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integrated security solutions

newmark security PLC

INTERIM REPORT
for the six months ended 31 October 2004

CHAIRMAN'S STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2004

The Group made an operating profit of £465,000 before amortisation of goodwill and interest for the six months ended 31 October 2004 (2003: £132,000 continuing operations).

The results for the period include Custom Micro Products Limited ("CMP") for the four months since acquisition. CMP was acquired for a total consideration of up to £2.885 million with an initial cash consideration of £800,000 paid on completion. There are two tranches of deferred consideration of £1.4 million and £685,000 respectively, the latter payable on the achievement of profits before tax of £600,000 for the year ending 30 April 2005. In order to part fund the acquisition of CMP, the Group raised an additional £1,700,000 (before expenses) through a placing of 136,000,000 ordinary shares at 1.25p per share.

ELECTRONIC DIVISION

Turnover 6 months 31 October 2004: £2,998,000 (2003: £2,071,000).
Operating profit 6 months 31 October 2004: £585,000 (2003: £443,000).

The combined access control operation comprising of Grosvenor and Newmark Technology was ahead of plan for the period and is expected to remain so for the remainder of the year.

With the release in January 2005 of the new eSeries JANUS controllers working in conjunction with JANUS 3.1 software, Grosvenor is leading the way and is set to take full advantage of the emerging IP revolution within the security industry. TCP/IP networks are in every organisation and the new JANUS hardware sits directly onto these networks without any other wiring being required to enable the controllers to 'talk' to the JANUS Main PC/server. The cost savings are significant for the end user.

With the addition of CMP into the Group, we have integrated their Time & Attendance system into JANUS. Grosvenor will now be selling the CMP hardware and software re-badged as a Grosvenor/JANUS product called ViewPoint.

We have sourced and completed a move of our core hardware production to Hungary where substantial cost savings can be made. The new eSeries controllers are amongst the first boards to be manufactured in this way and have proved successful from the start.

Potential business for the coming period looks very encouraging for all of these products with large corporates showing a great interest in the new system. The underlying business trend remains very strong with a continuing volume of steady core business.

Other contracts being sought and due to be placed include a major bank looking to upgrade its entire security infrastructure, defence companies and government facilities so a significant overall increase in revenue is expected in the next financial year.

CMP's revenue comprises two major elements with approximately two thirds as a result of many small orders received from dealers with the balance from large one-off orders typically from distributors and end users in the UK. Since acquisition, regular dealer revenue has been broadly in line with expectations and several new dealers have been recruited which should increase the volume of product sold through this channel in the near future. There has been significant activity as far as potential large orders are concerned particularly in the retail, hospital and construction sectors. However, none were completed in the period and, as a consequence, turnover was lower than projected. These potential contracts have not been lost and the current expectation is that they will now occur in the financial year 2005/06.

SECURE LOCKING DIVISION
Turnover 6 months 31 October 2004: £748,000 (2003: £533,000).
Operating loss 6 months 31 October 2004: £214,000 (2003: £280,000).

Over the past six months, NSP Europe has made significant headway with certain key distributors in the industry. At the beginning of 2005, NSP Europe has also received initial orders for contracts established towards the end of 2004.

Since the launch of NSP Europe's standalone locking system, hotels and several large groups have acquired and distributed the system throughout Europe. The company also received a rolling contract to install and commission the European Parliament in Brussels, with the initial stage to begin at the end of January. The SIL range continues to attract demand from organisations with large projects, which entails continuous specified work, and thus a somewhat lengthy turnaround time. However, profits margins are good.

NSP Europe's Paris based division continues to expand, having made a successful entry into the market, developing close ties with several distributors.

ASSET PROTECTION
Turnover 6 months 31 October 2004: £2,883,000 (2003: £2,346,000).
Operating profit 6 months 31 October 2004: £429,000 (2003: £382,000).

Safetell's sales have been in line with plan and represented revenue growth of 23% over last year's corresponding period. A change in product mix had an adverse effect on gross margin percentage but gross profit overall was increased by 5.6%. Overheads were contained within 2.1% of the previous year resulting in a rise in operating profit of 11.7% compared to last year.

The Eclipse rising screen programmes were maintained with long-term customers in retail finance and petrol retailing. A contract to replace counter fronts for Abbey was largely complete by the target date of 30 September. A further order for full height glass hampers for HBOS was awarded in October and this will be completed in January 2005.

In the area of moving glass screens, CounterShield has found acceptance with a number of Police forces but actual sales progress remains slow. There have been a number of new customers for the Eye2Eye product but quantities remain small. However the prospects for this product remain good and the value of outstanding quotations is encouraging.

The development of a modular, bullet resistant glazing system to complement the two anti-physical attack systems has increased market opportunities and fixed glazing sales were 72% ahead of last year.

Safetell was awarded the new, 3-year Post Office contract for four sizes of Cash Handling Units. Demand is dependent on Government funding for Post Office re-organisation but a single order for approximately £400,000 was received in December for delivery from March. The development of the new fully re-cycling, teller cash dispenser is taking longer than expected and significant sales will not start until financial year 2005/06.

The service and maintenance business increases pro-rata to the installed base of primary equipments. The contract to maintain all locks for security doors for HBOS is proving to be successful and the demand is higher than predicted increasing the annual contract value by approximately 40%.

The outlook for the second half is encouraging . The level of enquiries and outstanding quotations is promising and offers good prospects for next year.

SUMMARY

The Group results for the first six months have been very rewarding and reflect the changes made in the Group structure and activities in previous years. We believe that the outlook for the remainder of the year is very encouraging.

Maurice Dwek
Chairman

25 January 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 31 October 2004

	Notes	Unaudited Six months ended 31 October 2004 Before goodwill £'000	Unaudited Six months ended 31 October 2004 Goodwill £'000	Unaudited Six months ended 31 October 2004 Total £'000	Audited Year ended 30 April 2004 Total £'000	Unaudited Six months ended 31 October 2003 Total £'000
TURNOVER						
Continuing operations		5,695	–	5,695	9,830	4,950
Acquisitions		934	–	934	–	–
Discontinued operations		–	–	–	754	752
		6,629	–	6,629	10,584	5,702
Cost of sales		(4,044)	–	(4,044)	(6,479)	(3,511)
Gross profit		2,585	–	2,585	4,105	2,191
Administrative expenses		(2,120)	–	(2,120)	(4,163)	(2,374)
Amortisation of goodwill		–	(185)	(185)	(298)	(151)
Termination costs		–	–	–	(167)	–
Administrative expenses-total		(2,120)	(185)	(2,305)	(4,628)	(2,525)
OPERATING PROFIT/(LOSS)						
Continuing operations		338	(149)	189	58	(19)
Acquisitions		127	(36)	91	–	–
Discontinued operations		–	–	–	(581)	(315)
		465	(185)	280	(523)	(334)
Loss on disposal of subsidiary/business		–	–	–	(1,133)	(753)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		465	(185)	280	(1,656)	(1,087)
Interest receivable		14	–	14	15	3
Interest-discount charge on deferred consideration		(130)	–	(130)	(179)	(89)
Interest payable		(36)	–	(36)	(51)	(9)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		313	(185)	128	(1,871)	(1,182)
Tax on ordinary activities	2	(100)	–	(100)	(146)	–
PROFIT/(LOSS) FOR THE YEAR AFTER TAX		213	(185)	28	(2,017)	(1,182)
Minority interest		–	–	–	(27)	–
		213	(185)	28	(2,044)	(1,182)
		Pence	Pence	Pence	Pence	Pence
Earnings/(loss) per share		0.1p	(0.1p)	–	(1.0p)	(0.6p)
Earnings/(loss) per share before amortisation of goodwill, losses of discontinued operations, loss on disposal of subsidiary/business and discount charge on deferred consideration	6	0.1p	–	0.1p	(0.2p)	0.1p

CONSOLIDATED BALANCE SHEET
as at 31 October 2004

	Notes	Unaudited 31 October 2004 £'000	Audited 30 April 2004 £'000	Unaudited 31 October 2003 £'000
FIXED ASSETS				
Intangible assets		6,969	5,287	5,434
Tangible assets		1,039	903	955
		8,008	6,190	6,389
CURRENT ASSETS				
Stocks		1,323	893	848
Debtors		2,722	1,974	2,228
Cash at bank and in hand		2,659	1,522	930
		6,704	4,389	4,006
CREDITORS: amounts falling due within one year		(5,026)	(2,911)	(3,843)
NET CURRENT ASSETS		1,678	1,478	163
TOTAL ASSETS LESS CURRENT LIABILITIES		9,686	7,668	6,552
CREDITORS: amounts falling due after more than one year		(6,031)	(5,741)	(3,868)
Provisions for liabilities and charges		(201)	(201)	(209)
NET ASSETS		3,454	1,726	2,475
CAPITAL AND RESERVES				
Called up share capital	3	3,834	2,131	6,978
Share premium		–	–	5,151
Merger reserve		801	801	801
Profit and loss reserve	4	(1,478)	(1,506)	(10,788)
EQUITY SHAREHOLDERS' FUNDS		3,157	1,426	2,142
Minority interest	5	297	300	333
		3,454	1,726	2,475

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 October 2004

	Unaudited Six months ended 31 October 2004 £'000	Audited Year ended 30 April 2004 £'000	Unaudited Six months ended 31 October 2003 £'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(149)	252	(218)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received	14	15	3
Interest paid	(36)	(51)	(9)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(22)	(36)	(6)
TAXATION	(89)	–	–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets	(63)	(235)	(30)
Receipts from sale of tangible fixed assets	–	30	–
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(63)	(205)	(30)
ACQUISITIONS			
Purchase of subsidiary undertakings	(946)	–	–
Net cash acquired on purchase of subsidiary undertakings	563	–	–
NET CASH OUTFLOW ON ACQUISITIONS	(383)	–	–
DISPOSALS			
Costs related to sale of subsidiary undertaking, and business and trading assets	–	(189)	–
Cash disposed of with business	–	(1)	(1)
NET CASH OUTFLOW FROM DISPOSALS	–	(190)	(1)
NET CASH OUTFLOW BEFORE FINANCING	(706)	(179)	(255)
FINANCING			
New finance loans	150	1,100	625
Repayment of loans	(7)	(176)	(246)
	143	924	379
Issue of shares	1,700	–	–
NET CASH INFLOW FROM FINANCING	1,843	924	379
INCREASE IN CASH	1,137	745	124

NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

The unaudited results for the six months ended 31 October 2004 have been prepared on a basis consistent with the accounting policies disclosed in the Group's 2004 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 2004 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

The tax charge is disproportionate to the profit for the year due to the effect on profits of items not deductible for tax purposes, and the use of losses brought forward.

3. SHARE CAPITAL

	£'000
At 1 May 2004	2,131
Shares issued in the period	1,703
At 31 October 2004	3,834

4. RESERVES

	Profit and loss reserve £'000	Merger reserve £'000	Total other reserve £'000
At 1 May 2004	(1,506)	801	(705)
Retained profit for the period	28	–	28
Exchange adjustment	–	–	–
As at 31 October 2004	(1,478)	801	677

5. MINORITY INTEREST

	£'000
At 1 May 2004	300
Minority interests purchased back in period	(3)
At 31 October 2004	297

6. EARNINGS PER SHARE

	Pence per share	£'000
Profit after taxation and minority interest	0.0p	28
Amortisation of goodwill and discount charge on deferred consideration	0.1p	185
	0.1p	213

The profit per share has been calculated based on the weighted average number of shares in issue during the period, which was 303,750,433 shares (2003: 212,305,266).

7. DIVIDENDS

No interim dividend is proposed (2003: Nil).

8. A copy of the interim report has been sent to shareholders and is available for inspection at the Company's registered office, 57 Grosvenor Street, London W1K 3JA, during normal office hours, Saturdays, Sundays and bank holidays excepted, for 14 days from today.

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