Newmark Security plc

("Newmark" or the "Group")

Preliminary Results for the year ended 30 April 2015

Newmark Security plc (AIM:NWT), a leading provider of electronic and physical security systems, today announces its preliminary results for the year ended 30 April 2015.

Financial Highlights:

- Turnover increased by 19.2% to £22.9 million (2014: £19.2 million)
- Gross margin decreased slightly to 42.5% overall (2014: 43.2% before exceptional development cost provisions)
- Profit from operations was £2,268k (2014: £984k after exceptional development cost impairment of £852k)
- Earnings per share of 0.48 pence (2014: 0.19 pence. Earnings per share before impairment provision was 0.38 pence)
- Cash flow from operating activities £4.58 million (2014: £2.13 million)
- Net cash increased to £3.95 million (2014: £1.12 million)
- Proposed increased dividend of 0.10 pence per share (2014: 0.075 pence)

Commenting on the results, Maurice Dwek, Chairman of Newmark, said "As forecast in the interim report, revenue was lower in the second half of the year under review than in the first half due to the timing of customer projects and roll out programmes. As we foresaw this, the Group has been able to focus on new business and products as we look to maintain our position in the market and we are optimistic these initiatives will generate positive results in the future.

We continue to make positive progress within the business by maintaining long term relationships with existing clients, as well as gaining new business as the Group's suite of security products becomes more widely available across the globe.

We were delighted to agree in-principle terms in July 2015 with a major US channel partner for the supply of a new workforce management terminal, which is expected to begin in the financial year commencing 1 May 2016.

Overall, we believe that the profits of the Group in the current year will be lower than that for the year ended 30 April 2015 whilst we build up new markets and products from which the benefits will be seen in the following year and beyond. The Board remains optimistic about the future with various opportunities in the pipeline and accordingly has increased the proposed dividend for the year by one third."

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CHAIRMAN'S STATEMENT

Overview

I am pleased to report another year of revenue growth in the year ended 30 April 2015. Group revenue for the year was £22,854k (2014: £19,171k), representing an increase of 19.2 per cent. Revenue in the electronic division increased by 4.7 per cent from £7,234k to £7,577k, whilst the asset protection division revenue increased by 28.0 per cent in the year from £11,937k to £15,277k.

Profit from operations for the year was £2,268k (2014: £984k). Profit for the year before exceptional items was £2,268k (2014: £1,836K). The exceptional item last year was a development cost impairment of £852k.

Within the electronic division, the SATEON range was expanded to include the newly launched SATEON Pro and create other separate and specific offerings focused on the high-tier and mid-tier sections of the access control market. The division has further capitalised on additional sales opportunities by upgrading existing customers from JANUS legacy systems. SATEON has become the solution of choice of a number of prestigious public sites including museums. A new subsidiary company was established in Hong Kong in the year and will be the cornerstone to our future developments in the Asia Pacific region. Workforce Management Systems continues to benefit with healthy revenue from our longstanding relationship with one of the world's largest retailers as they continue to roll out our workforce management solutions in their stores globally. During the year we also completed a long term project for the UK's largest supermarket chain which was carried over from the previous year.

Revenue for the year in the asset protection division included £1,958,000 from CSI, which was acquired in November 2013. Revenue also benefited from the increase in orders received for Time Delay Cash Handling equipment from the Post Office (PO) and accelerated installation of equipment at PO branches in the third and fourth quarters to meet their targets.

A full financial review of the results for the year is included within the Strategic Report as set out below:

Financial review

Revenue in the year increased from £19,171,000 to £22,854,000 an increase of 19.2% analysed as follows:

	2014/15 £'000	2013/14 £'000	Increase/ (decrease) %
Electronic division			
Access control	4,113	4,060	1.3
Workforce management	3,464	3,174	9.1
Total electronic division	7,577	7,234	4.7
Asset protection division			
Products	12,191	8,719	39.8
Service	3,086	3,218	(4.1)
Total asset protection division	15,277	11,937	28.0
TOTAL	22,854	19,171	19.2

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

Access Control

Access control revenues grew by 1.3% during this transitionary period. The SATEON range was expanded to include the newly launched SATEON Pro and creating separate and specific offerings focused on the high- tier and mid-tier sections of the access control market. The division has further capitalised on additional sales opportunities by upgrading existing customers from JANUS legacy systems.

During the year SATEON versions 2.7 and 2.8 were released. Version 2.7 featured a number of updates that included improved reporting and search functionality and integration with two major elevator companies. Version 2.8 featured new graphical tools, real time maps, time patterns, custom reports and several integrations including Honeywell's Galaxy Intruder panel, Tyco's Simplex Fire Alarm panel and Assa Abloy's Aperio offline locks. Version 2.9, to be launched in August 2015, will contain photo verification via the SATEON Faces feature and will look to build our wireless locks capabilities through integration into Salto's offline locking solutions.

SATEON has become the solution of choice of a number of prestigious public sites including museums. Several local authorities and a major data centre have also chosen to partner with Grosvenor for their access control needs.

Overseas, sales and technical resource has been increased and enhanced in the US operation with a healthy pipeline of sales opportunities being established. A contract with a major Middle East systems integrator was won during the year, securing a robust long-term pipeline for projects within this region. Hong Kong was determined as being the hub from which Grosvenor's Asia Pacific operations would be based. An office has been established and was launched in

June 2015, with a small number of staff including those in sales and business development functions. During 2015/16 it is envisaged that networks of systems integrators will be established in Japan, South Korea, Singapore and Greater China.

Grosvenor's global access control clients will also benefit from longer technical support hours and greater local sales support.

Workforce Management

Workforce Management revenues grew by 9.1% in the year. Grosvenor continues to benefit with healthy revenue from our longstanding relationship with one of the world's largest retailers as they continue to roll out our workforce management solutions in their stores globally. A further opportunity exists with this client in terms of an additional roll out with a product designed to meet their specific requirements. During the year we also completed a long term project for the UK's largest supermarket chain which was carried over from the previous year.

In-principle terms were agreed with a major US channel partner in July 2015 for the exclusive supply of a workforce management terminal, which is expected to begin in the financial year commencing 1 May 2016. This is the largest single contract secured to date by the company in this line of business. It is also expected that significant revenues will be generated from this customer during the current financial year on the existing range of workforce terminals, particularly the IT31 and IT51.

Cross-selling opportunities began to be recognised during the year with Grosvenor being chosen to supply Workforce Management and Access Control in sites as diverse as a major library, food group and charity. This varied mix of end user clients demonstrates the company's credentials as a provider of end-to-end people movement and security solutions across a multitude of sectors and industries.

Asset Protection Division

Product stream

Product revenue was 39.8 per cent. above last year's including £1,958,000 generated from CSI. CSI was acquired on 1 November 2013 and generated revenue of £812,000 in the first six months after acquisition to 30 April 2014. Excluding CSI, revenue increased 29.4 per cent. principally due to the timing of orders received for Time Delay Cash Handling equipment from the Post Office (PO) and accelerated installation of equipment at PO branches in the third and fourth quarters to meet their targets. Sales of new cash handling products developed for a high street bank in 2012 continued despite competitor products introduced into the market. This all resulted in an increase in sales of cash handling equipment overall.

Orders for new Eclipse Rising Screens and screen reconfiguration work increased by 120 per cent after a long term customer accelerated its branch refurbishment programme planned for several years. Sales of Eclipse Rising Screens increased to financial institutions who previously elected to have no security screens and trade over open counters after they had reviewed the security risk at branches that fall in high crime areas. There was also an increase in sales to public sector clients as the government released money for capital expenditure programmes.

Eye2Eye sales continued to decrease as a result of a reduction in train station refurbishment programmes. CounterShield sales decreased substantially due to increased demand for Eclipse Rising Screens and FixedGlazing solutions however we received a substantial order of £174K from a Local Authority at the end of the year for which installation will be completed in the first quarter of the current financial year. Sales of Fixed Glazing and Counter Protection Systems returned to previous levels after the inclusion of a single large order of £374K from a foreign embassy based in London in the previous period. Sales of other non-standard products increased by 26.4 per cent with the benefit of a programme for non-traditional work from a large financial institution.

CSI sales in the year were lower than anticipated due to the cut backs from a major supermarket chain after poor financial results. The cut backs included the reduction in store numbers as well as the cancellation of plans to open new stores. However CSI successfully obtained government CPNI certification on a Blast Door and this product as well as the other products developed during this period will provide significant revenue streams in future years. Continuous product development and certification as well as re-certification will reduce margins, but are also essential requirements to ensure products are updated to withstand new methods of attack and meet customer demands.

Service stream

Whilst revenue was less than that of the previous year, profitability was higher due to margin improvements driven by reduced unit labour costs which will continue as we strive to meet customer cost constraints.

During the year Safetell signed a new service contract with a longstanding customer for a further three years which confirms our value in terms of service delivery. Since the year end Safetell has also renewed a four year service contract with a large facilities management company to support one of the High Street financial institutions. These contracts provide the foundation of our service business and places us in a good position to enter new product support markets in which we currently have a small market share.

It has taken longer than anticipated to enter the more competitive CCTV and access control markets but these products added to our counter and screen offering which will provide product revenue, as well as additional service revenues in the future. The upgrades to older Eclipse Rising Screen systems have proven successful for two long term customers of Eclipse who will embark on roll-out programmes during the next year to replace the pneumatics and control systems on units that have been installed for many years. These upgrades extend the life of the very reliable Eclipse product while reducing the cost of replacing the product and we believe this will provide revenue streams going forward.

Safetell continues to receive reactive call outs on the Post Office Transformation Programme.

Taxation

The tax charge for the year was only 4.8% due to the availability of accumulated tax losses brought forward and research and development allowances.

Balance sheet and cash flow

Further development costs were capitalised in the year and intangible assets increased by £269,000 net of amortisation. Inventories reduced in the year by £207,000 following a review of purchasing policy within the electronic division, whilst trade receivables were £864,000 lower following an exceptional high figure last year due to the advance billing of customers and high sales prior to year end. Trade and other payable were similar to last year.

Overall net assets increased from £11,628,000 to £13,592,000.

Cash flows from operating activities for the year was £4,580,000 (2014: £2,133,000), and overall there was an increase in cash and cash equivalents of £2,760,000 (2014: £313,000).

Basic earnings per share are shown in the income statement as 0.48 pence (2014: 0.19 pence).

Dividend

In view of the results for the year, the Board is pleased to recommend an increased dividend payment for the year ended 30 April 2015 of 0.10 pence per share (2014: 0.075 pence).
The key dates for the proposed dividend are as follows:

- Ex-div date of 17 September 2015
- Record date of 18 September 2015
- Payment date of 9 October 2015

Employees

The Board would like to express its appreciation to all staff for their continuing efforts during the year, which are reflected in the results.

Outlook

As forecast in the interim report, revenue was lower in the second half of the year under review than in the first half due to the timing of customer projects and roll out programmes. Accordingly, the Group focused on new business and products as we look to maintain our position in the market and we are optimistic these initiatives will generate positive results in the future.

We continue to make positive progress within the business by maintaining long term relationships with existing clients, as well as gaining new business as the Group's suite of security products becomes more widely available across the globe.

We were delighted to agree in-principle terms in July 2015 with a major US channel partner for the supply of a new workforce management terminal, which is expected to begin in the financial year commencing 1 May 2016. This will be the largest single contract secured to date by our subsidiary company, Grosvenor Technology. This is testament to our belief that there are significant opportunities abroad and validates our efforts to expand globally. Further to this, a milestone was achieved with our new Asia Pacific hub which opened in Hong Kong in June 2015 This has expanded our global footprint and we expect further customer relationships to be established in other countries in the region.

We are also seeing development with our product offering and a further version of SATEON will be launched this month whilst workforce management revenues continue to benefit from our longstanding relationship with one of the world's largest retailers.

Asset protection division revenues going forward are expected to be lower than the results for the year under review due to the completion of some major customer programs although the revenue from CSI, which was acquired in November 2013, is expected to increase

Overall, we believe that the profits of the Group in the current year will be lower than that in the year ended 30 April 2015, whilst we develop new markets and products from which the benefits will be seen in the following year and beyond. The Board remains optimistic about the future with various opportunities in the pipeline and accordingly has increased the proposed dividend for the year by one third.

M DWEK
Chairman
10 August 2015

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2015

		2015	2014
	Note	£'000	£'000
Revenue		22,854	19,171
Cost of sales –(2014: including exceptional development cost impairment)		(13,142)	(11,741)
Gross profit		9,712	7,430

Administrative expenses		(7,444)	(6,446)
Profit from operations before exceptional items		2,268	1,836
Exceptional development cost impairment		-	(852)
Profit from operations		2,268	984
Finance costs		(16)	(78)
Profit before tax		2,252	906
Tax charge	2	(109)	(49)
Profit for the year		2,143	857
Attributable to:			
– Equity holders of the parent		2,143	857
Earnings per share			
– Basic (pence)	4	0.48p	0.19p
– Diluted (pence)	4	0.43p	0.18p

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 April 2015

Company number: 3339998

	2015 £'000	2014 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	905	872
Intangible assets	8,697	8,428
Total non-current assets	9,602	9,300
Current assets		
Inventories	1,440	1,647
Trade and other receivables	3,130	4,078
Cash and cash equivalents	4,202	1,441
Total current assets	8,772	7,166
Total assets	18,374	16,466
LIABILITIES		
Current liabilities		

Trade and other payables	3,990	4,148
Other short term borrowings	143	196
Corporation tax liability	1	16
Provisions	100	100
Total current liabilities	4,234	4,460
Non-current liabilities		
Long term borrowings	113	124
Provisions	100	84
Deferred tax	335	170
Total non-current liabilities	548	378
Total liabilities	4,782	4,838
TOTAL NET ASSETS	13,592	11,628
Capital and reserves attributable to equity holders of the company		
Share capital	4,602	4,504
Share premium reserve	549	502
Merger reserve	801	801
Foreign exchange difference reserve	(182)	(196)
Retained earnings	7,782	5,977
	13,552	11,588
Non-controlling interest	40	40
TOTAL EQUITY	13,592	11,628

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 April 2015

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Cash flow from operating activities				
Net profit after tax	2,143		857	
Adjustments for:				
Depreciation, amortisation and impairment	1,263		1,905	
Interest expense	16		78	
Income tax charge	109		49	
Operating cash flows before changes in working capital	3,531		2,889	
Decrease/(increase) in trade and other receivables	1,098		(1,492)	
Decrease/(increase)/ in inventories	220		(303)	
(Decrease)/increase in trade and other payables	(114)		1,084	
Cash generated from operations		4,735		2,178
Income taxes paid		(155)		(45)

Cash flows from operating activities		4,580		2,133
Cash flow from investing activities				
Payments for property, plant & equipment	(288)		(324)	
Sale of property, plant & equipment	–		40	
Capitalised development expenditure	(1,089)		(997)	
		(1,377)		(1,281)
Cash flow from financing activities				
Share issues	145		–	
Repayment of bank loans	(52)		(153)	
Repayment of finance lease creditors	(182)		(158)	
Dividends paid	(338)		(150)	
Interest paid	(16)		(78)	
		(443)		(539)
Increase in cash and cash equivalents		2,760		313

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 2013	4,504	502	801	(168)	5,270	40	10,949
Dividends	–	–	–	–	(150)	–	(150)
Total comprehensive income	–	–	–	(28)	857	–	829
30 April 2014	4,504	502	801	(196)	5,977	40	11,628
1 May 2014	4,504	502	801	(196)	5,977	40	11,628
Share issues	98	47	–	–	–	–	145
Dividends	–	–	–	–	(338)	–	(338)
Total comprehensive income	–	–	–	14	2,143	–	2,157
30 April 2015	4,602	549	801	(182)	7,782	40	13,592

1. Basis of preparation

The financial information set out above for the years ended 30 April 2015 and 2014 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 2014 have been delivered to the Registrar of Companies and those for 2015 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 WFM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 33 per cent. (2014: 38 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 67 per cent. (2014: 62 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 development cost impairment, and also excluding the effects of share based payments.

Segment assets and liabilities exclude group company balances.

	Electronic 2015 £'000	Asset Protection 2015 £'000	Total 2015 £'000
Revenue			
Total revenue	7,577	15,277	22,854
Revenue from external customers	7,577	15,277	22,854
Finance cost	–	13	13
Depreciation	133	283	416
Amortisation	820	–	820
Impairment	–	–	–
Segment profit before income tax	48	3,377	3,425
Additions to non-current assets	1,164	417	1,581
Reportable segment assets	7,071	6,155	13,226
Reportable segment liabilities	1,536	3,080	4,616

	Electronic 2014 £'000	Asset Protection 2014 £'000	Total 2014 £'000
Revenue			
Total revenue	7,234	11,937	19,171
Revenue from external customers	7,234	11,937	19,171
Finance cost	–	19	19
Depreciation	113	231	344
Amortisation	682	–	682
Impairment	–	852	852
Segment profit before income tax	212	1,841	2,053
Additions to non-current assets	1,111	375	1,486
Reportable segment assets	6,315	5,075	11,390
Reportable segment liabilities	1,054	3,559	4,613

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

	2015	2014
	£'000	£'000
Revenue		
Total revenue for reportable segments	22,854	19,171

	2015	2014
	£'000	£'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	3,425	2,053
Corporation taxes	(109)	(49)
Unallocated amounts – other corporate expenses	(1,173)	(1,147)
Profit after income tax expense (continuing activities)	2,143	857

	2015	2014
	£'000	£'000
Assets		
Total assets for reportable segments	13,226	11,390
PLC	184	112
Goodwill on consolidation	4,964	4,964
Group's assets	18,374	16,466
Liabilities		
Total liabilities for reportable segments	4,616	4,613
PLC	165	219
Liabilities of discontinued activities	1	6
Group's liabilities	4,782	4,838

	Reportable Segment Totals 2015 £'000	PLC 2015 £'000	Group Totals 2015 £'000	Reportable Segment Totals 2014 £'000	PLC 2014 £'000	Group Totals 2014 £'000
Other material items						
Capital expenditure	1,581	7	1,588	1,486	2	1,488
Depreciation and amortisation	1,236	27	1,263	1,026	27	1,053
Impairment	–	–	–	852	–	852

Geographical information:

	External revenue by location of customers		Non-current assets by location of assets	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
UK	19,682	16,283	9,560	9,266
Europe	1,315	1,148	–	–
USA	1,248	1,356	42	34
Other countries	609	384	–	–
	22,854	19,171	9,602	9,300

4. Earnings per share

	2015	2014
	£'000	£'000
Numerator		
Earnings used in basic and diluted EPS – continuing operations	2,143	857
	No.	No.
Denominator		
Weighted average number of shares used in basic EPS – continuing operations	450,634,239	450,432,316
Weighted average number of dilutive share warrants	29,116,291	29,250,000
Weighted average number of dilutive share options	22,673,030	26,042,424
Weighted average number of shares for dilutive EPS	502,423,560	505,724,740

The basic earnings per share before impairment provisions 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:

	2015	2014
	pence	pence
Basic earnings per share (pence) - basic	0.48	0.19
Impairment provision of development costs	–	0.19
Earnings per share before impairment provisions	0.48	0.38

	2015	2014
	£'000	£'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	2,143	857
Impairment provision of development costs	–	852
Earnings before impairment provisions	2,143	1,709

5. Dividends

The Directors are proposing a final dividend of 0.10 pence per ordinary share (2014: 0.075 pence) totaling £460,182 (2014: £337,824)