



Newmark
SECURITY PLC

Interim Report

for the six months ended 31 October 2015



CHAIRMAN'S STATEMENT

The Board is pleased to announce the Group's interim results for the six months ended 31 October 2015.

The consolidated income statement shows a reduction in revenue of 6% from £11,924,000 to £11,180,000. This reduction in revenue flowed through to profit from operations, which decreased to £765,000 (2014: £1,568,000). Earnings per share were 0.15 pence (2014: 0.31 pence).

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

Asset Protection Division

Revenue £7,606,000 (2014: £7,818,000)

Safetell revenue was 3% lower than the corresponding period last year as a result of reduced contribution from time delay cash handling equipment to the Post Office and the completion of some major customer refurbishment programmes. However revenue from the CSI and Service Divisions, increased by 17.4% and 21.7% respectively.

Product Division revenue (excluding CSI) was 13.9% lower than the corresponding period last year. Revenue from Eclipse Rising Screens was 35.3% lower as a result of reduced spending by one particular long standing financial institution client on its branch refurbishment programme from the previous year. However there was increased spending by another long-standing financial institution customer who decided to reinstall Eclipse Rising Screens after their new screenless counter approach resulted in a spate of robberies. Cash handling revenue was 5.3% lower as a result of the decline in orders from the Post Office for time delay cash handling equipment as the programme enters its fourth year.

CSI Division revenue increased by 17.4% as a result of increased sales from Gunnebo, which continues to promote and market CSI products after the division sale to Safetell in November 2013. We invoiced £307,000 in the period for 25 Ballistic Doors for a hotel in Iraq as part of our marketing efforts to promote our Ballistic and Blast Resistant products in the Middle East.

During the period, Service Division revenue increased by 21.7% compared to the same period last year. This was attributable to the various Eclipse Rising Screen upgrade programmes mentioned in previous reports. Upgrading Eclipse Rising Screen control systems and pneumatic upgrades to Eclipse Rising Screens are anticipated to form a core revenue stream for the future. The Service Division has recently signed a contract with a top 5 building society to support Eclipse Rising Screens for a further 3 years worth nearly £500k over that period.

Initiatives to develop larger CCTV, Access Control and Door Automation revenue streams continue.

Electronic Division

Revenue £3,574,000 (2014: £4,106,000)

Revenue from workforce management (WFM) in the UK based operation decreased by 27% compared to the prior year as previous major projects with a blue-chip retailer and a supermarket chain reached their conclusion. As one of the world's largest retailers, one of these customers has the potential to generate further significant revenues in the future as they look to continue integration of Grosvenor's next-generation WFM solutions to help improve their business processes and increase efficiencies.

During the period, Grosvenor Technology secured a contract with a major global WFM partner for the development, manufacture and supply of one of Grosvenor's next generation terminals. The development costs, partly funded by the partner, include incentives for completion of the development work and availability of the terminal in late 2016. The contract is for a period of 10 years with guaranteed revenues of US\$6m over the first five years. The partner has exclusivity for the terminal for a period of 6 months from the launch of the terminal with the exception of one existing major customer.

Sales of SATEON Access Control (AC) increased by 44% over the corresponding period following the restructuring of the sales team and expansion of the SATEON range. The product range is now ultimately scalable from entry level to enterprise level on a single platform and this proposition has proved attractive to system integrators looking to consolidate product lines, and to end users seeking seamless expansion to existing AC systems.

During the period, SATEON version 2.9 was released which included integration into Salto's wireless locks, adding to the integration already offered into Assa Abloy's Aperio locks and further strengthening the company's offering in the burgeoning wireless locking markets. This version also included innovations such as a refined Personnel Hub for easier user management, improved search facilities and support for Microsoft Windows 10. SATEON 'Faces' was also incorporated in version 2.9 which enhances security by employing photo verification at the point of entry to a building, preventing the use of a lost or stolen credential.

Sales of JANUS AC declined 23% versus the corresponding period due to a combination of adoptions of newer technologies and the transition of long-standing customers to SATEON. We remain committed to supporting new and existing JANUS projects and it is envisaged that the product line will continue to be available as long as market demand remains.

In the Middle East a healthy pipeline is evidenced through a major systems integrator in the region with whom agreement was reached to promote the SATEON range. Business development continues both here and in the US, a market where the company has already enjoyed project success. It is expected that sales will increase in this market in forthcoming periods, as typical project gestation periods tend to be 12-18 months for this type of sale.

Trading with US WFM partners decreased by 9% against the corresponding previous period. Additional resources are planned to be deployed in this region to support and take further advantage of this lucrative and sizeable market. Sales focus in North America will remain on channel management and development with pull through being created by marketing campaigns for specific vertical sectors such as retail, manufacturing and education.

Grosvenor's Hong Kong office was opened during the period with staff based both in Hong Kong and China beginning business development in the region.

Balance sheet and cash flow

Overall there was a net cash inflow in the period of £1,189,000 (2014: £923,000) with the continued benefit of advance payments from customers on certain projects.

Outlook

Profit for the year is forecast to be in line with market expectations. As stated in the last annual report, revenue from the Asset Protection Division was expected to be lower for the current period due to lower volumes of some major customer programmes for the current year. Group profits for the current year were also expected to be lower than the previous year with new market and product development, including the opening of the new office in Hong Kong, the benefits of which are expected to be seen in the future.

M DWEK

Chairman

28 January 2016

CONSOLIDATED INCOME STATEMENTS
For the six months ended 31 October 2015

		Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2015 £'000	Unaudited Six months ended 31 October 2014 £'000
	Notes			
Revenue		11,180	22,854	11,924
Cost of sales		(6,623)	(13,142)	(6,888)
Gross profit		4,557	9,712	5,036
Administrative expenses		(3,792)	(7,444)	(3,468)
Profit from operations		765	2,268	1,568
Finance costs		(4)	(16)	(8)
		761	2,252	1,560
Tax expense	2	(82)	(109)	(160)
Profit for the period/year		679	2,143	1,400
Attributable to:				
– Equity holders of the parent		679	2,143	1,400
Earnings per share				
– Basic (pence)	4	0.15p	0.48p	0.31p
– Diluted (pence)		0.15p	0.43p	0.27p

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 October 2015

	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2015 £'000	Unaudited Six months ended 31 October 2014 £'000
Profit for the period/year	679	2,143	1,400
Foreign exchange losses on retranslation of overseas operation	-	14	-
Total comprehensive income for the period/year	<u>679</u>	<u>2,157</u>	<u>1,400</u>
Attributed to:			
- Equity holders of the parent	<u>679</u>	<u>2,157</u>	<u>1,400</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2015

	Notes	Unaudited 31 October 2015 £'000	Audited 30 April 2015 £'000	Unaudited 31 October 2014 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		694	905	901
Intangible assets		8,711	8,697	8,583
Total non-current assets		<u>9,405</u>	<u>9,602</u>	<u>9,484</u>
Current assets				
Inventories		1,361	1,440	1,587
Trade and other receivables		3,085	3,130	4,612
Cash and cash equivalents		5,391	4,202	2,364
Total current assets		<u>9,837</u>	<u>8,772</u>	<u>8,563</u>
Total assets		<u>19,242</u>	<u>18,374</u>	<u>18,047</u>
LIABILITIES				
Current liabilities				
Trade and other payables		4,568	3,990	4,499
Other short term borrowings		101	143	132
Corporation tax liability		-	1	160
Provisions		100	100	100
Total current liabilities		<u>4,769</u>	<u>4,234</u>	<u>4,891</u>
Non-current liabilities				
Long term borrowings		61	113	143
Provisions		100	100	84
Deferred tax		412	335	239
Total non-current liabilities		<u>573</u>	<u>548</u>	<u>466</u>
Total liabilities		<u>5,342</u>	<u>4,782</u>	<u>5,357</u>
TOTAL NET ASSETS		<u>13,900</u>	<u>13,592</u>	<u>12,690</u>
Capital and reserves attributable to equity holders of the company				
Share capital	3	4,688	4,602	4,504
Share premium reserve	3	553	549	502
Merger reserve	3	801	801	801
Foreign exchange difference reserve	3	(182)	(182)	(196)
Retained earnings	3	8,000	7,782	7,039
		<u>13,860</u>	<u>13,552</u>	<u>12,650</u>
Minority interest		<u>40</u>	<u>40</u>	<u>40</u>
TOTAL EQUITY		<u>13,900</u>	<u>13,592</u>	<u>12,690</u>

CONSOLIDATED CASH FLOW STATEMENTS
For the six months ended 31 October 2015

	Unaudited Six months ended 31 October 2015 £'000	Audited Year ended 30 April 2015 £'000	Unaudited Six months ended 31 October 2014 £'000
	Notes		
Cash flow from operating activities			
Net profit after tax from ordinary activities	679	2,143	1,400
Adjustments for: Depreciation, amortisation and impairment	666	1,263	624
Interest expense	4	16	8
Income tax expense	82	109	160
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Operating profit before changes in working capital and provisions	1,431	3,531	2,192
Decrease/(increase) in trade and other receivables	45	1,098	(491)
Decrease in inventories	79	220	60
(Increase)/decrease in trade and other payables	578	(114)	341
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Cash generated from operations	2,133	4,735	2,102
Income taxes (paid)/received	(6)	(155)	20
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Cash flows from operating activities	2,127	4,580	2,122
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Cash flow from investing activities			
Payment for property, plant and equipment	(65)	(288)	(162)
Sale of property, plant and equipment	58	-	-
Research and development expenditure	(446)	(1,089)	(545)
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	(453)	(1,377)	(707)
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Cash flow from financing activities			
Share issues	90	145	-
Repayment of bank loans	-	(52)	(52)
Repayment of finance lease creditors	(110)	(182)	(94)
Dividend paid	(461)	(338)	(338)
Interest paid	(4)	(16)	(8)
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	(485)	(443)	(492)
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Increase in cash and cash equivalents	1,189	2,760	923
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NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

The financial information for the six months ended 31 October 2015 and 31 October 2014 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 2016 and are unchanged from those disclosed in the Group's Annual Report for the year ended 30 April 2015.

The comparative financial information for the year ended 30 April 2015 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 2015 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 2015	4,602	549	801	7,782	(182)
Share capital issued	86	4	-	-	-
Dividends paid	-	-	-	(461)	-
Total comprehensive income for the period	-	-	-	679	-
As at 31 October 2015	4,688	553	801	8,000	(182)
At 1 May 2014	4,504	502	801	5,977	(196)
Dividends paid	-	-	-	(338)	-
Total comprehensive income for the period	-	-	-	1,400	-
	4,504	502	801	7,039	(196)

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 461,646,446 shares (2014: 450,432,316).

5. DIVIDENDS

No interim dividend is proposed (2014: Nil).

