integrated security solutions

newmark security PLC

INTERIM REPORT

for the six months ended 31 October 2002

CHAIRMAN'S STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2002

The first six months of the year were very much a transitional period with the major historic profits contributor, Vema, having been sold just before the end of the last financial year with the replacement acquisition, Grosvenor Technology, taking place in mid September, and therefore only contributing profits for one and a half months. In addition, we have provided for the cost of the closure of the North American sales operation and the US market will be serviced directly from the UK in future.

The Group made a loss from continuing operations before exceptional items, amortisation of goodwill and interest of £394,000 (2001: loss £416,000). The results for the period include the profits of Grosvenor Technology Limited for the month and a half since the date of acquisition. The results for the six months to 31 October 2001 included the results of Vema which was sold in April 2002 and has therefore made no contribution in the six month period under review. The loss before tax for the period under review was £675,000 (2001: profit £388,000).

ASSET PROTECTION DIVISION

Sales in Safetell Limited were 23% higher than the same period with quotations and order intake 33% higher. The majority of the increase was in cash handling and reconfiguration work on rising screens. A contract to enhance protection against non-firearm attack for a major financial institution was won in July with the first installations in September. 29 of the 80 sites were completed by the end of the half year, with the rest completed in November and December. The new Eye2Eye product was developed further to introduce an anti-physical attack version for the Probation Service and has also now been supplied to some police stations as well. The MaxiView, wide span, moving glass screen has been developed and installed in two petrol retail sites and there are good prospects for a roll out programme for the same client in 2003.

Drion domestic sales and orders received in the period were ahead of last year following some recovery in the Belgian banking sector and growth in the non-banking sector. However, the orders for the export market that we had hoped to gain have not materialised. The major tender with the CNEP bank in Algeria is on hold and we are unlikely to receive any revenue from that source in the current financial year.

SECURE LOCKING DIVISION

Following the sale of the Vema business in April 2002, the results of Vema NV have comprised only overhead costs incurred in the period. The company has now been delisted from the Alternative Investment Market of the London Stock Exchange. The only trading company in this division is Newmark Security Products Limited. We have been taking positive steps to increase the level of activity of this company, but whilst turnover has grown significantly in the period from a low base, the additional resources taken on in the period to increase the strength of the company for the longer term have meant that the company has incurred a loss.

ELECTRONIC DIVISION

The acquisition of Grosvenor Technology Limited was completed in the period and the company has been trading in line with expectations overall since acquisition. However, as the acquisition was completed in mid September, the results for the period only include one and a half months trading for this company. The closures of the Redhill offices and Rainton Bridge assembly plant of Newmark Technology Limited have now been completed. This has resulted in the elimination of the previously sizable trading losses of this company. During the period we have continued with the integration of the two businesses and the implementation of a new management and financial information system.

BALANCE SHEET AND CASH FLOW

The Group balance sheet has again changed significantly due to the acquisition of Grosvenor. In view of the recent trading activity of the company, we have assumed that the deferred consideration of £3.5 million payable under the acquisition agreement will be paid in full, and therefore the goodwill included within intangible fixed assets and long term creditors on the balance sheet have been computed on that basis. Many of the professional costs related to the acquisition/reverse takeover had not been paid at 31 October 2002 and were therefore accrued in other creditors together with the last two elements of the initial purchase consideration (£787,000) which have since been paid in full.

The Group now owns just over 90% of Vema NV following the offer to issue Newmark shares in exchange for Vema GDRs. The acquisition of these GDRs has been accounted for in accordance with the merger accounting rules and the difference between the market and nominal value of the shares issued has been credited to a merger reserve on the balance sheet.

The last instalment of the consideration for the acquisition of Drion has now been paid.

CONCLUSION

We are pleased with the trading results of Grosvenor in the period since the acquisition, and we look forward to the Electronic division being both profitable and cash generative in the future. Safetell has traded ahead of plan since the half year. We are furthermore optimistic that the Newmark Security Product sales will continue to increase.

Maurice Dwek
Executive Chairman 23 January 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 31 October 2002

	Notes	Unaudited Six months ended 31 October 2002 £'000	Audited Year ended 30 April 2002 £'000	Unaudited Six months ended 31 October 2001 £'000
TURNOVER				
Continuing operations		3,733	6,479	3,550
Discontinued operations		–	5,548	2,930
		3,733	12,027	6,480
Cost of sales		(2,455)	(7,785)	(3,790)
Gross profit		1,278	4,242	2,690
Other operating income		–	597	–
Administrative expenses		(1,638)	(5,585)	(2,561)
Amortisation of goodwill		(99)	(128)	(64)
Administrative expenses total		(1,737)	(5,713)	(2,625)
OPERATING (LOSS)/PROFIT				
Continuing operations		(394)	(1,431)	(416)
Discontinued operations		(65)	557	481
		(459)	(874)	65
Profit on part disposal of investment		–	182	362
(Loss)/profit on disposal of business and net trading assets		(247)	3,007	–
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(706)	2,315	427
Interest receivable/(payable)		31	(55)	(39)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(675)	2,260	388
Tax on ordinary activities	2	–	(1,517)	(161)
(LOSS)/PROFIT FOR THE PERIOD AFTER TAX		(675)	743	227
Minority interest	6	91	(1,702)	(129)
	5	(584)	(959)	98
		Pence	**Pence**	**Pence**
(Loss)/earnings per share	7	(0.4p)	(0.8p)	0.1p
Loss per share before amortisation of goodwill, (loss)/ profit on part disposal of investment and profit on disposal of business and trading assets		(0.2p)	(0.5p)	(0.2p)

CONSOLIDATED BALANCE SHEET
as at 31 October 2002

	Notes	Unaudited 31 October 2002 £'000	Audited 30 April 2002 £'000	Unaudited 31 October 2001 £'000
FIXED ASSETS				
Intangible assets		7,411	2,014	2,294
Tangible assets		1,618	1,344	1,463
		9,029	3,358	3,757
CURRENT ASSETS				
Stocks		1,082	773	1,827
Debtors		2,838	1,994	2,666
Cash at bank and in hand		2,576	6,409	966
		6,496	9,176	5,459
CREDITORS: amounts falling due within one year		(5,545)	(5,022)	(3,685)
NET CURRENT ASSETS/(LIABILITIES)		951	4,154	1,774
TOTAL ASSETS LESS CURRENT LIABILITIES		9,980	7,512	5,531
CREDITORS: amounts falling due after more than one year		(3,940)	(525)	(935)
Provisions for liabilities and charges		(225)	(453)	(395)
NET ASSETS		5,815	6,534	4,201
CAPITAL AND RESERVES				
Called up share capital	3	6,916	6,060	6,060
Share premium	4	5,180	5,194	5,194
Other reserves	5	(6,692)	(6,750)	(7,480)
EQUITY SHAREHOLDERS' FUNDS		5,404	4,504	3,774
Minority interest	6	411	2,030	427
		5,815	6,534	4,201

NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

The unaudited results for the six months ended 31 October 2002 have been prepared on a basis consistent with the accounting policies disclosed in the Group's 2001 Report and Accounts, and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 30 April 2002 are an abridged version of the full accounts, which received an unqualified audit report and have been filed with the Registrar of Companies.

2. TAXATION

Tax is disproportionate to the result due to the non-availability of tax relief on the UK losses for the period.

3. SHARE CAPITAL

	£'000
At 1 May 2002	6,060
Shares issued in the period	856
At 31 October 2002	6,916

By a special resolution passed at the Annual General Meeting on 10 September 2002, each of the issued ordinary shares of 5p each in the capital of the Company were sub-divided and converted into one ordinary share of 1p each and one deferred share of 4p each.

During the period the Company issued 85,592,898 ordinary shares of 1p each to acquire ordinary shares in Vema N.V. The excess of the market price of the Newmark shares over their nominal value has been credited to merger reserve.

4. SHARE PREMIUM ACCOUNT

	£'000
At 1 May 2002	5,194
Costs in respect of shares issued in the period	(14)
At 31 October 2002	5,180

5. RESERVES

Profit and loss reserve	Profit and loss reserve £'000	Merger reserve £'000	Total other reserves £'000
At 1 May 2002	(6,750)	–	(6,750)
Retained loss for the period	(584)	–	(584)
Excess of market value over nominal value of shares issued (note 3)	–	613	613
Exchange adjustment	29	–	29
At 31 October 2002	(7,305)	613	(6,692)

6. MINORITY INTEREST

	£'000
At 1 May 2002	2,030
Retained loss for the period	(91)
Exchange adjustment	43
Minority interests purchased back in period (note 3)	(1,571)
At 31 October 2002	411

7. LOSS PER SHARE

	Pence per share	£'000
Loss after taxation and minority interest	(0.4)	(584)
Amortisation of goodwill and exceptional items	0.2	346
Adjusted loss	(0.2)	(238)

The loss per share has been calculated based on the weighted average number of shares in issue during the period, which was 135,474,431 shares (31 October 2001: 121,208,952).

8. DIVIDENDS

No interim dividend is proposed (2001: Nil).

9. A copy of the interim report has been sent to shareholders and is available for inspection at the Company's registered office, Suite 3, 23 Bruton Street, London W1J 6QF, during normal office hours, Saturdays, Sundays and bank holidays excepted, for 14 days from today.

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