



26 July 2010

Newmark Security plc

("Newmark" or the "Group")

Final Results

Newmark Security plc (AIM:NWT), a leading provider of electronic and physical security systems, today announces its final results for the year ended 30 April 2010.

Financial Highlights:

- Turnover increased by 6.4% to £13.8 million (2009: £13.0 million), with an increase in the Asset Protection division of 18%
- Total net assets up 15% to £10.026 million (2009: £8.715 million)
- Gross margin fell slightly to 43.4% overall (2009: 44.4%)
- Profit increased to £1.667 million (2009: £1.477 million)
- Earnings per share of 0.31 pence (2009: 0.24 pence)
- Earnings per share before losses of discontinued operations and abortive acquisition costs of 0.33 pence (2009: 0.26 pence)
- Cash flow from operating activities reduced to £1.696 million (2009: £2.234 million)
- Proposed dividend of 0.0275 pence (2009: 0.025 pence)
- Revenues are expected to be lower during the first half of the current year against strong prior half year comparatives due to the temporary postponement of orders but which are expected to be caught up in the second half of the year.

Commenting on the results Maurice Dwek, Chairman of Newmark Security plc, said: "Despite challenging conditions remaining in certain markets, overall this has been a very successful and pleasing year for the Group. Significant progress has been made by both the Electronic and Asset Protection divisions as demonstrated by the important acquisition for Safetell and its entry into the new market of Cash In Transit deliveries and ATM cash protection and Grosvenor's contract wins with two leading global retailers. Newmark enters the new financial year in a good position to sustain the development of the Group over the longer term."

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Notes to editors

Newmark Security PLC is a leading provider of electronic and physical security systems, which focus on personal security and the safety of assets. Operating through two established and wholly owned divisions, Grosvenor Technology (Electronic) and Safetell (Asset Protection), the Group listed on AIM in 1997.

Founded in 1989 Grosvenor Technology provides state of the art access control, security and data acquisition systems delivered via its flagship JANUS access platform and its CUSTOM brand OEM product range. Clients include BAE Systems, UK Air Traffic Control, BSKyB, Merrill Lynch (Europe, Middle East and Asia) as well as M&S, Morrisons, Tesco, Network Rail, British Royal Palaces, government departments and many universities. More information can be found at www.gtl.biz

Offering staff and asset protection since 1987, Safetell is the UK's leading provider of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. Safetell's customers range from leading blue chip organisations to single sites including banks and building societies, police forces and the Post Office, local authorities and government departments, forecourt retailers and supermarket chains. More information can be found at www.safetell.co.uk

Chairman's Statement

Overview

Trading in the year has continued to be affected by the ongoing financial crisis here in the United Kingdom. However, the Asset Protection division has enjoyed a substantial recovery from the previous year with revenue 18 per cent. higher. The OEM sector of the Electronic division also increased revenue in the year following the problems in the retail sector in the previous year and we were particularly pleased to announce in the year that we had signed contracts with two leading global retailers. The access control sector however suffered from end users freezing expenditure on major contracts as the economic issues continued to dominate business thinking.

The Board explored the possible acquisition of a relatively new development company which would have been an excellent fit with the Electronic division. Having spent a considerable amount of time with the company, the level of sales being achieved and forecast did not match up to the Board's original hopes and expectations. The Board therefore did not believe that the investment could be justified and were required to write off the professional costs that the Group had incurred.

However on 28 April the Group was able to complete the acquisition of 60 per cent. of ATM Protection (UK) Limited and its wholly owned subsidiary company ATM Protection Limited. The previous owners of the business have retained a 40 per cent. interest and have signed three year employment contracts with the company. ATM Protection has developed a product that enables Safetell to enter an entirely new market of Cash In Transit ("CIT") deliveries and ATM cash protection. The development has been made over a number of years in conjunction with Loomis (UK) Limited ("Loomis"), one of the largest CIT delivery companies in Britain. The development involves the application of a glue that works with the linen properties of the bank note allowing a unique chemical reaction resulting in the note degradation. The existing methods of security used by CIT companies involve the use of ink to stain the notes and have not provided the desired results with the British Banking Association reporting a 69 per cent. increase in attacks on ATM cash replenishment and normal branch cash deliveries. The development of the product is being completed in conjunction with Safetell and will then be tested by Loomis before being sold to the Loomis branch network. The Group has acquired a 60 per cent. stake in the business at a cost of £264,000.

The year included a personal tragedy for myself with the sudden death of Alexander Reid who I had known for a period of thirty years and had been a non-executive director of the Company since its formation. Apart from the personal loss, his contribution to the Group through his knowledge and experience will also be missed. Our thoughts and best wishes are with his wife and family.

During the year the Board appointed Derek Blethyn as an executive director of the Group. Derek has been the managing director of the Electronic division since we acquired Grosvenor Technology in 2002. The Board also appointed David Ishag as a non executive director. David became a partner at Knowledge Universe in 1997, a private equity fund based in Los Angeles. In 1999 he joined Idealab in Los Angeles and opened their London office in order to develop Idealab's US model of creating and supporting pioneering technology companies moving into Europe. Since leaving Idealab in 2003, David has been an active investor and advisor to a wide range of industries including oil, gas, mining, telecoms and financial services. He also acts as a special advisor to Financo, a leading boutique US investment bank that specialises in the retail industry. The Board joins me in welcoming them both.

Revenue for the year from continuing businesses was £13,792K compared to £12,960K, an increase of 6.4 per cent. Gross margin for the year from continuing operations was £5,980K (43.4 per cent. of sales) compared to £5,760K (44.4 per cent.). The change in overall gross margin reflects the increase in sales in the asset protection division in the year, which has a lower margin than the electronic division.

Revenue in the Electronic division decreased in the year from £6,631K to £6,325K. Turnover in the Asset Protection division increased in the year from £6,329K to £7,467K.

Earnings per share are shown in the income statement as 0.31 pence (2009: 0.24 pence). However, the earnings per share before losses of discontinued operations and abortive acquisition costs are 0.33 pence (2009: 0.26 pence) as calculated in note 2 below.

As a consequence of the increase in revenue, revenue per employee increased to £109,460 from £107,942.

The OEM division of Grosvenor and Safetell are the leaders in their particular markets whilst Grosvenor is a major force at the upper price end of the access control market. There were no environmental issues having a major impact on the Group in the year.

The Group continues to invest in research and development which will benefit the results in the future.

The Disability Discrimination Act will, we believe, have an increasing impact on the requirements of some of our customers which will benefit the Asset Protection division in particular.

The Group net assets have increased in the year from £8.7 million to £10.0 million.

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

Financial results

The profit from operations for the year was £1,667,000 (2009: £1,477,000). Revenue for the year for continuing operations was £13,792,000 (2009: £12,960,000). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £6,325,000 (2009: £6,631,000)

Profit from operations £1,402,000 (2009: £1,562,000)

Profit before tax £1,386,000 (2009: £1,516,000)

Sales in the division were lower than last year with business continuing to be affected by the recession with customers delaying projects in particular in the build up to the general election and the uncertainty before the announcement of the emergency budget post the election. However the division has continued its substantial investment in new systems and developments which are explained in detail below, and which will greatly enhance Grosvenor's product offering in the future in terms of both number of products available and the advanced features included within.

Revenue from OEM hardware, data collection and time and attendance terminals has seen a small increase on the previous year, £2,157K to £2,221K, (approximately 3 per cent.) even though sales to our US distributor have fallen by more than 10 per cent. (£470K to £420K).

The Group announced during the year that Grosvenor had been awarded two major contracts to supply equipment to two leading global retailers for their integrated Time and Attendance solutions. Both of these contracts started towards the end of the year under review and are expected to contribute approximately £1 million total revenue over the next two to three years.

The new CUSTOM IT41 and IT51 terminals are about to be released and will add 6.5" and 10" touch screen capability to our IT offering as requested by a large proportion of our customer base. Grosvenor will also be introducing a Windows version (IT55) for those customers preferring such a version as opposed to a Linux solution.

Grosvenor is also about to release CUSTOM Exchange 'middleware' which is a software application that allows an OEM customer to easily interface their software with our IT terminals and directly tap into the power of the operating system and our unique feature set. This will require comparatively little coding or development by the customer who will gain other major benefits which are inbuilt into CUSTOM Exchange such as biometric template management, template distribution, and hardware diagnostic notification that will be released at a later date.

Grosvenor recently profiled the IT series with CUSTOM Exchange in the US and the reaction from potential partners has been extremely positive. The Group believes that it has a world-beating product that has much to offer the US market in particular. Grosvenor is about to start discussions with four major companies, any one of which would be a key account in their own right so substantial growth is expected in this area within the next year or two.

Sales of access control systems were lower than the previous year, £3,751K compared to £3,992K (6 per cent. lower) due mainly to a single contract the previous year with Network Rail (approximately £200K), and a long-term manufacturing licence that was terminated. The manufacturing licence has however been renegotiated since the year end as a supply contract for up to five years but three months revenue was lost with a one-time shortfall of £78K for that period. It is expected that the difference between the two contracts will be at worst neutral from an earnings perspective.

Sales in Newmark Technology of third-party access control products have been affected by the recession and the fact that we cannot control third-party supply prices as we can with our own products. The net effect is that overall sales in Newmark were down from £482K to £353K (a fall of 26.8 per cent.). The only current product within Newmark Technology of our own manufacture, N-TEC Access, which sells into the Middle East via Simplex Fire and Security, has remained comparably steady at £205K (£215K for the previous year).

The development of the new SATEON access control software is on target and due to be launched at the Intersec exhibition in Dubai in January 2011. Grosvenor already has indications that it will be a success with its foreign language capability and Silverlight web browser GUI. The first languages to be released will be Arabic and Russian for the N-TEC access markets and other languages will follow soon thereafter to widen the appeal of the system. In the past Grosvenor has been limited to English speaking customers because JANUS was difficult for our developers to translate. SATEON will be translatable by the client and switchable on demand so that any business language can be accommodated.

SATEON access will eventually replace JANUS and become the main product stream for Grosvenor and it will be easy for JANUS systems to upgrade to SATEON so allowing an extended life span for existing Grosvenor systems. The development of SATEON version II is on track and expected for May/June next year and will include both direct interfacing to a major CCTV product and the capability of JANUS Enterprise which is Grosvenor's current high-end enterprise access solution. Basic ONVIF CCTV features will also be included.

In summary the Group is pleased that Grosvenor has maintained its position during the recession and are very excited about the future for CUSTOM OEM products and the launch of SATEON access together with the branded products for Simplex and Tyco/ADT.

CUSTOM and SATEON product streams will allow Grosvenor to enter new geographic areas and supply new customers with unique products which are both cost effective and feature rich in their respective markets. Grosvenor has been accepted on the UK Trade & Investment Passport to Export Programme which will greatly assist its sales efforts, in particular into the USA for OEM products and into the Middle East for SATEON.

Asset Protection Division

Turnover £7,467,000 (2009: £6,329,000)

Profit from operations £919,000 (2009: £497,000)

Profit before tax £897,000 (2009: £477,000)

Safetell achieved revenue growth of approximately 17 per cent. over the previous period with the major contributions from a single programme of work for a large UK bank for Eclipse rising screens and the continuation of the Crown Office refurbishment programme by the Post Office.

Sales of Eclipse rising screens to HBOS increased in the first and second quarters after a temporary suspension last year. Although Safetell had received orders from various long-term customers in retail finance, petrol retailing and police forces, reduced sales were experienced due to budget cuts across all sectors. Upgrades, refurbishment and reconfigurations of previous installations were similarly affected by budget cuts and accounted for only 6 per cent. of Eclipse revenue.

The number of CounterShield installations was similar to the previous year with sales to various police forces contributing 62 per cent. of the CounterShield sales.

After an initial increase in requests for quotes for Eye2Eye in the first quarter, sales were also in line with the previous year after cut backs by the train operating companies. Safetell has however obtained several new customers which could increase sales in future years.

Sales of RollerCash and BiDiSafe to the Post Office as part of the Crown Office refurbishment programme continued but was affected in the last quarter when Post Office funding dried up due to overspend in other areas. An order for the supply of 30 RollerCash to a large UK bank resulted in sales 33 per cent. above plan.

Fixed glazing installations were 17 per cent. less than last year with disappointing sales to petrol retail customers during the period.

Service and maintenance revenues were in line with the previous year with operating profits up by 8.5 per cent. These results are very commendable bearing in mind the large cost constraints Safetell's larger customers placed upon the division. Margin improvement was

driven by efficiency gains from improved labour utilisation assisted by a large installation programme. Contract retention levels remain high. Some less profitable contracts were allowed to expire allowing concentration on higher margin work. A new two year service support contract with a large UK bank worth in excess of £1 million per annum was ratified in February 2010.

Sales for the current year will be affected by the continuing uncertainty in the banking and financial sectors particularly following the recent emergency budget. There is also uncertainty following recent EU guidance on the number of branches which banks should retain. This could result in Safetell's existing customers acquiring more branches from other banks which will benefit sales in future years. The Post Office and WHSmith have indicated that they will embark on a new roll out of Post Office Agency branches within the WHSmith retail set up, but the number of outlets has yet to be confirmed.

The development of the new Cash Recycler has been completed and the unit has successfully passed the Bank of England framework test by rejecting 100 per cent. of the test samples of counterfeit notes currently in circulation in the UK.

Despite cutbacks by train operating companies, sales of Eye2Eye units are expected to be similar to last year with the successful installation of Eye2Eye units into demountable ticket offices resulting in further orders.

The new Safetell Lite product line that has been developed should produce more orders and marketing efforts to promote this product to the construction and building industry will be intensified.

Acceptance on the UK Trade & Investment Passport to Export Programme will assist in exploring new market potential in Europe, Russia and Canada and we will actively promote the Eclipse rising screen, CounterShield and Eye2Eye in these territories.

The current period offers many opportunities for the service and maintenance division particularly in the retail banking arena. Safetell's technology improvements continue to reduce unit costs and ensure that this division remains competitive whilst still supplying a premium service to its long-term blue chip customers. The service and maintenance division will continue to form a stable base underpinning the results of the asset protection division..

Balance sheet and cash flow

Cash flows from operating activities decreased from £2.2 million to £1.7 million in the year, whilst net bank debt fell from £0.3 million to £0.2 million. The balance on the invoice discount account reduced significantly from £736K to £516K.

The Group has continued to conserve cash whilst safeguarding its assets in the year. Inventories have been reduced further from £1,704K to £1,503K in the year (a reduction of 12 per cent.) through further reviews of our purchasing policies and other efficiencies. The substantial increase in non-current assets reflects the increased development expenditure in the year from £0.6 million to £1.0 million which have been described within the Electronic Division operating review above. The major part of the reduction in payables was the reduction in the balance on the invoice discount account. The Group's work at credit control has been successful in the year with no new bad debts arising. The above factors contributed to the increase in net assets from £8.7 million to £10.0 million.

Employees

The Board would like to welcome the new employees to the Group and to thank all staff for their efforts which are so important to the continuing success and development of the business.

Summary

Trading in the first few months of the new financial year has been variable for Grosvenor and Safetell due to the delay in placing orders by some customers prior to the general election and the emergency budget. As a consequence of this, the Board anticipates that whilst revenues are likely to be lower during the first half of the current year against strong prior half year comparatives, this temporary postponement of orders is expected to be caught up in the second half. The Board is therefore satisfied with the Group's current trading performance and is cautiously optimistic as to the future outlook of the Group. In particular, the Board is excited about its investment in ATM Protection although its contribution to the Group in the current year is difficult to gauge due to the uncertainty over the timing of the trial programme and the commencement of the roll out programme.

M DWEK

Chairman

26 July 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 30 April 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue		13,792	12,960
Cost of sales		<u>(7,812)</u>	<u>(7,200)</u>
Gross profit		5,980	5,760
Administrative expenses pre abortive acquisition costs		(4,243)	(4,226)
Abortive acquisition costs		<u>(70)</u>	<u>(57)</u>
Administrative expenses – total		<u>(4,313)</u>	<u>(4,283)</u>
Profit from operations		1,667	1,477
Finance costs		<u>(89)</u>	<u>(164)</u>
Profit before tax		1,578	1,313
Tax expense		<u>(154)</u>	<u>(175)</u>
Profit for the year from continuing operations		1,424	1,138
Post-tax loss related to discontinued operations		<u>(15)</u>	<u>(41)</u>
Profit for the year		<u>1,409</u>	<u>1,097</u>
Attributable to:			
- Equity holders of the parent		<u>1,409</u>	<u>1,097</u>
Earnings per share			
- Basic (pence)	2	<u>0.31p</u>	<u>0.24p</u>
- Diluted (pence)	2	<u>0.30p</u>	<u>0.24p</u>
Continuing operations			
- Basic (pence)	2	<u>0.32p</u>	<u>0.25p</u>
- Diluted (pence)	2	<u>0.31p</u>	<u>0.25p</u>
Discontinued operations			
- Basic and diluted (pence)	2	<u>(0.01p)</u>	<u>(0.01p)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2010

	2010 £'000	2009 £'000
Profit for the year	1,409	1,097
Foreign exchange profits/(losses) on retranslation of overseas operations	<u>7</u>	<u>(27)</u>
Total comprehensive income for the year	<u>1,416</u>	<u>1,070</u>

Attributable to:

- Equity holders of the parent

1,416

1,070

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
ASSETS					
Non-current assets					
Property, plant and equipment		730		757	
Intangible assets		9,313		8,032	
Total non-current assets		10,043		8,789	
Current assets					
Inventories		1,503		1,704	
Trade and other receivables		2,402		2,404	
Cash and cash equivalents		211		606	
Total current assets		4,116		4,714	
Total assets			14,59		13,503
LIABILITIES					
Current liabilities					
Trade and other payables		2,958		3,163	
Other short term borrowings		312		607	
Corporation tax liability		160		296	
Provisions		123		123	
Total current liabilities		3,553		4,189	
Non-current liabilities					
Long term borrowings		68		309	
Provisions		100		124	
Deferred tax		412		166	
Total non-current liabilities		80		599	
Total liabilities			4,133		4,788
TOTAL NET ASSETS			10,026		8,715
Capital and reserves attributable to equity holders of the company					
Share capital		4,504		4,504	
Share premium reserve		502		502	
Merger reserve		801		801	
Foreign exchange difference reserve		(167)		(174)	
Retained earnings		4,346		3,042	
Minority interest			9,986		8,675
			40		40
TOTAL EQUITY			10,026		8,715

The financial statements were approved by the Board of Directors and authorised for issue on 26 July 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 April 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Cash flow from operating activities					
Net profit after tax		1,409		1,097	
Adjustments for:					
Depreciation and amortisation		526		466	
Interest expense		89		164	
Income tax expense		154		175	
Share option charge		8		21	
Discontinued operations		-		(16)	
		<u>2,186</u>		<u>1,907</u>	
Operating cash flows before changes in working capital					
Decrease in trade and other receivables		2		779	
Decrease in inventories		201		198	
(Decrease) in trade and other payables		(550)		(277)	
		<u>1,839</u>		<u>2,607</u>	
Cash generated from operations					
Income taxes paid		(143)		(373)	
		<u>1,696</u>		<u>2,234</u>	
Cash flows from operating activities					
Cash flow from investing activities					
Payments for property, plant and equipment		(239)		(204)	
Sale of property, plant and equipment		13		14	
Research and development expenditure		(1,003)		(595)	
Intangible asset expenditure		(1)		(12)	
Acquisition of subsidiary, net of cash acquired		(20)		-	
		<u>(1,250)</u>		<u>(797)</u>	
Cash flow from financing activities					
Repayment of bank loans		(501)		(614)	
Repayment of finance lease creditors		(138)		(140)	
Dividends paid		(113)		-	
Interests paid		(89)		(164)	
		<u>(841)</u>		<u>(918)</u>	
(Decrease)/increase in cash and cash equivalents		<u>(395)</u>		<u>519</u>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Minority interest £'000	Total equity £'000
1 May 2008	4,504	502	801	(147)	1,924	40	7,624
Dividends	-	-	-	-	-	-	-
Share based payment	-	-	-	-	21	-	21
Total comprehensive income	-	-	-	(27)	1,097	-	1,070
30 April 2009	4,504	502	801	(174)	3,042	40	8,715
1 May 2009	4,504	502	801	(174)	3,042	40	8,715
Dividends	-	-	-	-	(113)	-	(113)
Share based payment	-	-	-	-	8	-	8
Total comprehensive income	-	-	-	7	1,409	-	1,416
30 April 2010	4,504	502	801	(167)	4,346	40	10,026

NOTES TO THE ACCOUNTS

1. Basis of preparation

The financial information set out above for the years ended 30 April 2010 and 2009 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 2009 have been delivered to the Registrar of Companies and those for 2010 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. Earnings per share

	2010	2009
	£'000	£'000
Numerator		
Earnings used in basic and diluted EPS	1,409	1,097
Earnings used in basic and diluted EPS – continuing operations	1,424	1,138
	No.	No.
Denominator		
Weighted average number of shares used in basic EPS		
– continuing and discontinued operations	450,432,316	450,432,316
Effect of employee share options	12,800,000	–
Weighted average number of shares used in diluted EPS – continuing and discontinued operations	463,232,316	450,432,316

Certain employee options have also been excluded from the calculation of diluted EPS as their executive price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. The basic earnings per share before results of discontinued operations and abortive acquisition costs 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:

	2010 pence	2009 pence
Basic earnings per share (pence) – basic	0.31	0.24
Abortive acquisition costs	0.01	0.01
Earnings per share before abortive acquisition costs	0.32	0.25
Losses of discontinued operations	0.01	0.01
Earnings per share before results of discontinued operations, and abortive acquisition costs – basic	0.33	0.26
	2010 £'000	2009 £'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	1,409	1,097
Abortive acquisition costs	70	57
Earnings before abortive acquisition costs	1,479	1,154
Losses of discontinued operations	15	41
Earnings before results of discontinued operations and abortive acquisition costs	1,494	1,195

3. The directors are proposing a dividend of £125,000 (2009:£113,000).

- Ends -