

**Dissemination of a Regulatory Announcement that contains inside information according to
REGULATION (EU) No 596/2014 (MAR).**

31 January 2019

Newmark Security plc
(“Newmark”, the “Company” or the “Group”)

Interim Results
for the six months ended 31 October 2018

Newmark Security plc (AIM: NWT), a leading provider of electronic and physical security systems, is pleased to announce its unaudited interim results for the six months ended 31 October 2018.

HIGHLIGHTS

Financials

- Revenue from continuing operations increased 19.5% to £9.8m (HY 2017: £8.2m)
- Operating profit from continuing operations of £0.5m (HY 2017: operating loss of £0.3m)
- Earnings per share from continuing operations of 0.09 pence (HY 2017: loss per share of 0.10 pence)
- Cash outflow from operating activities was £0.7m (HY 2017: 0.1m).

Electronic Division

- Revenue increased by 27.7% to £5.06m (HY 2017: £3.96m)
- Human capital management revenue increased by 53.0% to £3.0m (HY 2017: £2.0m)
- Access control revenue increased by 2.4% to £2.03m (HY 2017: £1.98m)

Asset Protection Division

- Revenue increased by 11.9% to £4.76m (HY 2017: £4.26m)

Commenting on the results, Maurice Dwek, Chairman of Newmark, said:

“The Board was pleased with the growth achieved in the first half of the year and the consequent return to profitability. The higher level of revenue within the electronic division is expected to continue in the second half of the year, although the revenue within the asset protection division is expected to be lower due to seasonality factors as in previous years and for the other reasons set out in my report in full.”

“In addition, Brian Beecraft has notified the Board of his intention to retire in October this year. Brian has been the Company’s Finance Director for 21 years and the Board would like to thank him for his contribution during that time.”

Copies of the interim results for the six months ended 31 October 2018 will shortly be sent to shareholders and will be available on the Company’s website www.newmarksecurity.com.

For further information:

Newmark Security plc

Marie-Claire Dwek, Chief Executive Officer
Brian Beecraft, Group Finance Director

Tel: +44 (0) 20 7355 0070

www.newmarksecurity.com

Allenby Capital Limited

Tel: +44 (0) 20 3328 5656

(Nominated Adviser and Broker)

James Reeve / Liz Kirchner

CHAIRMAN'S STATEMENT

I am pleased to announce the Group's interim results for the six months ended 31 October 2018, a period of significant growth and return to profitability.

There was an increase in Group revenue of 19.5% from £8,218,000 to £9,822,000 which included an increase in revenue within the electronic division of 27.7% from £3,960,000 to £5,056,000. This continued the strong performance in the previous financial year. Within this figure, revenue from Human Capital Management increased by 53.0% from £1,979,000 to £3,028,000 whilst access control revenues increased by 2.4% from £1,981,000 to £2,028,000. Revenue in the asset protection division increased by 11.9% from £4,258,000 to £4,766,000. The increases in revenue, combined with the cost cutting measures in previous years, resulted in an operating profit of £486,000 (2017: loss £328,000). Earnings per share from continuing operations were 0.09 pence (2017: loss per share 0.10p).

Financial summary

Electronic Division- Grosvenor Technology

Revenue £5,056,000 (2017: £3,960,000)

Human Capital Management ("HCM")

Revenue increased by 53.0% from £1.98m to £3.03m

Excluding the US operation, HCM revenue increased by 9.8% from the corresponding period last year to £1,560k. Revenue from the legacy range of RS terminals declined, but this was more than compensated for by an increase in revenues in the contemporary IT series. There were no significant end-user projects completed in the period, the growth coming organically across a number of well-established customers.

Revenues in our American company increased 264% from £558k to £1,468k for the six-month period. Growth was seen across all variants of the proprietary Linux based IT series terminals in addition to the first significant sales of the Android based GT-10 terminal.

We have reported previously that the US represents the greatest area of opportunity for Grosvenor Technology's HCM business due to the sheer proportion of the world's major HCM software vendors that are based in that territory. The investment made in products, services and business development activities in prior periods has continued to take effect and the impressive growth seen in the previous financial year has continued. Revenues were driven by two new major clients, Workforce Software and Ultimate Software, both of whom entered into supply agreements for their flagship terminals, as reported in previous periods.

In addition, a new project for another new customer saw orders placed for 1,000 units of the IT51 terminal complete with a 5 years software-as-a-service (SaaS) bundle. The SaaS element of this deal will contribute towards the Company's recurring revenue ambitions, which remain a key goal in the longer term. Negotiations are now underway with that customer, which is a Tier 1 HCM software vendor, with a view to that client taking an OEM variant of the GT-10 terminal. These negotiations are likely to conclude during the second half of the year.

Grosvenor is seeking to create a further supply chain in the US to support the growth in that region.

Continued development of our SaaS platforms

In the HCM markets generally, growth continues to be facilitated through the technological drivers of high-speed internet availability and the subsequent mass shift to Cloud based computing. This shift means that the traditionally challenging to serve and highly fragmented Small and Medium-Sized Business (SME/SMB) market is well within the reach of HCM providers leveraging a SaaS based business model.

Grosvenor developed the Custom Exchange and Assist IT software suite several years ago, as an 'On-Premise' deployment. Our applications remain hugely powerful solutions and key differentiators for Grosvenor, encompassing advanced data management/transformation and terminal provisioning, remote diagnostics and service capability.

Internal development has continued to focus on the provision of these added services on a 'as a service' basis, increasingly cloud-based, that aid software vendors to reap additional value from their hardware post-deployment. Grosvenor will continue to invest and develop HCM software platforms with a Cloud and API first approach, positioning the company as an accessible SaaS solution provider. This shift from "On Prem" to "Cloud SaaS" also affords the opportunity to an alternative or additional business model where Software, Services and Terminals are 'bundled' as a 'Clock as a Service' offering, generating further long-term recurring revenue potential.

Access Control

Overall, Access Control revenues remained relatively stable, with revenue of £2,028k compared to £1,981k in the corresponding period, an increase of 2.4%.

As previously reported, the Janus product is no longer installed in 'new' systems as the platform utilises an historic and now unsupported version of the MS Windows™ operating system. As anticipated, the Janus revenues in this period reduced to £570k, a fall of 14% compared to £663k in the corresponding period last year.

The Janus to Sateon upgrade programme was very busy as this initiative reached its conclusion at the end of the half year. In addition, the Sateon Advance hardware and software offering continued to show strong growth as an increasing number of security installers became repeat customers, as they chose to adopt the platform as their standard access control offering.

Sateon revenues were also positively affected in the period by sales of the OEM variant of the Advance hardware, which allows third parties to utilize the hardware in a non-proprietary way on their own access control platforms. To date, sales of the OEM variant have been limited to one major client, although exploratory conversations continue with a number of global third-party access control providers in the US and EMEA. As a consequence of the above factors, Sateon sales increased 10.7% to £1,458k.

Development in the period was focused on pre-launch work for the new Security Management System (SMS) which is being developed in conjunction with Slovakian based Gamanet a.s. The new platform is intended to be launched in the second half of the current financial year. The market is moving away from stand-alone Access Control solutions towards integrated Access Control, Intruder, CCTV and Fire and Building Management into a single platform, such as with SMS. This solution will see Grosvenor Technology remain at the cutting edge of advances in the market for access control solutions and will offer a number of third-party integrations at launch.

Asset Protection Division - Safetell

Revenue £4,766,000 (2017: £4,258,000)

Safetell revenue was 11.9% higher than the corresponding period last year, mainly as a result of the contribution from projects completed by the Service Division. This work saw the turnover of the division increase by 34.5% compared to the corresponding period last year. Trading conditions remain challenging in the products division, and the increased uncertainty of Brexit continued to result in budget cuts and cancellation of planned work within that division by customers, including the government departments that Safetell has traditionally supplied. Cost saving initiatives implemented in the period resulted in margins being maintained.

Products Division revenue was 2% lower than the corresponding period last year as a result of the delayed completion of a major project. Despite delays in the Post Office Network Transformation Programme, revenue from that source was only 1.3% lower than the previous period. However, overall Cash Handling revenue increased by 13.2% due to increased sales to new customers. The Products Division's work is mostly customer project based and revenue of non-Cash Handling equipment decreased by 6.5% as a result of fewer customer programmes. Revenue from Eclipse Rising Screens was 25.5% lower than the corresponding period last year as a result of continued branch closures by long standing financial institution customers. Revenue for Fixed Glazing products increased despite clients moving away from ballistic protection counters and screens to less secure open counter trading to improve customer relations. The second half of the financial year is expected to be challenging for the Products Division as there are no large projects in the pipeline and revenue will rely on smaller repeat orders from long standing customers and new smaller projects. The Board continues to review the level of stock holdings in the light of the ongoing uncertainty of the potential impact of Brexit.

During this period, the Service Division revenue was 34.5% higher than the corresponding period last year. Revenue growth was only partly attributable to timing of work with some programmes concentrated in the first six months of the current year. Margins were maintained due to cost cutting efforts supported by excellent service provided by our multiskilled field technicians and improved mix of work. Annual contracts were renewed as expected and we consider no change in our contract retention rates in the short term. Some new initiatives on service offering are developing and, whilst small in terms of overall revenue, there is no reason why they should not continue to grow.

We continue to explore and develop other product and service offerings, and these will reduce our reliance on rising screen and cash handling product revenue streams in the future.

Balance sheet and cash flow

Trade and other receivables increased in the six months due to the increased level of sales especially in the period prior to the end of the six months, but also due to the settlement of accounts related to large projects shortly after the period end. Inventories also increased due to the continuing higher level of activity and concerns over Brexit, but also due to the requirement to hold stock in escrow for one of the customers under the terms of their new supply agreement.

Retirement of Group Finance Director

Brian Beecraft, the Group Finance Director, has provided notice to the Company of his intended retirement in October 2019. The Board has commenced the search for a new Finance Director and further updates will be provided in due course.

Outlook

The Board was pleased with the growth achieved in the first half of the year and the consequent return to profitability. The higher level of revenue within the electronic division is expected to continue in the second half of the year, although the revenue within the asset protection division is expected to be lower due to seasonality factors as in previous years and the reasons outlined above.

31 January 2018

CONSOLIDATED INCOME STATEMENT
For the six months ended 31 October 2018

	Notes	Unaudited Six months ended 31 October 2018 £'000	Unaudited Six months ended 31 October 2017 £'000	Audited Year ended 30 April 2018 £'000
Revenue		9,822	8,218	16,052
Cost of sales (year ended 30 April 2018 Including £698,000 exceptional impairment of development cost)		(5,891)	(4,922)	(10,958)
Gross profit		3,931	3,296	5,094
Administrative expenses (including exceptional items)	2	(3,445)	(3,624)	(6,971)
Profit/(loss) from operations before exceptional items		486	(328)	(1,039)
Exceptional impairment provision of development costs		-	-	(698)
Exceptional redundancy costs		-	-	(140)
Profit/(loss) from operations		486	(328)	(1,877)
Finance costs		(25)	(25)	(50)
Tax (charge)/credit	3	(29)	(96)	172
Profit/(loss) for the period /year from continuing operations		432	(449)	(1,755)
Loss of discontinued operation net of tax	2	-	-	(113)
Profit/(loss) for the period/year		432	(449)	(1,868)
Attributable to:				
– Equity holders of the parent		432	(449)	(1,868)

Earnings/(loss) per share				
– Basic (pence)	4	0.09p	(0.10p)	(0.40p)
– Diluted (pence)	4	0.09p	(0.10p)	(0.40p)
Earnings/(loss) per share from continuing operations				
– Basic (pence)	4	0.09p	(0.10p)	(0.38p)
– Diluted (pence)	4	0.09p	(0.10p)	(0.38p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 October 2018

	Unaudited Six months ended 31 October 2018 £'000	Unaudited Six months ended 31 October 2017 £'000	Audited Year ended 30 April 2018 £'000
Profit/(loss) for the period/year	432	(449)	(1,868)
Foreign exchange gains on retranslation of overseas operation	1	(15)	(8)
Total comprehensive income for the period/year	433	(464)	(1,876)
Attributed to:			
- Equity holders of the parent	433	(464)	(1,876)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2018

	Unaudited 31 October 2018 £'000	Unaudited 31 October 2017 £'000	Audited 30 April 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	486	522	378
Intangible assets	4,737	5,777	4,734
Total non-current assets	5,223	6,299	5,112
Current assets			
Inventory	2,199	1,538	1,608
Trade and other receivables	4,356	3,315	2,834

Cash and cash equivalents	658	641	1,069
Total current assets	7,213	5,494	5,511
Total assets	12,436	11,793	10,623
LIABILITIES			
Current liabilities			
Trade and other payables	3,667	2,932	3,051
Other short term borrowings	1,192	81	491
Provisions	-	100	-
Total current liabilities	4,859	3,113	3,542
Non-current liabilities			
Long term borrowings	115	51	53
Provisions	100	100	100
Deferred tax	5	193	4
Total non-current liabilities	220	344	157
Total liabilities	5,079	3,457	3,699
TOTAL NET ASSETS	7,357	8,336	6,924
Capital and reserves attributable to equity holders of the company			
Share capital	4,687	4,687	4,687
Share premium reserve	553	553	553
Merger reserve	801	801	801
Foreign exchange difference reserve	(132)	(140)	(133)
Retained earnings	1,408	2,395	976
	7,317	8,296	6,884
Minority interest	40	40	40
TOTAL EQUITY	7,357	8,336	6,924

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 October 2018

	Unaudited Six months ended 31 October 2018 £'000	Unaudited Six months ended 31 October 2017 (restated) £'000	Audited Year ended 30 April 2018 £'000
Cash flow from operating activities			
Net profit/(loss) after tax from ordinary activities	432	(449)	(1,868)
Adjustments for:			
Depreciation, amortisation and impairment	357	505	1,582
Interest expense	25	25	50
Gain on sale of property, plant and equipment	(20)	(21)	(21)
Income tax expense/(credit)	29	96	(80)
Operating profit/(loss) before changes in working capital and provisions	823	156	(337)
(Increase)/decrease in trade and other receivables	(1,506)	(28)	453
(Increase)/decrease in inventories	(586)	103	38
Increase/(decrease) in trade and other payables	572	(356)	(349)
Cash generated from operations	(697)	(125)	(195)
Income taxes paid	(4)	-	-
Cash flows from operating activities	(701)	(125)	(195)
Cash flow from investing activities			
Payment for property, plant and equipment	(117)	(1,548)	(1,576)
Sale of property, plant and equipment	20	1,493	1,525
Research and development expenditure	(173)	(475)	(368)
	(270)	(530)	(419)
Cash flow from financing activities			
Bank loan received	-	840	840
Bank loan repaid	-	(840)	(840)
Repayment of finance lease creditors	(31)	(45)	(80)
Proceeds from invoice discounting	616	-	447
Interest paid	(25)	(25)	(50)
	560	(70)	317
Decrease in cash and cash equivalents	(411)	(725)	(297)
Cash and cash equivalents at beginning of period/year	1,069	1,370	1,370

Exchange difference on cash and cash equivalents	-	(4)	(4)
Cash and cash equivalents at end of period/year	658	641	1,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2018	4,687	553	801	(133)	976	40	6,924
Profit for the period	-	-	-	-	432	-	432
Other comprehensive income	-	-	-	1	-	-	1
Total comprehensive income for the period	-	-	-	1	432	-	433
As at 31 October 2018	4,687	553	801	(132)	1,408	40	7,357
At 1 May 2017	4,687	553	801	(125)	2,844	40	8,800
Loss for the period	-	-	-	-	(449)	-	(449)
Other comprehensive income	-	-	-	(15)	-	-	(15)
Total comprehensive income for the period	-	-	-	(140)	(449)	-	(464)
As at 31 October 2017	4,687	553	801	(140)	2,395	40	8,336

NOTES TO THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

1. BASIS OF ACCOUNTS

The financial information for the six months ended 31 October 2018 and 31 October 2017 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 IFRS 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 2019 and are unchanged from those disclosed in the Group's Annual Report for the year ended 30 April 2018.

The comparative financial information for the year ended 30 April 2018 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2018 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. ADMINISTRATIVE EXPENSES

	Unaudited Six months ended 31 October 2018 £'000	Unaudited Six months ended 31 October 2017 £'000	Audited Year ended 30 April 2018 £'000
Exceptional redundancy costs	-	-	140
Other	3,445	3,624	6,831
	<u>3,445</u>	<u>3,624</u>	<u>6,971</u>

3. TAXATION

The tax charge is based on the results for the period after adjustment for losses brought forward.

4. EARNINGS PER SHARE

Earnings per share has been calculated based on the weighted average number of shares in issue during the period, which was 468,732,316 shares (2017: 468,732,316).

5. DIVIDENDS

No interim dividend is proposed (2017: Nil).