

Basic loss per share from continuing operations are shown in the income statement as 0.38 pence (2017: 1.08 pence).

Divisional Strategy

Electronic division

Grosvenor is focussed on delivering growth through the development of new products providing customers with peace of mind whilst also improving business efficiency and flexibility through innovative technology.

Grosvenor's products are at the cutting edge of access control and human capital management and the business is well positioned to capitalise on the crossover between these two aspects of electronic security. Continued investment ensures that the company 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.

In the UK, growth in the access control market is predicted to be low double-digit in the short to medium term with the most significant area of growth in Integrated Systems.

In the HCM markets, (predominately driven by the US based vendors) growth is driven not only by regulation and compliance but primarily by the technological drivers of high speed internet availability and the subsequent mass shift to Cloud based computing. This shift means that the traditionally challenging to serve and highly fragmented Small and Medium-Sized Business market is well within the reach of HCM providers leveraging a SaaS based business model.

Grosvenor is well positioned with a roadmap which builds on our core competencies of technical excellence, agility and customisable products with focus on HCM markets in the US and EMEA and access control generally, leveraging market growth and emerging trends and opportunities driven by both legislative and technological change.

Access Control

Software Platforms- Janus C4 – A next generation Access Control and Integrated Security Management (ISM) System.

The change in the market, with a move away from stand-alone access control solutions to integrated Access Control, Intruder, CCTV and Fire and Building Management into a single platform, represents the greatest area of growth in the electronic security market as end users see an open protocol approach, offering convenience and improved security provision. Having completed the development of the Sateon access control product, Grosvenor has taken the decision to bring an additional platform to market to sit alongside the Sateon offering and to take advantage of the broader ISM opportunity. Slovakian based Gamanet has been identified as having developed a world class ISM solution in its C4 product and the decision was reached to integrate an OEM variant with Grosvenor's Advance hardware to offer synergy between a full ISM solution partnered with world-class, modular hardware. Grosvenor will focus on the UK and EMEA markets with a modern and competitive solution that spans from a simple 2 door Access Control to full blown multisite ISM solutions with thousands of access points and multiple integrations. The decision to utilise a third-party developer with an existing product reduces project risk and decreases time to market. The company expects to launch the new solution towards the end of 2018/19 in parallel with the existing Sateon platform.

Hardware Advance Platform

The Advance hardware platform has been well received in the UK offering a unique blend of simplicity, ease of installation, flexibility in design of the overall solution and powerful Access Control functionality. The intelligent and standards-based architecture of the Advance platform offers a wealth of opportunity for further developing the hardware platform to meet evolving market needs. Each Advance controller is a powerful computer now able to connect securely over IP to both "On Premises" and "Cloud SaaS" based "head ends" thus future proofing the platform as businesses move from traditional "On Premises" to "Cloud SaaS" based provision. Grosvenor are already providing "Cloud" based variants of the Advance Platform to a major HCM and Access Control service provider based on the mainland of Europe and is in negotiations with several other potential customers.

The Company recognizes that future Access Control revenues will be seen through sales of the current variant of the Sateon platform (Sateon Advance), the Janus C4 platform that will be introduced in the current year, and the Advance range of hardware. The company has therefore taken the decision following an impairment review to write off £698k, which relates to sums capitalized for previous, older versions of the Sateon platform which have now been superseded.

HCM

Software Platforms

Grosvenor developed the Custom Exchange and Assist IT software suite over seven years ago, at the time designed to be an On-Premise deployment. These applications are hugely powerful solutions, key differentiators for Grosvenor encompassing advanced data management/transformation and terminal provisioning, remote diagnostics and service capability – designed to significantly reduce operating costs and improve ROI for partners.

Over 2018 and 2019, Grosvenor's roadmap propels those On-Premise solutions into even more powerful Cloud SaaS based offerings. The first two major clients to take advantage of this model are the European HCM partner mentioned previously and a blue chip UK high street retailer and both will be launched in 2018/19.

Over 18/19 and beyond Grosvenor will continue to invest and develop HCM software platforms with a Cloud and API first approach positioning the company as an accessible SaaS solution provider. This shift from "On Prem" to "Cloud SaaS" also affords the opportunity to move to an attractive business model where Software, Services and Terminals are 'bundled' as a Clock as a Service ("ClaaS") generating further recurring revenues.

Hardware Platforms

Grosvenor continues to invest in developing its range of terminals and this remains a key pillar of our growth strategy. The GT10 Android terminal sales will grow during the current year and the company will further develop this top end solution to include connection to the SaaS based remote management platform and rapid on terminal application development, offering partners a standardised Android alternative to the IT range. During the current financial year, the GT10 platform is also being ported to a Linux based offering, the IT71, thus offering existing "Linux only" partners access to the premium terminal connected to Grosvenor's SaaS and rapid application development software solutions. This dual platform approach offers maximum flexibility to a market which has traditionally utilised embedded Linux solutions but is now moving to Android as the benefits of an improved User Experience and Application portability/flexibility become ever more apparent.

Biometrics remains an area of key focus. During the year Grosvenor successfully integrated the world class Innovatrics Biometric API onto the GT10 and will include the integration on the IT71 terminal in late 2018. Suprema's SF6020 sensor has been added to the range of biometric options on the IT range significantly improving the competitiveness of the IT31 and IT51 terminals and allowing those products to be utilised on larger estates.

As cyber security concerns continue to increase, it is driving an arms race in terms of encryption needs and as such existing hardware is constantly under review to ensure processor and memory can support current and future cyber security overhead.

Asset protection division

Safetell is one of the industry leaders in a number of high-demand physical security products and is well placed to service this market. The market for physical 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.

Safetell has developed a strategic business model based on a continuous improvement of skills and processes and apply all requirements of our quality and environmental policies. The company's policy is 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.

Safetell has developed a risk-based strategy which has been deployed, and along with identifying the owners of the risks, the company is able to quantify the levels of risk and the potential outcomes, if those risks were to materialise. All identified risks are monitored and managed by the company directors, senior management and process owners.

The strategy for the company is to broaden the customer base and product range and focus on security solutions encompassing all product groups. Safetell already has a well-established blue-chip customer list, particularly in the banking and finance sector, but wants to extend to other sectors whilst at the same time offering a greater range of products within existing sectors. Specifically, Safetell will seek to address supermarket and retail chains particularly with ATM security related products, blast and ballistic proof doors and walls, and fire-resistant doors. With the increase in terrorism in the UK, products have been developed and certified with the government CPNI blast resistant programme and existing products have been recertified to the latest BSEN 1522/23 (1999) ballistic standards. A programme of product certification with The Loss Prevention Certification Board (LPCB) will be completed in the second half of the current year, ensuring these products comply with the latest UK manual attack resistant standards. Due to the high cost of certification and testing, Safetell has entered into strategic partnerships with manufacturers of various additional security products manufactured within the UK and in Europe. Although these products are applicable to counter terrorism applications, the products are marketed to existing customers and markets who wish to strengthen their security and provide increased safety to staff.

M DWEK

Chairman

3 October 2018

CONSOLIDATED INCOME STATEMENT for the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Revenue		16,052	16,036
Cost of sales (2018: including £698,000 exceptional development cost impairment (2017: £1,341,000)		(10,958)	(11,562)
Gross profit		5,094	4,474
Administrative expenses (2018: including £140,000 exceptional redundancy costs) (2017: including £285,000 exceptional redundancy cost, £2,229,000 exceptional impairment goodwill)		(6,971)	(9,707)
Loss from operations before exceptional items		(1,039)	(1,378)
Exceptional impairment provision of goodwill		–	(2,229)
Exceptional impairment provision of development costs		(698)	(1,341)
Exceptional redundancy cost		(140)	(285)
Loss from operations		(1,877)	(5,233)
Interest received		–	5
Finance costs		(50)	(13)
Loss before tax		(1,927)	(5,241)
Tax credit	2	172	141
Loss for the year from continuing operations		(1,755)	(5,100)
Loss of discontinued operation net of tax		(113)	(136)
Loss for the year		(1,868)	(5,236)
Attributable to:			
– Equity holders of the parent		(1,868)	(5,236)
Loss per share			
– Basic (pence)		(0.40p)	(1.11p)
– Diluted (pence)		(0.40p)	(1.11p)
Loss per share from continuing operations			
– Basic (pence)		(0.38p)	(1.08p)
– Diluted (pence)		(0.38p)	(1.08p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 April 2018

	2018 £'000	2017 £'000
Loss for the year	(1,868)	(5,236)
Items that will or may be reclassified to profit or loss:		
Foreign exchange gains on retranslation of overseas operations	(8)	48
Total comprehensive income for the year	(1,876)	(5,188)
Attributable to:		
– Equity holders of the parent	(1,876)	(5,188)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 April 2018

	2018 £'000	2017 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	378	656
Intangible assets	4,734	5,598
Total non-current assets	5,112	6,254
Current assets		
Inventories	1,608	1,646
Trade and other receivables	2,834	3,286
Cash and cash equivalents	1,069	1,370
Total current assets	5,511	6,302
Total assets	10,623	12,556
LIABILITIES		
Current liabilities		
Trade and other payables	3,051	3,282
Other short term borrowings	491	79
Provisions	–	100
Total current liabilities	3,542	3,461
Non-current liabilities		
Long term borrowings	53	98
Provisions	100	100
Deferred tax	4	97
Total non-current liabilities	157	295
Total liabilities	3,699	3,756
TOTAL NET ASSETS	6,924	8,800
Capital and reserves attributed to equity holders of the company		
Share capital	4,687	4,687

Share premium reserve	553	553
Merger reserve	801	801
Foreign exchange difference reserve	(133)	(125)
Retained earnings	976	2,844
	6,884	8,760
Non-controlling interest	40	40
TOTAL EQUITY	6,924	8,800

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 April 2018

	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Net loss after tax	(1,868)		(5,236)	
Adjustments for:				
Depreciation, amortisation and impairment	1,582		4,848	
Net interest expense	50		8	
Gain on sale of property, plant and equipment	(21)		(33)	
Income tax credit	(80)		(230)	
Operating cash flow before changes in working capital	(337)		(643)	
Decrease in trade and other receivables	453		458	
Decrease/(increase) in inventories	38		(232)	
(Decrease) in trade and other payables	(349)		(586)	
Cash generated from operations		(195)		(1,003)
Income taxes paid		–		(5)
Cash flows from operating activities		(195)		(1,008)
Cash flow from investing activities				
Payments for property, plant & equipment	(1,576)		(211)	
Sale of property, plant & equipment	1,525		48	
Capitalised intangible assets	(368)		(1,182)	
		(419)		(1,345)
Cash flow from financing activities				
Proceeds from bank loan	840		–	
Repayment of bank loan	(840)		–	
Repayment of finance lease creditors	(80)		(108)	
Proceeds from invoice discounting	447		-	
Dividends paid	-		(469)	
Net interest paid	(50)		(8)	
		317		(585)
Net decrease in cash and cash equivalents		(297)		(2,938)
Cash and cash equivalents at beginning of year		1,370		4,299
Exchange gain on cash and cash equivalents		(4)		9

Cash and cash equivalents at end of year	1,069	1,370

	2018 £'000	2017 £'000
Cash and cash equivalents for purposes of the statement of cash flow comprises:		
Cash available on demand	1,069	1,370
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	–	125

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Non- Retained controlling	Earnings interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 May 2016	4,687	553	801	(173)	8,549	40	14,457
Loss for the year	–	–	–	–	(5,236)	–	(5,236)
Other comprehensive income	–	–	–	48	–	–	48
Total comprehensive loss for the year	–	–	–	48	(5,236)	–	(5,188)
Contributions by and distributions to owners							
Dividends	–	–	–	–	(469)	–	(469)
Total contribution by and distributions to owners	–	–	–	–	(469)	–	(469)
30 April 2017	4,687	553	801	(125)	2,844	40	8,800
1 May 2017	4,687	553	801	(125)	2,844	40	8,800
Loss for the year	–	–	–	–	(1,868)	–	(1,868)
Other comprehensive income	–	–	–	(8)	–	–	(8)
Total comprehensive loss for the year	–	–	–	(8)	(1,868)	–	(1,876)
Contributions by and distributions to owners							
Dividends	–	–	–	–	–	–	–
Total contribution by and distributions to owners	–	–	–	–	–	–	–
30 April 2018	4,687	553	801	(133)	976	40	6,924

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2018

1. Basis of preparation

The financial information set out above for the years ended 30 April 2018 and 2017 does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 but is derived from those accounts. Statutory accounts for the year ended 30 April 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts. The auditors' reports were unqualified and did not contain statements under s.498 (2) or (3) Companies Act 2006. The results have been prepared using accounting policies consistent with those used in the preparation of the statutory accounts.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention.

The preparation of Financial Statements in conformity with IFRS require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2. Taxation

The tax credit for the year reflects the operating loss for the year and the losses have been carried forward to be used against future profits.

3. Segment information

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

The Group has 2 main reportable segments:

- Electronic 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 49.6 per cent. (2017: 44.2 per cent.) of the Group's revenue.
- 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 50.4 per cent. (2017: 55.8 per cent.) 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.

	Electronic	Asset Protection	Total
	2018	2018	2018
	£'000	£'000	£'000
Revenue			
Total revenue	7,960	8,092	16,052
Revenue from external customers	7,960	8,092	16,052

Finance cost	28	5	33
Depreciation	111	214	325
Amortisation	534	–	534
Impairment provision	698	–	698
Segment (loss)/profit before income tax from continuing activities	(1,234)	379	(855)
Loss before income tax of discontinued operation	(21)	–	(21)
Total (loss)/profit before income tax	(1,255)	379	(876)
Additions to non-current assets	1,926	16	1,942
Disposals non-current assets	1,525	–	1,525
Reportable segment assets	4,615	3,214	7,829
Reportable segment liabilities	1,554	1,716	3,270

	Electronic 2017 £'000	**Asset Protection 2017 £'000**	**Total 2017 £'000**
Revenue			
Total revenue	7,092	8,944	16,036
Revenue from external customers	7,092	8,944	16,036
Finance cost	1	4	5
Depreciation	125	261	386
Amortisation	873	–	873
Impairment provision	1,341	–	1,341
Segment (loss)/profit before income tax from continuing activities	(2,049)	130	(1,919)
Loss before income tax of discontinued operation	(225)	–	(225)
Total (loss)/profit before income tax	(2,274)	130	(2,144)
Additions to non-current assets	1,296	156	1,452
Disposals non-current assets	14	34	48
Reportable segment assets	6,062	2,761	8,823
Reportable segment liabilities	1,469	2,052	3,521

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

	2018 £'000	**2017 £'000**
Revenue		
Total revenue for reportable segments	16,052	16,036

	2018 £'000	**2017 £'000**
Profit or loss after income tax expense		
Total profit or loss for reportable segments	(855)	(1,919)
Parent company salaries and related costs	(525)	(522)

Other parent company costs	(547)	(571)
Impairment provision of goodwill	–	(2,229)
Loss before income tax expense	(1,927)	(5,241)
Corporation taxes	172	141
Loss after income tax expense (continuing activities)	(1,755)	(5,100)

	2018	**2017**
	£'000	**£'000**
Assets		
Total assets for reportable segments	7,829	8,823
PLC	59	998
Goodwill on consolidation	2,735	2,735
Group's assets	10,623	12,556
Liabilities		
Total liabilities for reportable segments	3,270	3,521
PLC	429	235
Group's liabilities	3,699	3,756

	Reportable segment totals	**PLC**	**Group totals**	**Reportable segment totals**	**PLC**	**Group totals**
	2018	**2018**	**2018**	**2017**	**2017**	**2017**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other material items						
Capital expenditure	1,942	2	1,944	1,452	66	1,518
Disposals non-current assets	1,525	–	1,525	48	–	48
Depreciation and amortisation	859	25	884	1,258	20	1,278
Impairment of development costs	698	–	698	1,341	–	1,341
Impairment of goodwill	–	–	–	–	2,229	2,229

Geographical information:

	External revenue by location of customers		**Non-current assets by location of assets**	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
UK	12,084	13,008	5,109	6,243
Netherlands	456	357	–	–
Sweden	198	6	–	–
Belgium	547	362	–	–
Austria	174	163	–	–
Ireland	146	73	–	–

Other Europe	291	205	–	–
USA	1,689	1,340	3	11
Middle East	340	359	–	–
Other countries	127	163	–	–
	16,052	16,036	5,112	6,254

Revenue from one customer in the asset protection division totalled £2,005,000 (2017: £3,508,000). There are no other customers that account for more than 10% of Group revenue.

4.(Loss)/earnings per share

	Continuing		Discontinued		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Numerator						
Earnings used in basic and diluted EPS	(1,755)	(5,100)	(113)	(136)	(1,868)	(5,236)

	No.	No.
Denominator		
Weighted average number of shares used in basic EPS – continuing operations	468,732,316	468,732,316
Weighted average number of dilutive share options	-	2,733,509
Weighted average number of shares for dilutive EPS	468,732,316	471,465,825

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:

	2018 pence	2017 pence
Basic loss per share from continuing operations – basic and diluted	(0.38)	(1.08)
Impairment provision of goodwill	–	0.47
Impairment provision of development costs	0.15	0.29
Exceptional redundancy costs	0.03	0.06
Loss per share from continuing operations before exceptional items	(0.20)	(0.26)

	2018	2017
	£'000	£'000
Reconciliation of earnings		
Loss from continuing operations used for calculation of basic and diluted earnings per share	(1,755)	(5,100)
Impairment provision of development costs	698	1,341
Impairment provision of goodwill	–	2,229
Exceptional redundancy costs	140	285
Loss from continuing operations before exceptional items	(917)	(1,245)

5. Dividends

The Directors are not proposing a final dividend (2017: nil pence) totaling £Nil (2017: £Nil)