



**Press Release**

**22 December 2010**

**Newmark Security plc**

("Newmark" or the "Group")

**Interim Results**

Newmark Security plc (AIM:NWT), a leading provider of electronic and physical security systems, today announces its interim results for the six months ended 31 October 2010.

**Highlights:**

***Electronic Division***

- Appointment of Lee Abraham to the Board of Grosvenor Technology as Sales and Marketing Director bringing 16 years technical sales experience with both security integrators and manufacturers
- First working demonstration of SATEON access to be previewed at the Intersec exhibition in Dubai in January 2011
- Extended Zilog 'EZ' or 'E-Zee' controller range in development and expected to be in production and available to work with SATEON software from May 2011

***Asset Protection Division***

- Product sales delivered from the start of a programme of work for a large UK bank requiring Eclipse rising screens and to HBOS for a branch reconfiguration programme
- Imminent completion of testing of the Cash in Transit protection case in partnership with Loomis. Production of the first order of 50 units is expected to be completed in March 2011 with a further roll out to other Loomis branches starting after the successful completion of the trial period
- Exclusive 5-year distribution agreement signed by Safetell with Wavetec, a Dubai based technology company to sell its Electronic Queue Management Systems, Information Display Systems, Information Kiosks and other electronic information display products in the UK and Europe
- Service and maintenance sales were up 6.5 per cent. due to an increased scope of work offered by the contract with the new Santander Group

- Support contract with a large financial institution is being finalised which should commence in early 2011 and run for three years

Commenting on the results, Maurice Dwek, Chairman of Newmark Security plc, said: “Trading in the current environment continues to be difficult but the Board anticipates an easing of current market constraints resulting in a more positive second half of the financial year. In the longer term, the Group has many exciting developments including the Cash in Transit protection case, the SATEON access control system, the potential new market in the US for OEM products and the Wavetec distribution agreement in the U.K. and Europe. These developments will provide Newmark not only with a strong portfolio of products but also valuable revenue streams going forward.”

**For further information:**

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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.qtl.biz](http://www.qtl.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](http://www.safetell.co.uk)

## CHAIRMAN'S STATEMENT

### Overview

The Board is pleased to announce the Group's interim results for the six months ended 31 October 2010.

As stated in the annual report, trading in the first few months of the period was variable due to delays in customers placing orders prior to the general election and the emergency budget. Unfortunately this pattern has continued with the state of the economy affecting most of the Group's customers and in particular the public sector. Revenue in the period for continuing businesses of £6,085,000 was 13 per cent. below the corresponding period last year of £6,993,000.

Earnings per share were 0.08 pence per share (2009: 0.17 pence per share).

A detailed review of the activities, results and future developments of each division is set out below.

## FINANCIAL RESULTS

### ***Electronic Division***

*Turnover for the six months ended 31 October 2010: £2,932,000 (2009: £3,400,000)*  
*Operating profit for the six months ended 31 October 2010: £441,000 (2009: £804,000)*

Revenue from JANUS access control systems fell but the Board consider that the result was better than across the access control market in the UK as a whole during 2010, and margins were reduced due to pricing pressures and the mix of business. JANUS Enterprise, Grosvenor's current high-end enterprise access solution, remains a key offering with its unique features for the larger client and there is evidence of a growing interest and quote book for this type of system. Health and safety features that are being introduced to JANUS Enterprise, such as advanced people-in-area tracking, employee passport records that include training and induction records, and proactive alerting to managers when training needs to be renewed, are all attracting particular interest.

SATEON access will be previewed at the Intersec exhibition in Dubai in January 2011 including switchable on-the-fly English, Arabic, Turkish and Russian language capabilities. There will also be a preview of a completely new range of access controllers.

In response to market research in both the UK and Middle East, Africa and Russia ("MEAR") the Group is developing an 'Extended Zilog' controller range. The EZ or E-Zee series is expected to be in production and available to work with SATEON software from May 2011. The EZ series will have more advanced features compared to existing JANUS hardware but the key element of the EZ controllers will be that hardware options will need to be added to the basic controller rather than being included arbitrarily as happens with JANUS controllers. The Group expects that this will improve the attractiveness of new system sales in the UK and will reinforce the Group's position in the UK and provide a solid and competitive platform to take SATEON to new territories and business partners globally.

Sales of data collection products in the period were 14 per cent. lower than the same period last year (£1,033,000 compared to £1,202,000), reflecting the problems of economies across the Group's geographical customer base. However the Board remains very excited about future business in this sector. Negotiations with potential partners in the USA have progressed to the stage where the Group has possible future projects with orders for terminals numbering in the hundreds. The potential here is considerable with the Group's first three target partners having a combined annual requirement equivalent to 400 per cent. of Grosvenor's last year's total output of data collection terminals. The combination of the CUSTOM IT Linux terminals and CUSTOM Exchange middleware has generated positive reactions from customers. Within the last week we received a first order from one of these target customers (albeit a small one).

Sales of N-TEC Access control systems have diminished partly due to price in a very competitive market, but also because the product lacks local language support such as Arabic and Turkish. Installation engineers can use English versioned software whereas local system operators normally require their own language. However, both of these issues have been addressed with the SATEON version of N-TEC which is expected to be released in May 2011.

I am pleased to announce the recent appointment of Lee Abraham to the Board of Grosvenor Technology as Sales and Marketing Director. Lee is highly regarded for his exceptional management skills and in depth knowledge of how to win new business in competitive and congested markets and is a specialist in the design, sale and deployment of integrated IP network CCTV, access control and alarm based technology systems. With over 16 years technical sales experience with both security integrators and manufacturers, Lee joins Grosvenor from a leading manufacturer of enterprise end-to-end IP Video and Security Management Systems where he held the position of UK Sales Director.

### **Asset Protection Division**

*Turnover 6 months 31 October 2010: £3,153,000 (2009: £3,593,000)*

*Operating profit 6 months 31 October 2010: £328,000 (2009: £389,000)*

Turnover in the Asset Protection Division was 12 per cent. lower than the corresponding period last year mainly due to the completion of the Post Office programme to refurbish Crown Offices in April, and the lack of any new major programme of work to replace this project. In addition, the Government announcements in April that Public Sector spending would be curtailed resulted in a reduction in orders from this sector. However, the division has delivered product sales including the start of a programme of work for a large UK bank requiring Eclipse rising screens. In addition, sales of Eclipse rising screens to HBOS for a branch reconfiguration programme increased in the period and are expected to continue in the second half of the year.

CounterShield Sales were 50 per cent. lower than the corresponding period last year due to the Public Sector budget cuts and, although Eye2Eye sales were 31 per cent. lower, improved order intake is expected to contribute to sales in the second half. The Post Office sub-post office network continue to place orders for cash handling equipment, but the anticipated roll out of the WH Smith Post Office agency branches has not materialised as expected. Fixed Glazing sales were 3 per cent. lower with orders received from long-standing customers.

The roll out of the ATM Protection (UK) Limited ("ATMPUK") Cash in Transit protection case has been delayed due to product improvement after several months of testing. ATMPUK is working closely with Loomis in the development of the product and testing is expected to be completed in December with production of the first order of 50 units expected to be completed in March 2011. The product improvements should result in a shortened trial period and the roll out to other Loomis branches should start after the successful completion of the trial period.

Safetell has signed an exclusive distribution agreement with Wavetec, a Dubai-based technology company to sell its Electronic Queue Management Systems, Information Display Systems, Information Kiosks and other electronic information display products in the UK and Europe. This five year agreement will open new markets, but also allow Safetell to expand its product offering to its current customer base. Sales of the Queue Management Systems are expected towards the end of the financial year, with sales of Information Display

Systems materialising in the new financial year, although we have recently received a first small order for the latter.

Service and maintenance sales were up 6.5 per cent. as the division capitalised on the increased scope of work the new Santander Group contract offers. Our multi-faceted service offering is attractive to blue chip customers who wish to reduce costs associated with having an excessive number of single skilled service providers. A support contract with a large financial institution is being finalised which should commence in early 2011 and run for three years. Safetell is confident that winning the new support contract will result in an increase in product sales to this client. Current initiatives include IT developments to improve stock control systems managing a diverse range of spares with a reduction of the working capital requirement.

### ***Balance sheet and cash flow***

Sales have varied over the period by different amounts within both our operating divisions and therefore net working capital has fluctuated significantly. It has been possible to reduce our stock holding still further as the stock for the old product ranges has been run down. Tight control on debtors has been maintained, and with our good communications with customers we have not incurred any bad debts of substance. The total trade debtors figure has not been reduced however due to the fact that many customers have been taking longer to settle our invoices.

The investment in the SATEON development in particular has continued with the forthcoming launching of that product in 2011.

The cash flow includes the payment of £124,000 relating to the payment of elements of the consideration for the acquisition of ATM Protection in April together with the payment of £100,000 to creditors at the date of acquisition which were settled as part of the purchase agreement.

## **OUTLOOK**

Trading in the current environment continues to be difficult but the Board anticipates an easing of current market constraints resulting in a more positive second half of the financial year. In the longer term, the Group has many exciting developments including the Cash in Transit protection case, the SATEON access control system, the potential new market in the US for OEM products and the Wavetec distribution agreement in the U.K. and Europe. These developments will provide Newmark not only with a strong portfolio of products but also valuable revenue streams going forward.

**M DWEK**

**Chairman**

**22 December 2010**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 31 October 2010**

		<b>Unaudited Six months ended 31 October 2010</b>	<b>Audited Year ended 30 April 2010</b>	<b>Unaudited Six months ended 31 October 2009</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		6,085	13,792	6,993
Cost of sales		(3,621)	(7,812)	(3,917)
<b>Gross profit</b>		<hr/> 2,464	<hr/> 5,980	<hr/> 3,076
Abortive acquisition costs		–	(70)	–
Administrative expenses		(2,049)	(4,243)	(2,170)
<b>Profit from operations</b>		<hr/> 415	<hr/> 1,667	<hr/> 906
Finance costs		(55)	(89)	(23)
<b>Profit before tax</b>		<hr/> 360	<hr/> 1,578	<hr/> 883
Tax expense	2	(8)	(154)	(130)
<b>Profit for the year from continuing operations</b>		<hr/> 352	<hr/> 1,424	<hr/> 753
Post-tax loss related to discontinued operations		–	(15)	–
<b>Profit and total comprehensive income for the year</b>		<hr/> 352	<hr/> 1,409	<hr/> 753
Attributable to:				
– Equity holders of the parent		352	1,409	753
<b>Earnings per share</b>				
– Basic (pence)	4	0.08	0.31p	0.17p
– Diluted (pence)		0.08	0.30p	0.17p
<b>Continuing operations</b>				
– Basic (pence)		0.08	0.32p	0.17p
– Diluted (pence)		0.08	0.31p	–
<b>Discontinued operations</b>				
– Basic and diluted (pence)		0.08	(0.01p)	–

There are no other components of comprehensive income

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 October 2010**

		Unaudited 31 October 2010 £'000	Audited 30 April 2010 £'000	Unaudited 31 October 2009 £'000
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		680	730	798
Intangible assets		9,824	9,313	8,394
<b>Total non-current assets</b>		<b>10,504</b>	<b>10,043</b>	<b>9,192</b>
<b>Current assets</b>				
Inventories		1,446	1,503	1,883
Trade and other receivables		2,801	2,402	2,721
Cash and cash equivalents		–	211	–
<b>Total current assets</b>		<b>4,247</b>	<b>4,116</b>	<b>4,604</b>
<b>Total assets</b>		<b>14,751</b>	<b>14,159</b>	<b>13,796</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		2,980	2,958	2,808
Other short term borrowings		714	312	791
Corporation tax liability		92	160	218
Provisions		131	123	123
<b>Total current liabilities</b>		<b>3,917</b>	<b>3,553</b>	<b>3,940</b>
<b>Non-current liabilities</b>				
Long term borrowings		68	68	111
Provisions		92	100	116
Deferred tax		420	412	274
<b>Total non-current liabilities</b>		<b>580</b>	<b>580</b>	<b>501</b>
<b>Total liabilities</b>		<b>4,497</b>	<b>4,133</b>	<b>4,441</b>
<b>TOTAL NET ASSETS</b>		<b>10,254</b>	<b>10,026</b>	<b>9,355</b>
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital		4,504	4,504	4,504
Share premium reserve	3	502	502	502
Merger reserve	3	801	801	801
Foreign exchange difference reserve	3	(167)	(167)	(174)
Retained earnings	3	4,574	4,346	3,682
		<b>10,214</b>	<b>9,986</b>	<b>9,315</b>
<b>Minority interest</b>		<b>40</b>	<b>40</b>	<b>40</b>
<b>TOTAL EQUITY</b>		<b>10,254</b>	<b>10,026</b>	<b>9,355</b>

**CONSOLIDATED CASH FLOW STATEMENTS**  
For the six months ended 31 October 2010

	Unaudited Six months ended 31 October 2010	Audited Year ended 30 April 2010	Unaudited Six months ended 31 October 2009
Notes	£'000	£'000	£'000
<b>Cash flow from operating activities</b>			
Net profit after tax from ordinary activities	352	1,409	753
Adjustments for: Depreciation and amortisation	274	526	269
Interest expense	32	89	23
Income tax expense	8	154	130
Share option charge	–	8	8
<b>Operating profit before changes in working capital and provisions</b>	666	2,186	1,183
(Increase)/decrease in trade and other receivables	(399)	2	(317)
Decrease/(increase) in inventories	57	201	(179)
Increase/(decrease) in trade and other payables	143	(550)	(371)
<b>Cash generated from operations</b>	467	1,839	316
Income taxes paid	(60)	(143)	(100)
<b>Cash flows from operating activities</b>	407	1,696	216
<b>Cash flow from investing activities</b>			
Payment for property, plant and equipment	(59)	(239)	(117)
Sale of property, plant and equipment	–	13	–
Research and development expenditure	(611)	(1,003)	(452)
Intangible asset expenditure	–	(1)	–
Acquisition of subsidiary, net of cash acquired	(124)	(20)	-
	(794)	(1,250)	(569)
<b>Cash flow from financing activities</b>			
Repayment of bank loans	(210)	(501)	(281)
Repayment of finance lease creditors	(68)	(138)	(67)
Dividend paid	(124)	(113)	(113)
Interest paid	(32)	(89)	(23)
	(434)	(841)	(484)
<b>Decrease in cash and cash equivalents</b>	(821)	(395)	(837)

## NOTES TO THE ACCOUNTS

### 1. BASIS OF ACCOUNTS

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2009 Annual Report. The financial information for the half years ended 31 October 2010 and 31 October 2009 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of Newmark Security Plc are prepared in accordance with IFRSs as adopted by the European Union. The comparative financial information for the year ended 30 April 2010 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed consolidated financial statements.

### 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. STATEMENT OF CHANGES IN EQUITY

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 1 May 2010	502	801	4,346	(167)
Dividends paid	–	–	(124)	–
Total comprehensive income for the period	–	–	352	–
<b>As at 31 October 2010</b>	<b>502</b>	<b>801</b>	<b>4,574</b>	<b>(167)</b>

**4. EARNINGS PER SHARE**

The earnings per share has been calculated based on the weighted average number of shares in issue during the period, which was 450,432,316 shares (2009: 450,432,316).

**5. DIVIDENDS**

No interim dividend is proposed (2009: Nil).

**- Ends -**