Newmark Security plc

("Newmark" or the "Group")

Preliminary 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 2013.

Financial Highlights:

- Turnover increased by 39.9% to £18.3 million (2012: £13.1 million)
- Gross margin increased slightly to 40.4% overall (2012: 40.2%), but this was after exceptional development cost provisions of £483K (2012: £194K). Gross margin prior to these provisions was 43.0% (2012: 41.7%)
- Profit from operations was £0.202 million (2012: £0.189 million)
- Profit from operations before exceptional items was £2.476 million (2012: £0.559 million)
- Profit from operations for the year was after £0.483million impairment provision against certain development costs and £1.791 million impairment provision against goodwill (2012: after provision against development costs £0.194 million and legal costs 0.176million)
- Earnings per share of 0.03 pence (2012: 0.04 pence). Earnings per share before impairment provisions was 0.54 pence (2012: before impairment provisions and legal costs 0.12 pence)
- Cash flow from operating activities increased to £2.960 million (2012: £2.114 million)

Commenting on the results Maurice Dwek, Chairman of Newmark Security PLC, said: The Board is delighted that it has been able to reintroduce a recommendation for the payment of a dividend for the year. A trading update was issued in June this year in view of the increased levels of trading that the Group was experiencing from a number of contracts. As stated both at the time and in previous years, the timing of these contracts is dependent upon our customer requirements and therefore turnover can vary significantly year on year. In view of the very high sales experienced last year, the Board does not expect the same volumes to be repeated in the current year but does anticipate another successful year.

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CHAIRMAN'S STATEMENT

I am delighted to report a year of substantial improvement in revenue and gross profit for the year ended 30 April 2013. Group revenue for the year was £18,316k (2012: £13,094k), an increase of 39.9 per cent. Revenue in the electronic division increased by 9.5 per cent. from £6,039k to £6,615k, whilst the asset protection division revenue increased by 65.9 per cent in the year from £7,055k to £11,701k.

I stated last year that the concept of our cash in transit box had proved successful but that the Board had decided to develop a new outer casing using different and lighter materials. This new design offers greater flexibility and will save costs going forward. However procedural changes by customers have lengthened the redevelopment timetable and it is expected that field trials will restart with customers next month. In view of the redevelopment of the box, an impairment provision of £483k is required under IAS36 in respect of the costs incurred prior to the start of the redevelopment and this has been included in cost of sales within the income statement. The Board believes that there is still a substantial market for the box when it has successfully completed all the trials. The impairment provision in the previous year of £194k related to a separate development.

After these impairment charges, gross profit for the year from continuing operations was £7,395k (40.4 per cent. of sales) compared to £5,268k (40.2 per cent.). Otherwise the change in gross margin reflects the mix of sales.

Further enhancements have been made to our new access control system, SATEON, during the year and version 2.6 will be released later this year. The pipeline for SATEON continues to grow and includes upgrades for our legacy system JANUS. JANUS was the main sales offering when the Group acquired Grosvenor Technology Limited and has continued over the years to be very successful. JANUS still works very efficiently and is used at thousands of sites including many major corporate clients and the Board believes that JANUS will continue to be sold for many years to come. There have obviously been a number of upgrades during the intervening years but the changing world of technology and security requirements resulted in our decision to develop SATEON. Despite the overall improvement in Group profitability in the year, IAS 36 requires that the carrying value of intangible assets to be considered in light of each separable cash generating unit. As a consequence of the above and the resultant forward projections, the Directors have reviewed the carrying value of the original goodwill that arose from the acquisition of Grosvenor Technology Limited and an impairment provision of £1,791k is required which has been charged to administrative expenses in the income statement.

Profit from operations for the year as shown in the income statement after the provisions described above was £202k (2012: £189k). Profit from operations for the year before the impairment provisions was £2,476k (2012: before impairment provision and legal costs £559k).

The Board was delighted to announce the appointment of Marie Claire Dwek as Chief Executive Officer on 12 April 2012 and look forward to the growth of the Company under her stewardship during the years ahead. Nick Medlam resigned as a director on 15 June 2013 to pursue other interests and the Board wishes to express its thanks for all his efforts and contributions to the Group over the years.

Earnings per share are shown in the income statement as 0.03 pence (2012: 0.04 pence). However, the earnings per share before impairment review provisions and legal costs are 0.54 pence (2012: 0.12 pence) as calculated in note 4 below.

Revenue per employee increased from £99,954 to £136,687.

The Board believes that the OEM division of Grosvenor and Safetell are leaders in their particular markets. 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 the Board is confident will benefit the results in the future.

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

Electronic Division

Revenue £6,615k (2012: £6,039k)

Revenue in the UK and Europe from OEM clocks was 14 per cent. ahead of the previous year, and included several large projects, one for a major retailer and another for a supermarket chain. We have since negotiated a second larger contract with the same supermarket which has already been awarded with delivery planned during the current year.

New partners in Eastern Europe are at various stages of integrating their software with our IT Series clocks and the early converts continue to place orders for IT31’s and IT51’s. Their main interest however is the lower-end IT11 clock which is on schedule for completion with a Q3 2013 release date. The IT11 is a fixed reader unit compared to the IT31 which accepts multiple reader types into the same core product. The first reader type to be manufactured with the IT11 will be the low cost Mifare proximity technology with other reader technologies such as the market leading HID proximity to follow.

Total sales in the US of our OEM products were 59 per cent. ahead. We remain confident in this market and expect significant improvements as more and more partners complete their application integration with the IT Series clocks and incorporate them into their new project installations. Prospects are improving as Grosvenor becomes more established and respected in the US arena. Interest has also been registered by our US partners in the IT11 clock whilst HID proximity is likely to be the preferred reader interface in this market.

Confidence is high for the long term success of SATEON as a number of project wins have now been achieved with SATEON being used in the education, manufacturing, transportation, and government sectors.

In the UK a strong pipeline of SATEON projects continues to develop including upgrades for legacy JANUS and Siteguard systems. These projects will assist SATEON establish itself as a proven product for system upgrades as well as for new system installations, and encourage increased momentum for take-up of the product. SATEON has been selected as the new access control system by,amongst others, East Sussex Council, Mitsubishi Electrics, 30 St. Mary’s Axe (the “Gherkin”) and Gateway College Leicester.

On an international level, progress has been deliberately slower whilst we addressed the expected early software issues. We are now confident these early issues have been resolved and that we are in a strong position to promote systems in the knowledge that our site attendance will not be necessary during installation. Over the coming months, international activity will be extended and more regions in Europe and the US will be introduced to SATEON.

SATEON version 2.60 is due for release towards the end of 2013 and is another landmark version as it will provide a comprehensive ‘Enterprise level’ feature set. These features will allow Grosvenor to compete for the larger more complex projects that require integration with third party systems for example HR and student enrolment systems, as well as third party Security Management Systems (SMS). SATEON 2.60 will also put Grosvenor in a stronger position as it will allow faster integration with other third-party CCTV systems as and when project specifications demand.

A new website www.sateon.com has been launched and has been complimented for its multimedia content which we intend to focus on for the future. To date, we have translated our most relevant corporate and product video’s into different languages including Arabic, French, Spanish, Portuguese, and Hindu.

Asset Protection Division Revenue £11,701k (2012: £7,055k)

Safetell’s sales were 66 per cent. greater than last year mainly due to large orders received from the Post Office and the supply of Eclipse Rising Screens to a number of financial institutions who were undertaking refurbishment programmes. Service revenue continued to benefit from long-term service contracts during the year.

The gross profit was higher due to the increased level of sales and the benefit of the new product development completed last year which increased the margin of products previously sourced from third parties.

Product sales were 176 per cent. higher than the same period last year principally due to the large order received for time delay cash handling equipment from the Post Office in April 2012. All the cash handling equipment was supplied, but the installation in Post Office branches was delayed until the third quarter and even then the installations were lower than originally planned.

The new cash handling products developed for a high street bank also resulted in increased sales and our product offering to banks in general. Orders for new Eclipse Rising Screens and branch reconfiguration work increased by 67 per cent. and we had several long standing customers in retail finance who undertook branch refurbishment programmes.

Eye2Eye sales increased by 33 per cent. as orders carried over from the previous year were completed but CounterShield sales decreased by 64 per cent. due to public sector budget cuts. Orders for Fixed

Glazing and Counter Protection Systems increased by 22 per cent. as we continued to receive orders from long standing customers and also benefitted from new projects.

Service sales were in line with the previous year's turnover excluding the one off security contract received last year. Margins improved by 2.7 per cent. in the year as a result of cost control and the continuation of our policy of examining and delivering a more effective service. Delivery has been excellent in the year and we have met the targets set by our blue chip customer base. Contract retention remained high and the Service Division retains our dominant position as the UK's largest rising screen service provider. We shall shortly commence negotiations to renew two large service contracts due to expire in 2014, and we are currently in negotiations for the support contract of the Post Office Network Transformation programme which would provide a significant revenue stream in future years.

The development of the new design Cash Transit Case is progressing satisfactorily and we resumed trials with Loomis in May. Due to the competitive nature of the Cash in Transit industry we have to contend with ever increasing procedural changes and this has resulted in requirements to make alterations to the Cash Transit Case on a regular basis. Initial talks with other cash in transit and related businesses were encouraging and they have shown interest in the product and further meetings will follow.

Balance sheet and cash flow

Cash flow from operating activities increased in the year from £2.1 million to £3.0 million as a result of the increased profitability in the year. The improved cash position meant that the invoice discount facility was not being used in the latter part of the year, amount drawndown at April 2012 being £0.5 million. Tight credit control was maintained again so that there were no significant bad debts in the year.

Cash outflow from investing activities at £1.5 million was higher than the previous year (£1.3 million) with the continuation of the Group's development programme and the purchase of a further 26.7 per cent. of ATM Protection (UK) Limited.

Cash outflow from financing activities was £0.5 million (2012: £0.4 million) with the repayment of the loan notes which had been drawndown during the previous year.

Key Financial Risks of the Group

Details of the Group's financial risks are given in note 18 to the financial statements on page 32.

Key Business Risks of the Group

Competition and client relationships

The Group invests in developing new products to remain competitive by offering customers the most advanced quality products. The Group also provides support services to maintain products. The strength of the Group's relationship with clients is dependent to a large part on its performance under its support services with them. If a client is not satisfied with the Group's services it may terminate or decide not to renew their contracts. The Group responds promptly to queries to reduce the risk of losing customers and also has an excellent record of staff retention. It is essential that high quality staff are recruited and then retained if client relationships are to be maintained and new customers won.

Development costs

As described above, the Group does incur development expenditure and there is a risk that a development may not be completed successfully or that the sales of the product will generate sufficient future economic benefit.

General demand for services

If economic conditions deteriorate, there is a risk that the Group may face reduced demand from its clients for its services. To mitigate this risk the Group focuses on diversifying its customer base in terms of business sectors and industry sectors. To mitigate the credit risk further and reduce exposure to potential bad debts, the Group maintains credit insurance policies and senior management review credit limits on a regular basis.

Employees

The Board would like to thank all the staff for their efforts, which are reflected in the improved trading results for the year.

Dividend

The Board is recommending the payment of a dividend for the year ended 30 April 2013 of 0.0333 pence (2012: Nil pence per share).

Outlook

The Board is delighted that it has been able to reintroduce a recommendation for the payment of a dividend for the year. A trading update was issued in June this year in view of the increased levels of trading that the Group was experiencing from a number of contracts. As stated both at the time and in previous years, the timing of these contracts is dependent upon our customer requirements and therefore turnover can vary significantly year on year. In view of the very high sales experienced last year, the Board does not expect the same volumes to be repeated in the current year but does anticipate another successful year.

M DWEK Chairman
30 July 2013

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2013

	Note	**2013** **£'000**	**2012** **£'000**
Revenue		18,316	13,094
Cost of sales – including exceptional development cost impairment		(10,921)	(7,826)
Gross profit		7,395	5,268
Administrative expenses – including exceptional goodwill impairment provision (2012: legal costs)		(7,193)	(5,079)
Profit from operations before exceptional items		2,476	559
Exceptional goodwill impairment (2012: Exceptional legal costs)		(1,791)	(176)
Exceptional impairment development costs		(483)	(194)
Profit from operations		202	189
Finance costs		(131)	(127)
Profit before tax		71	62
Tax credit	2	69	115
Profit for the year		140	177
Attributable to:			
– Equity holders of the parent		140	177
Earnings per share			
– Basic (pence)		0.03p	0.04p
– Diluted (pence)		0.03p	0.04p

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 April 2013

Company number: 3339998

	2013	2012
	£'000	**£'000**
ASSETS		
Non-current assets		
Property, plant and equipment	809	709
Intangible assets	9,092	10,699
Total non-current assets	9,901	11,408
Current assets		
Inventories	1,344	1,520
Trade and other receivables	2,588	2,373
Cash and cash equivalents	1,128	2,100
Total current assets	5,060	5,993
Total assets	14,961	17,401
LIABILITIES		
Current liabilities		
Trade and other payables	3,071	3,535
Other short term borrowings	294	2,147
Corporation tax liability	50	4
Provisions	129	81
Total current liabilities	3,544	5,767
Non-current liabilities		
Long term borrowings	184	424
Provisions	84	84
Deferred tax	200	324
Total non-current liabilities	468	832
Total liabilities	4,012	6,599
TOTAL NET ASSETS	10,949	10,802

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	(168)	(175)
Retained earnings	5,270	5,130
Non-controlling interest	10,909	10,762
TOTAL EQUITY	40	40
	10,949	10,802

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 April 2013

	2013	**2013**	**2012**	**2012**
	£'000	**£'000**	**£'000**	**£'000**
Cash flow from operating activities				
Net profit after tax	140		177	
Adjustments for:				
Depreciation, amortisation and impairment	3,185		913	
Interest expense	131		127	
Income tax credit	(69)		(115)	
Operating cash flows before changes in working capital	3,387		1,102	
(Increase)/decrease in trade and other receivables	(215)		403	
Decrease/(increase) in inventories	176		(51)	
(Decrease)/increase in trade and other payables	(379)		568	
Cash generated from operations		2,969		2,022
Income taxes (paid)/received		(9)		92
Cash flows from operating activities		2,960		2,114
Cash flow from investing activities				
Payments for property, plant & equipment	(249)		(136)	

Sale of property, plant & equipment	21		1	
Capitalised development expenditure	(1,239)		(1,131)	
Purchase of shares in subsidiary	(50)		–	
		(1,517)		(1,266)
Cash flow from financing activities				
Proceeds loan notes	–		105	
Repayment loan notes	(105)		–	
Repayment of bank loans	(149)		(96)	
Repayment of finance lease creditors	(152)		(134)	
Dividends paid	–		(125)	
Interest paid	(131)		(127)	
		(537)		(377)
Increase in cash and cash equivalents		906		471

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 2011	4,504	502	801	(175)	5,078	40	10,750
Dividends	–	–	–	–	(125)	–	(125)
Total comprehensive income	–	–	–	–	177	–	177
30 April 2012	4,504	502	801	(175)	5,130	40	10,802
1 May 2012	4,504	502	801	(175)	5,130	40	10,802
Dividends	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	7	140	–	147
30 April 2013	4,504	502	801	(168)	5,270	40	10,949

1. Basis of preparation

The financial information set out above for the years ended 30 April 2013 and 2012 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 2012 have been delivered to the Registrar of Companies and those for 2013 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 charge is affected by the effect of reliefs on research and development expenditure, and the use of losses brought forward.

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

OEM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 36 per cent. (2012: 46 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 64 per cent. (2012: 54 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.

Measurement of operating segment profit or loss from operations before tax not including non-recurring losses such as goodwill impairment, and also excluding the effects of share based payments.

Segment assets and liabilities exclude group company balances.

	Electronic	**Asset Protection**	**Total**
	2013	**2013**	**2013**
	£'000	**£'000**	**£'000**
Revenue			
Total revenue	6,615	11,701	18,316
Revenue from external customers	6,615	11,701	18,316
Finance cost	18	16	34
Depreciation	97	214	311
Amortisation	592	–	592
Impairment	–	483	483
Segment profit before income tax	220	2,468	2,688
Additions to non-current assets	1,002	604	1,606
Reportable segment assets	5,465	4,207	9,672
Reportable segment liabilities	758	2,934	3,692

	Electronic 2012 £'000	Asset Protection 2012 £'000	Total 2012 £'000
Revenue			
Total revenue	6,039	7,055	13,094
Revenue from external customers	6,039	7,055	13,094
Finance cost	22	20	42
Depreciation	117	215	332
Amortisation	380	–	380
Impairment	194	–	194
Segment profit before income tax	296	436	732
Additions to non-current assets	1,026	357	1,383
Reportable segment assets	4,583	5,493	10,076
Reportable segment liabilities	1,919	2,141	4,060

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

	2013 £'000	2012 £'000
Revenue		
Total revenue for reportable segments	18,316	13,094
Profit or loss after income tax expense		
Total profit or loss for reportable segments	2,688	732
Corporation taxes	69	115
Unallocated amounts – other corporate expenses	(2,617)	(670)
Profit after income tax expense (continuing activities)	140	177

	2013 £'000	2012 £'000
Assets		
Total assets for reportable segments	9,672	10,076

PLC	208	473
Goodwill on consolidation	5,081	6,852
Group's assets	14,961	17,401

Liabilities		
Total liabilities for reportable segments	3,692	4,060
PLC	310	2,536
Liabilities of discontinued activities	10	3
Group's liabilities	4,012	6,599

	External revenue by location of customers		**Non-current assets by location of assets**	
	2013	**2012**	**2013**	**2012**
	£'000	**£'000**	**£'000**	**£'000**
UK	16,026	11,314	9,876	11,402
Europe	1,209	1,034	–	–
USA	878	550	25	6
Other countries	203	196	–	–
	18,316	13,094	9,901	11,408

4. Earnings per share

	2013	**2012**
	£'000	**£'000**
Numerator		
Earnings used in basic and diluted EPS – continuing operations	140	177
Denominator		
Weighted average number of shares used in basic and diluted EPS -continuing operations	450,432,316	450,432,316

Certain employee options have been excluded from the calculation of diluted EPS as their exercise 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 impairment provisions and legal 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:

	2013	**2012**
	pence	**pence**
Basic earnings per share (pence) – basic	0.03	0.04
Impairment provisions of goodwill and development costs	0.51	0.04
Legal costs	-	0.04
Earnings per share before impairment provisions and legal costs	0.54	0.12

	2013	**2012**
	£'000	**£'000**
Reconciliation of earnings:		
Profit used for calculation of basic earnings per share	140	177
Impairment provisions of goodwill and development costs	2,274	194
Legal costs	–	176
Earnings before impairment provisions and legal costs	2,414	547

5. Dividends

The directors are proposing a final dividend of 0.0333 pence per ordinary share (2012: Nil) totaling £150,000 (2012: £Nil).

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 and data acquisition systems delivered via its reputable JANUS access control platform and its CUSTOM brand data-collection terminals. The next generation and recently launched SATEON software is a brand new and innovative access control concept which for the first time ever, even though it is 100% browser based, is truly without compromise in function, style, or performance. Grosvenor Technology clients include BAE Systems, UK Air Traffic Control, BSkyB, Merrill Lynch, Bank of America, M & S, Morrisons, Tesco, Network Rail, government departments and many universities. More information can be found at www.grosvenortechnology.com

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