

30 January 2012

Newmark Security plc

("Newmark" or the "Group")

Interim Results

Newmark Security plc (AIM:NWT), a leading provider of electronic and physical security systems, today announces its interim results for the six months ended 31 October 2011.

Highlights:

- Turnover for the period 2% higher than the corresponding period last year

Electronic Division

- New SATEON access control software wins first competitively fought tender
- SATEON version 2.2 will be released shortly and will be available for export
- Committed partners in US for OEM terminals with substantial revenue potential

Asset Protection Division

- Contracts for Products division delayed in first half expected to be completed in second half
- Service division sales 9.4% higher than the corresponding period last year
- Award of one off security product upgrade to be performed in second half of the year worth £0.5m turnover

Commenting on the results, Maurice Dwek, Chairman of Newmark Security plc, said: "Trading in the current environment continues to be difficult but the Board anticipates a more positive second half of the financial year with the first sales of SATEON systems, improved sales of OEM products in the US, the contracts in Safetell deferred from the first half and the security upgrade work also within Safetell. In the longer term, the Group has many exciting developments including the SATEON access control system and the new market in the US for OEM products. These developments will ensure that Newmark has a strong portfolio of products which the Board is optimistic will provide significant opportunities to drive revenue growth going forward."

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Notes to editors

Newmark Security PLC is a leading provider of electronic and physical security systems, which focus on personal security and the safety of assets. Operating through two established and wholly owned divisions, Grosvenor Technology (Electronic) and Safetell (Asset Protection), the Group listed on AIM in 1997.

Founded in 1989 Grosvenor Technology provides state of the art access control, security and data acquisition systems delivered via its flagship JANUS access platform and its CUSTOM brand OEM product range. Clients include BAE Systems, UK Air Traffic Control, BSKyB, Merrill Lynch (Europe, Middle East and Asia) as well as M&S, Morrisons, Tesco, Network Rail, British Royal Palaces, government departments and many universities. More information can be found at www.gtl.biz

Offering staff and asset protection since 1987, Safetell is the UK's leading provider of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. Safetell's customers range from leading blue chip organisations to single sites including banks and building societies, police forces and the Post Office, local authorities and government departments, forecourt retailers and supermarket chains. More information can be found at www.safetell.co.uk

CHAIRMAN'S STATEMENT

Overview

The Board is pleased to announce the Group's interim results for the six months ended 31 October 2011.

As stated in our last annual report, trading has been variable due to the economic slowdown and delays in customers placing orders. This trend has unfortunately continued with the state of the economy affecting most of the Group's customers and in particular the public sector. Revenue in the period for continuing businesses of £6,218,000 was 2 per cent. above the corresponding period last year of £6,085,000.

Loss per share was 0.02 pence per share (2010: earnings per share 0.08 pence).

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

FINANCIAL RESULTS

Electronic Division

Turnover for the six months ended 31 October 2011: £3,009,000 (2010: £2,932,000)

Operating profit for the six months ended 31 October 2011: £223,000 (2010: £441,000)

Turnover for the period was 2.6 per cent. higher than the first six months last year. Both access control and OEM sales were marginally ahead and there was the first contribution for the new operation in USA. Gross margin has however been affected by the economic climate causing pricing pressure, increased amortisation of completed developments and more time spent on integrating with customers rather than on development work.

Grosvenor's new SATEON access control software won its first competitively fought tender valued at £75,000 and is currently being installed. The end user is a technology company and subsequent to multiple system presentations and an on-site "live" evaluation period, the project was won on both technological and commercial merits.

SATEON Version 2.2 will be the latest release expected in 4-6 weeks' time, and will be available for export using our brand new 'EZ' controller hardware which has been developed to be both price competitive and provide the best opportunity in these overseas markets. Grosvenor has three international sales people, each of whom has substantial experience in the security industry, who have been tasked with introducing SATEON into new territories around the world, exploiting all its advanced features including 100 per cent. browser functionality and in-depth multi lingual capabilities.

It will obviously take Grosvenor a certain period of time to establish itself in these new territories but we are tremendously excited at the prospect of SATEON which we believe is unique in the world of access control.

The SATEON 'EZ' door controllers are mid-way through their Underwriters Laboratories ('UL') certification program for the USA market and we believe that certification will be granted in the second quarter of 2012.

Grosvenor Technology LLC, based in Florida, started trading in the period. Sales have been slow to date primarily because of slower than expected product integration with new partners. The Board consider the typical development cycle for a new partner in the USA to be between 8 and 12 months from their initial commitment to partner with Grosvenor until any meaningful sales result. This period allows for the technical interface to be developed between the customers own software and our time and attendance clocks, a monitoring trial period for the new software, and customer training for their sales and technical support personnel. Unsurprisingly, the aforementioned development cycle is generally longer for larger and/or more complicated projects. Project lead times can also extend this initial period especially when there are larger projects involved.

We are pleased with progress made and now have several fully committed, quality partners, some of which have stated that they will only specify Grosvenor clocks for their new systems

and projects with substantial revenue potential.

Historically Grosvenor has sold its clocks into Western Europe and is now actively looking to do the same in Eastern Europe. In that regard, we are currently in discussions with potential new partners in five different countries.

Asset Protection Division

Turnover for the six months to 31 October 2011: £3,209,000 (2010: £3,153,000)

Operating profit for the six to months 31 October 2011: £139,000 (2010: £328,000)

Overall turnover was 1.8 per cent. higher than the corresponding period last year after a disappointing volume of work at the start of the period. However the product mix was significantly different with more sales on lower margin work including low margin work undertaken for the supply of equipment and counter maintenance to a large financial institution.

Product Division sales were 9.3 per cent. less than the same period last year due to delays in receiving Eye2Eye orders and a bank branch closure programme being delayed due to asbestos issues at some branches. The asbestos surveys have now been completed and the work will contribute to improved sales and margin in the second half of the year.

The Eclipse rising screen orders from long-term customers in retail finance and petrol retailing were limited to small orders for branch reconfiguration work. However, we received the first order for an Eclipse rising screen from a bank that is improving its branch security and after the successful installation in November and we are optimistic that additional orders will be placed in the future. CounterShield sales were disappointing as a result of continued budget cuts in the public sector but has succeeded in finding new clients including police forces. The sales of cash management equipment to a large bank has increased on a monthly basis and we are also receiving orders for counter repairs.

The Post Office has indicated that they plan to open new branches called "Mains" and "Local" during 2012 and we have supplied several types of cash management equipment for the trial branches in the last six months. The roll-out programme of equipment to the new Post Office branches will start in July 2012 and is expected to continue until 2015. Sales of fixed glazing were up 55 per cent. from the same period last year with the biggest contribution from a large bank that is replacing old and damaged bullet resistant glass at its branches.

After a slow start we have seen an increase in the sales of queue management systems to banks and retailers and we have gained several service and maintenance contracts with those customers.

The Service Division has seen sales increase by 9.4 per cent. and profitability levels slightly improved compared to the same period last year. This was obviously a pleasing performance in view of the severe cost constraints our major retail finance customers are facing. Safetell continues to provide first class service delivery. The new contract with a large bank that commenced in early 2011 has been very satisfactory and the re-emergence of some rising screen maintenance work recently with a large building society provides more comfort for the second half of the year. Safetell has been awarded a one off security product upgrade contract worth in excess of £500k which should be completed in the Spring. Upgrading technology remains key to striving for efficiency gains. The business remains strong and continues its efforts to work for other large retail finance organisations.

Discussions with Loomis on the development of the T9 Cash Transit Care are ongoing, and as might be expected with a development of this complexity, has taken longer than originally envisaged.

Balance sheet and cash flow

Cash flow from operating activities increased in the period from £407,000 to £457,000.

Inventories increased in the period with the stock holding for our new US operation, and the stock of the new terminals developed. Tight control on debtors has been maintained, and we have again not incurred any significant bad debts although credit control remains a time consuming task with customers seeking to conserve cash and delay payments.

OUTLOOK

Trading in the current environment continues to be difficult but the Board anticipates a more positive second half of the financial year with the first sales of SATEON systems, improved sales of OEM products in the US, the contracts in Safetell deferred from the first half and the security upgrade work also within Safetell. In the longer term, the Group has many exciting developments including the SATEON access control system and the new market in the US for OEM products. These developments will ensure that Newmark has a strong portfolio of products which the Board is optimistic will provide significant opportunities to drive revenue growth going forward.

M DWEK
Chairman
30 January 2012

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 October 2011

		Unaudited Six months ended 31 October 2011 £'000	Audited Year ended 30 April 2011 £'000	Unaudited Six months ended 31 October 2010 £'000
Revenue	Notes	6,218	12,652	6,085
Cost of sales		(3,759)	(7,340)	(3,621)
Gross Profit		2,459	5,312	2,464
Administrative expenses pre legal costs		(2,437)	(4,464)	(2,049)
Legal costs		(40)	(40)	-
Administrative expenses – total		(2,477)	(4,504)	(2,049)
(Loss)/ profit from operations		(18)	808	415
Finance costs		(58)	(102)	(55)
(Loss) / profit before tax		(76)	706	360
Tax expense	2	-	151	(8)
(Loss)/ profit and total comprehensive income for the year		(76)	857	352
Attributable to:				
- Equity holders of the parent		(76)	857	352
(Loss)/ earnings per share				
- Basic (pence)	4	(0.02)	0.19	0.08
- Diluted (pence)		(0.02)	0.18	0.08

All activities relate to continuing operations.

There are no other components of comprehensive income

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2011

	Notes	Unaudited 31 October 2011 £'000	Audited 30 April 2011 £'000	Unaudited 31 October 2010 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		683	788	680
Tangible assets		10,531	10,142	9,824
Total non-current assets		11,214	10,930	10,504
Current assets				
Inventories		1,703	1,469	1,446
Trade and other receivables		2,786	2,885	2,801
Total current assets		4,489	4,354	4,247
Total assets		15,703	15,284	14,751
LIABILITIES				
Current liabilities				
Trade and other payables		3,057	2,936	2,980
Other short term borrowings		1,095	457	714
Corporation tax liability		-	-	92
Provisions		109	117	131
Total current liabilities		4,261	3,510	3,917
Non-current liabilities				
Long term borrowings		355	486	68
Provisions		84	84	92
Deferred tax		454	454	420
Total non-current liabilities		893	1,024	580
Total liabilities		5,154	4,534	4,497
TOTAL NET ASSETS		10,549	10,750	10,254
Capital and reserves attributable to equity holders of the company				

Share capital		4,504	4,504	4,504
Share premium reserve	3	502	502	502
Merger reserve	3	801	801	801
Foreign exchange difference reserve	3	(175)	(175)	(167)
Retained earnings	3	4,877	5,078	4,574
		<hr/>	<hr/>	<hr/>
		10,509	10,710	10,214
Minority interest		40	40	40
		<hr/>	<hr/>	<hr/>
TOTAL EQUITY		10,549	10,750	10,254
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED CASH FLOW STATEMENTS
For the six months ended 31 October 2011

	Unaudited Six months ended 31 October 2011 £'000	Audited Year ended 30 April 2011 £'000	Unaudited Six months ended 31 October 2010 £'000
Notes			
Cash flow from operating activities			
Net (loss)/profit after tax from ordinary activities	(76)	857	352
Adjustments for: Depreciation and amortization	397	616	274
Interest expense	58	102	32
Income tax expense	-	(151)	8
Operating profit before changes in working capital and provisions	379	1,424	666
Decrease/ (increase) in trade and other receivables	3	(375)	(399)
(Increase)/ decrease in inventories	(234)	34	57
Increase in trade and other payables	210	109	143
Cash generated from operations	358	1,192	467
Income taxes received/ (paid)	99	(78)	(60)
Cash flows from operating activities	457	1,114	407
Cash flow from investing activities			
Payment for property, plant and equipment	(76)	(203)	(59)
Sale of property, plant and equipment	-	6	-
Research and development expenditure	(605)	(1,108)	(611)
Acquisition of subsidiary, net of cash acquired	-	(156)	(124)
	(681)	(1,461)	(794)
Cash flow from financing activities			
Proceeds new bank loan	-	450	-
Repayment of bank loans	(24)	(210)	(210)
Repayment of finance lease creditors	(69)	(126)	(68)
Dividend paid	(125)	(125)	(124)

Interest paid	(58)	(102)	(32)
	(276)	(113)	(434)
Decrease in cash and cash equivalents	(500)	(460)	(821)

NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2011 Annual Report. The financial information for the half years ended 31 October 2011 and 31 October 2010 does not constitute statutory accounts 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 comparative financial information for the year ended 30 April 2011 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for 2011 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for 2011 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 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 use of losses brought forward.

3. STATEMENT OF CHANGES IN EQUITY

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 1 May 2011	502	801	5,078	(175)
Dividends paid	-	-	(125)	-
Total comprehensive income for the period	-	-	(76)	-
As at 31 October 2011	<u>502</u>	<u>801</u>	<u>4,877</u>	<u>(175)</u>

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 450,432,316 shares (2010: 450,432,316).

5. DIVIDENDS

No interim dividend is proposed (2010: Nil).