

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

Interim Results
For the six months ended 31 October 2014

Newmark Security plc (AIM: NWT), a leading provider of electronic and physical security systems, today announces Interim Results for the six months ended 31 October 2014 - a period which saw a 34% increase in revenues across the Group.

Group Financial Highlights:

- Revenue up by 34% from £8.9m to £11.9m overall, a 21% increase after adjusting for acquisition of CSI on 1 November 2013;
- Profit from operations was £1,568k (2013: £67k);
- Profit from operations before exceptional items was £1,568k (2013: £893k);
- Earnings per share 0.31 pence (2013: loss per share 0.03 pence);
- Earnings per share before exceptional items was 0.31 pence per share (2013: 0.15 pence); and
- Cash flow from operating activities increased to £2,122k (2013: £1,869k). Overall cash inflow in the period was £923K (2013: £894k).

Post Period-End Highlight:

- Safetell Limited secured a new £4m order for the supply of equipment and preventative maintenance to a leading global brand and high street bank.

Asset Protection Division Highlights:

- Revenue increased by 55% from £5.0m to £7.8m;
- After adjusting for acquisition of CSI on 1 November 2013 revenue increased by 32%; and
- £1,175K revenue from CSI.

Electronic Division Highlights:

- Revenue increased by 6% from £3.9m to £4.1m;

- 11% increase in revenue from UK based workforce management division;
- 26% increase in revenue from US based workforce management division;
- Access control sales marginally ahead; and
- SATEON 2.7 and 2.8 released in period with more comprehensive feature set.

Commenting on the results, Maurice Dwek, Chairman of Newmark Security plc, said: **“As stated in the last annual report, although revenues in the second half of the year are not expected to match the first half, the full year results before exceptional items are expected to be ahead of last year. The directors expect to continue their progressive dividend policy in the full year accounts.”**

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.

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 delivers all the features of a software based system but in the cloud which improves lifecycle cost, install speed and allows for instant maintenance from anywhere in the world. 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

CHAIRMAN'S STATEMENT

The Board is pleased to announce the Group's Interim Results for the six months ended 31 October 2014.

The consolidated income statement shows an increase in revenue of 34 per cent. from £8,878,000 to £11,924,000. Revenue in the period included £1,175,000 from CSI, which was acquired on 1 November 2013. Excluding the contribution from CSI, organic revenue growth of 21 per cent. was still achieved. This growth fed down to profit from operations before exceptional items increasing to £1,568,000 (2013: £893,000) and the resultant margin increasing to 13.2 per cent. (2013: 10.1 per cent.). Profit from operations increased from £67,000 to £1,568,000 due to the aforementioned improvement in trading but also that no exceptional charges were required, whereas in the corresponding period last year, development costs totaling £826,000 were impaired.

Earnings per share were 0.31 pence (2013: loss per share 0.03 pence). The earnings per share before impairment review provision were 0.31 pence (2013: 0.15 pence) as calculated in note 4.

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

Asset Protection Division

Revenue £7,818,000 (2013: £5,018,000)

As stated above, revenue in the period included £1,175,000 from CSI, which was acquired on 1 November 2013. Excluding the benefit of this acquisition, the revenue in this division was still 32 per cent. higher than the corresponding period last year due to the timing of the supply of time delay cash handling equipment to the Post Office as well as increased revenue from Eclipse Rising Screens.

Product Division revenue (excluding CSI) was 28.1 per cent. higher than the same period last year as we continued to receive orders from the Post Office for time delayed cash handling equipment and installations as the programme enters its third year. Revenue from Eclipse Rising Screens was 369 per cent. higher due to the branch refurbishment programmes of our long-standing customers in the financial sector. Eye2Eye revenue was 43.6 per cent. lower as a result of cut backs by the train operating companies to reduce costs at the end of their contract period and higher levels of revenue are not anticipated until the contracts have been renewed. Revenue from CounterShield was the same as the corresponding period last year but there is increased interest from the public sector after a few years of spending cuts.

Fixed Glazing revenue was 40 per cent. higher due to increased demand from long standing clients.

CSI generated revenue 46.9 per cent. higher than in the previous six months, despite delays in orders from a major supermarket chain. Additional revenue is anticipated from the new products developed. A Bomb Blast Resistant Door was developed and successfully tested with CPNI certified at a Government testing facility.

During the period the Service Division successfully ratified a contract to continue to support branch equipment with one of the largest UK banks. There have been delays in negotiating a major service contract with another large customer but this has now been agreed and will continue for another 3 years with an option for a fourth year. Overall service revenue was 15.4 per cent. lower than the corresponding period last year partially due to the delays in ratification of the new contracts and also due to branch closures.

A reorganisation of labour within the business has generated efficiency gains in labour utilisation with subsequent margin improvements. Negotiations are taking place with several larger clients on upgrading their oldest rising screen systems in the coming years and this will generate revenues for several years ahead.

We are also building upon developing sales abroad and have started exporting to the Middle East. This will be a focus of our development in the next year as this has significant growth potential.

Electronic Division

Revenue £4,106,000 (2013: £3,860,000)

Total revenues grew in the first half by 6 per cent. over the corresponding period last year.

Revenue from workforce management in the UK based operation increased 11 per cent. Sales continue to benefit from major projects with a blue-chip retailer and a supermarket chain. The additional sales resource deployed in the previous financial year has begun to yield results as UK / EU based partners sales increased across the board. New initiatives and campaigns have begun to target specific key vertical markets where the firm has demonstrated significant success previously.

Trading in our US operation increased 26 per cent. over the corresponding period and additional resource is planned to be deployed in this region to support and take further advantage of this lucrative and sizeable market.

Sales of Access Control increased marginally in the period. As noted in the Group's full year results last year, a new Sales and Marketing Director has been appointed and there has been

a major restructuring of the division.

In addition, new sales managers have recently been appointed which should yield revenue growth in the future. Further variants of the SATEON product range have been developed to take advantage of the mid-tier access control market. SATEON Pro has been launched in the second half of the financial year and is intended to make significant inroads into this market in the UK where project lead times are shorter and the opportunity for recurring revenue through repeat business and ongoing Software as a Service (SaaS) agreements exists.

The existing SATEON product is to be re-branded SATEON Enterprise, to differentiate it from the mid-tier offering and to reflect its ability to be deployed in complex, multi-site situations. During the first half of the year, versions 2.7 and 2.8 of the Enterprise product were released bringing further integration capabilities to systems integrators and functionality to end users. Further features will be included in versions 2.9 and 2.10, which are expected to be released in July and December 2015

In the Middle East, negotiations continued with a major systems integrator and resulted in an exclusivity agreement being signed which will see additional incremental revenues in specific territories. Business development continues in the US, a market where the company has already enjoyed project success. It is expected that sales will increase for access control in this market alongside those for workforce management products.

Balance sheet and cash flow

Cash flow from operating activities increased in the period from £1,869,000 to £2,122,000 with the continued benefit of advance payments from customers on certain projects. Overall there was a net cash inflow in the period of £923,000 (2013: £894,000).

Inventories as at 31 October 2014 were higher than 2013 due to the need to meet customer requirements for future sales, but were still lower than at the previous year-end. Receivables were substantially higher than previously due to both the timing of sales and a delay in payment by one major customer, but this has been resolved post the period end.

Outlook

As stated in the last annual report, although revenues in the second half of the year are not expected to match the first half, the full year results before exceptional items are expected to be ahead of last year. The directors expect to continue their progressive dividend policy in the full year accounts.

The recent new order secured by Safetell Limited, our wholly owned subsidiary, for £4 million to a leading global brand and high street bank signified 25 years of working with this customer demonstrating the continuing value of our product offering and customer support.

The Group will continue to work on business development to increase our position within the

industry, whilst maintaining existing relationships. The discussions in the Middle East and US will be incremental to increasing the level of business in those markets and the expansion of the Group.

M DWEK *Chairman*

CONSOLIDATED INCOME STATEMENTS
For the six months ended 31 October 2014

	Notes	Unaudited Six months ended 31 October 2014 £'000	Audited Year ended 30 April 2014 £'000	Unaudited Six months ended 31 October 2013 £'000
Revenue		11,924	19,171	8,878
Cost of sales		(6,888)	(11,741)	(5,748)
Gross profit		5,036	7,430	3,130
Administrative expenses		(3,468)	(6,446)	(3,063)
Profit from operations before exceptional items		1,568	1,836	893
Exceptional development costs impairment		-	(852)	(826)
Profit from operations		1,568	984	67
Finance costs		(8)	(78)	(48)
Profit before tax		1,560	906	19
Tax expense	2	(160)	(49)	(141)
Profit/(loss) for the period/year		1,400	857	(122)
Attributable to:				
– Equity holders of the parent		1,400	857	(122)
Earning/(loss) per share				
– Basic (pence)	4	0.31p	0.19p	(0.03)p
– Diluted (pence)		0.27p	0.18p	(0.03)p

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 October 2014

Unaudited Six months ended 31 October 2014 £'000	Audited Year ended 30 April 2014 £'000	Unaudited Six months ended 31 October 2013 £'000
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Profit/(loss) for the period/year	1,400	857	(122)
Foreign exchange losses on retranslation of overseas operation	-	(28)	-
Total comprehensive income for the period/year	<u>1,400</u>	<u>829</u>	<u>(122)</u>
Attributed to:			
- Equity holders of the parent	<u>1,400</u>	<u>829</u>	<u>(122)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2014

	Unaudited 31 October 2014 £'000	Audited 30 April 2014 £'000	Unaudited 31 October 2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	901	872	785
Intangible assets	8,583	8,428	8,380
Total non-current assets	<u>9,484</u>	<u>9,300</u>	<u>9,165</u>
Current assets			
Inventories	1,587	1,647	1,402
Trade and other receivables	4,612	4,078	3,139
Cash and cash equivalents	2,364	1,441	2,022
Total current assets	<u>8,563</u>	<u>7,166</u>	<u>6,563</u>
Total assets	<u>18,047</u>	<u>16,466</u>	<u>15,728</u>
LIABILITIES			
Current liabilities			
Trade and other payables	4,499	4,148	4,174
Other short term borrowings	132	196	263
Corporation tax liability	160	16	50
Provisions	100	100	129
Total current liabilities	<u>4,891</u>	<u>4,460</u>	<u>4,616</u>
Non-current liabilities			
Long term borrowings	143	124	112
Provisions	84	84	84
Deferred tax	239	170	239
Total non-current liabilities	<u>466</u>	<u>378</u>	<u>435</u>
Total liabilities	<u>5,357</u>	<u>4,838</u>	<u>5,051</u>
TOTAL NET ASSETS	<u>12,690</u>	<u>11,628</u>	<u>10,677</u>
Capital and reserves attributable to equity holders of the company			
Share capital	3	4,504	4,504
Share premium reserve	3	502	502
Merger reserve	3	801	801
Foreign exchange difference reserve	3	(196)	(168)
Retained earnings	3	7,039	5,977

Minority interest
TOTAL EQUITY

12,650	11,588	10,637
40	40	40
12,690	11,628	10,677

CONSOLIDATED CASH FLOW STATEMENTS

For the six months ended 31 October 2014

	Unaudited Six months ended 31 October	Audited Year ended 30 April	Unaudited Six months ended 31 October 2013
Notes	2014 £'000	2014 £'000	2013 £'000
Cash flow from operating activities			
Net profit/(loss) after tax from ordinary activities	1,400	857	(122)
Adjustments for: Depreciation, amortisation and impairment	624	1,905	1,313
Interest expense	8	78	48
Income tax expense	160	49	141
	2,192	2,889	1,380
Operating profit before changes in working capital and provisions			
(Increase) in trade and other receivables	(491)	(1,492)	(551)
Decrease/ (increase) in inventories	60	(303)	(58)
Increase in trade and other payables	341	1,084	1,103
	2,102	2,178	1,874
Cash generated from operations			
Income taxes received/(paid)	20	(45)	(5)
	2,122	2,133	1,869
Cash flows from operating activities			
Cash flow from investing activities			
Payment for property, plant and equipment	(162)	(324)	(82)
Sale of property, plant and equipment	-	40	-
Research and development expenditure	(545)	(997)	(541)
	(707)	(1,281)	(623)
Cash flow from financing activities			
Repayment of bank loans	(52)	(153)	(74)
Repayment of finance lease creditors	(94)	(158)	(80)
Dividend paid	(338)	(150)	(150)
Interest paid	(8)	(78)	(48)
	(492)	(539)	(352)
Increase in cash and cash equivalents	923	313	894

NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

The financial information for the six months ended 31 October 2014 and 31 October 2013 does

not constitute the Group's statutory financial statements for those periods within the meaning of Section 434(3) of the Companies Act 2006 and has neither been audited or reviewed pursuant to guidance issued by the Auditing Practices Board. The annual financial statements of Newmark Security Plc are prepared in accordance with IFRSs as adopted by the European Union. The principal accounting policies used in preparing the interim results are those that the Group expects to apply in its financial statements for the year ended 30 April 2015 and are unchanged from those disclosed in the Group's Annual Report for the year ended 30 April 2014.

The comparative financial information for the year ended 30 April 2014 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2014 was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-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 effect of items not deductible for tax purposes.

3. STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 1 May 2014	4,504	502	801	5,977	(196)
Dividends paid	–	–	–	(338)	–
Total comprehensive income for the period	–	–	–	1,400	–
As at 31 October 2014	4,504	502	801	7,039	(168)

4. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share has been calculated based on the weighted average number of shares in issue during the period, which was 450,432,316 shares (2013: 450,432,316).

The basic earnings per share before impairment provisions have 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:

	Unaudited Six months ended 31 October 2014 pence	Audited Year ended 30 April 2014 pence	Unaudited Six months ended 31 October 2013 pence
Basic earnings/(loss) per share (pence)-basic	0.31	0.19	(0.03)
Impairment provisions of development costs	-	0.19	0.18
Earnings per share before impairment provisions	0.31	0.38	0.15

	Unaudited Six months ended 31 October 2014 £'000	Audited Year ended 30 April 2014 £'000	Unaudited Six months ended 31 October 2013 £'000
Reconciliation of earnings			
Profit/(loss) used for calculation of basic earnings/(loss) per share	1,400	857	(122)
Impairment provisions of development costs	-	852	826
Earnings per share before impairment provisions	1,400	1,709	704

5. DIVIDENDS

No interim dividend is proposed (2013: Nil).