



# Interim Report

for the six months ended 31 October 2024

Company number: 03339998

## HIGHLIGHTS

### Interim Results for the six months ended 31 October 2024 ("H1 FY25")

#### *Group on track to deliver full year revenue growth*

Newmark Security plc (AIM: NWT), a leading provider of electronic, software, and physical security systems and installations, is pleased to announce its unaudited results for the six months ended 31 October 2024 ("H1 FY25").

#### **Financial highlights:**

- Revenue of £10.2 million (H1 FY24: £10.4 million)
- Gross profit of £3.9 million (H1 FY24: £3.9 million)
- Gross profit margin increased by 0.9% pts to 38.1%
- EBITDA of £0.5 million (H1 FY24: £0.8 million)
- Loss after tax of £0.4 million (H1 FY24 loss: £0.1 million)
- Loss per share of 4.60 pence (H1 FY24: loss per share of 0.54 pence)
- Investment in research and development of £0.2 million (H1 FY24: £0.2 million)
- Cash at bank as at 31 October 2024 of £0.3 million (H1 FY24: £0.01 million)
- Net debt excluding leases down 40% to £2.2 million (H1 FY24: £3.7 million)

#### **Business highlights:**

##### ***Grosvenor Technology***

- Human Capital Management ("HCM") annualised recurring revenues\* ("ARR") increased by 30% year-on-year ("YOY") to £3.0 million in October 2024, positively contributing to profit margin growth
- YOY revenue growth for HCM was 8%, with North America up 16%
- GT Connect, the division's global platform, is now processing over 12.1 million monthly clock-ins with over 35,000 monthly device subscriptions for GT Connect and other GT Services
- Progressed Oracle - GT Time partnership with software integration completed and testing underway

##### ***Safetell***

- Grew service and maintenance revenue by 38% in accordance with long term strategy
- Strengthened service team and made senior hire to drive business efficiencies
- Extended existing service contracts with two large banking customers and a major petrol retailer
- Completed the installation of physical security at a new major football stadium
- Won a series of new automatic door service contracts with blue-chip organisations across retail, pharma and transport

#### **Outlook**

- Strong HCM sales pipeline in both North America and Rest of the World ("ROW") markets set to deliver full year growth
- Safetell winning new contracts, growing services revenue and on course for greater performance in H2 FY25
- Profitability has been improving with each quarter and this trend is expected to continue into Q4 FY25

\*ARR is calculated by annualising revenue recognised in a given month from all clients on deployed HCM subscription contracts

## CHAIRMAN'S STATEMENT

### Operational highlights:

#### Group performance

	Six months to 31 October 2024 £'000	Six months to 31 October 2023 £'000	Increase/ (decrease) £'000	Percentage change %
Revenue				
People and Data Management division	7,833	7,629	204	3%
Physical Security Solutions division	2,390	2,737	(347)	(13%)
<b>Group revenue</b>	<b>10,233</b>	<b>10,366</b>	<b>(143)</b>	<b>(1%)</b>

Group revenue decreased by 1% YOY to £10.2 million (H1 FY24: £10.4 million), primarily due to phasing of project deliveries from the Physical Security Solutions division. This impact was partly offset by strong HCM growth in the People and Data Management division.

Gross profit percentage increased by 0.9% pts to 38.1% (H1 FY24: 37.2%) due to improvements in the People and Data Management division from enhanced product margins and an increase in higher margin recurring revenues.

Administrative expenses increased by 10% to £4.2 million (H1 FY24: £3.8 million) driven by both inflationary cost rises and investment in strategic initiatives following the approval of a new five-year strategic growth plan in June 2024. This investment included increases in headcount, marketing and professional fees.

Loss from operations was £0.3 million (H1 FY24: profit of £0.1 million). Finance costs during the period were £0.15 million (H1 FY24: £0.18 million). The reduction in financing costs is from reduced use of overdraft and invoice financing facilities.

For H1 FY25, the Group made a loss per share of 4.60 pence (H1 FY24: loss per share of 0.54 pence).

#### People and Data Management division – Grosvenor Technology (“Grosvenor”)

##### Revenue information

	Six months to 31 October 2024 £'000	Six months to 31 October 2023 £'000	Increase/ (decrease) £'000	Percentage change %
<b>People and Data Management division</b>				
HCM North America	4,527	3,887	640	16%
HCM ROW	2,003	2,134	(131)	(6%)
<b>Total HCM</b>	<b>6,530</b>	<b>6,021</b>	<b>509</b>	<b>8%</b>
<b>Access Control</b>	<b>1,303</b>	<b>1,608</b>	<b>(305)</b>	<b>(19%)</b>
<b>Division total revenue</b>	<b>7,833</b>	<b>7,629</b>	<b>204</b>	<b>3%</b>

### ***Human Capital Management***

We have continued to execute the strategy of building a “hardware-enabled software and services” business and selling customers a wrapped subscription to build stronger recurring revenues. The division delivered revenue of £6.5 million (H1 FY24 £6.0 million), up 8% on the prior year, with subscription-based annual recurring revenues increasing by 30% YOY to £3.0 million in October 2024. GT Connect, the division's global platform, is now processing over 12.1 million monthly clock-ins and has over 35,000 monthly device subscriptions for GT Connect and other GT Services.

HCM’s growth was driven by the strong performance in North America, where sales were up 16%, with one of our largest North American partners experiencing a robust start to the year in terms of demand for the GT10 device. We are also in advanced discussions with partners to introduce the next generation GT10-2 to replace the existing GT10-1, this fiscal year. Demand for the GT4 and lower-cost GT4-Lite devices have also been particularly strong, with orders for the latter helping to displace its main low-cost clock competitor in the North American market.

Sales for the Rest of the World were slightly lower than H1 FY24, after our largest ROW partner recently completed a series of acquisitions, which resulted in a temporary slow-down in orders. However, since the period end, sales have been much stronger with orders from two major retailers and we expect the full year performance to be up on last year. Our partner’s acquisitions have led to its expansion into new European territories and, as such, we stand to benefit directly from this expansion as the sole provider of Timeclock software and hardware solutions to them.

Earlier in the year we announced the pending launch of GT Time in partnership with Oracle to target the Direct to Enterprise market and the expansion of data security and compliance. A senior US consultant with specific experience in working with global HCM marketplaces has been hired to accelerate the roll-out of GT Time and so gain further momentum for this key strategic initiative. We are pleased to report that the Clock and Cloud based Oracle software integration for the beta test phase has been completed including certification by Oracle. We are also pleased to report that there has already been progress with early business development creating sales opportunities and pipeline.

### ***Access Control***

Access Control experienced a slower start to the period than was initially anticipated, with sales impacted by delays to upgrade projects and our software partner for the new Janus C4 Ultras taking longer to have the product ready for launch. However, these delays have been resolved and the sales pipeline for the second half is stronger, positioning the business for a much better end to the year.

Whilst Access Control continues to make a meaningful contribution, management will, in due course, be reviewing the division’s longer-term strategy to assess how it can deliver better value to the Group. In the immediate term, management has taken a strategic decision to focus Grosvenor’s investment resources on HCM to take advantage of the growing market demand for data security and compliance and accelerate the development of its sales pipeline.

**Physical Security Solutions division – Safetell**

**Revenue information**

	Six months to 31 October 2024 £'000	Six months to 31 October 2023 £'000	Increase/ (decrease) £'000	Percentage change %
<b>Physical Security Solutions division</b>				
Products	1,155	1,839	(684)	(37%)
Service	1,235	898	337	38%
<b>Division total revenue</b>	<b>2,390</b>	<b>2,737</b>	<b>(347)</b>	<b>(13%)</b>

As previously disclosed in the Group's AGM statement, the timings of four significant contracts being delayed until H2 FY25 will see Safetell generate the majority of its revenue through the latter part of the year. Consequently, H1 FY25 revenue decreased by 13% to £2.4 million compared to the corresponding prior period. However, the significance of the H2 FY25 revenue weighting means the division is on track to deliver full year growth.

In terms of operations and building of its sales pipeline, Safetell has performed well in accordance with the strategic long-term plan, which includes growing its share of service and maintenance work in the UK automatic door servicing market. It has also invested in talent to strengthen its support services and installations teams and made a senior hire to optimise its operations, all of which is already helping to make the division more efficient and deliver on contracts more profitably.

Reflecting on some project and contract highlights in the period, Safetell successfully extended existing service contracts with two large banking customers, a major petrol retailer and completed the installation of physical security at a new Premier League football stadium.

In terms of growing its revenue pipeline for H2 FY25 and beyond, the division won a series of new automatic door service contracts with blue-chip organisation, including a national retailer, a regional train operator and a major pharmaceutical business, as well as contracts with a major housing trust, a UK charity and a large university in the North of England.

**Balance sheet and financing**

Cash as at 31 October 2024 was £0.3 million compared to £0.01 million at the prior year. Group had an unused £0.2 million UK overdraft facility at the balance sheet date (H1 FY24: £0.4 million).

Net debt excluding leases fell to £2.2 million at 31 October 2024 compared to £3.7 million at 31 October 2023. The decrease is due to a combination of higher cash balances, CBILS loan repayments and lower invoice financing draw downs. The UK invoice financing facility remains at £2.3 million. In February 2025 the \$2 million US invoice financing facility with Seacoast National Bank will be replaced by a \$2 million revolving credit facility with our relationship bank, HSBC. This will provide more flexible financing and at lower interest rates than the current US invoice financing facility.

## **Summary**

The Group delivered a positive first half in accordance with its strategy to drive further growth in recurring revenue streams and service offering. Increased investment in line with our new five-year strategic plan is reflected in our lower reported EBITDA, however; higher HCM product margins and growth in annualised recurring revenues helped to strengthen our cash flow and balance sheet.

In terms of execution, the Group has been building its divisional sales pipelines, developing new partnerships and extending existing relationships. At the same time, it has also invested in people and systems to both enhance customer services and efficiencies.

We continue to win and extend contracts with blue-chip customers, which is testament to our people and our service offering. Like last year, our sales pipeline across both divisions is weighted to the second half and we expect to surpass the previous full year revenue performance.

We are excited about the outlook and look forward to updating the market on our progress at the full year.

**M DWEK**

*Chairman*

31 January 2025

**CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 31 October 2024**

	Note	Unaudited Six months ended 31 October 2024 £'000	Unaudited Six months ended 31 October 2023 £'000	Audited Year ended 30 April 2024 £'000
<b>Revenue</b>		10,223	10,366	22,277
Cost of sales		(6,330)	(6,510)	(13,692)
<b>Gross Profit</b>		<u>3,893</u>	<u>3,856</u>	<u>8,585</u>
Administrative expenses		(4,170)	(3,801)	(7,811)
<b>(Loss)/profit from operations</b>		<u>(277)</u>	<u>55</u>	<u>774</u>
Finance costs		(154)	(181)	(386)
<b>(Loss)/profit before tax</b>		<u>(431)</u>	<u>(126)</u>	<u>388</u>
Tax credit/(charge)		-	75	(254)
<b>(Loss)/profit for the period/year</b>		<u>(431)</u>	<u>(51)</u>	<u>134</u>
Attributable to:				
- Equity holders of the parent		<u>(431)</u>	<u>(51)</u>	<u>134</u>
<b>Earnings per share</b>				
- Basic (pence)	2	(4.60)	(0.54)	1.43
- Diluted (pence)	2	(4.60)	(0.54)	1.35

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 31 October 2024**

	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>31 October</b> <b>2024</b> <b>£'000</b>	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>31 October</b> <b>2023</b> <b>£'000</b>	<b>Audited</b> <b>Year</b> <b>ended</b> <b>30 April</b> <b>2024</b> <b>£'000</b>
<b>(Loss)/profit for the period/year</b>	(431)	(51)	134
Foreign exchange on the retranslation of overseas operation	(75)	73	18
<b>Total comprehensive income for the period/year</b>	<u>(506)</u>	<u>22</u>	<u>152</u>
<b>Attributable to:</b>			
- Equity holders of the parent	<u>(506)</u>	<u>22</u>	<u>152</u>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 October 2024**

	<b>Unaudited 31 October 2024 £'000</b>	<b>Unaudited 31 October 2023 £'000</b>	<b>Audited 30 April 2024 £'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,707	2,818	2,702
Intangible assets	5,093	5,281	5,226
Deferred tax	303	454	303
<b>Total non-current assets</b>	<b>8,103</b>	<b>8,553</b>	<b>8,231</b>
<b>Current assets</b>			
Inventory	2,640	3,712	2,738
Trade and other receivables	3,871	4,506	4,544
Cash and cash equivalents	275	7	1,137
<b>Total current assets</b>	<b>6,786</b>	<b>8,225</b>	<b>8,419</b>
<b>Total assets</b>	<b>14,889</b>	<b>16,778</b>	<b>16,650</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	3,053	3,120	3,545
Other short-term borrowings	2,564	3,370	2,978
<b>Total current liabilities</b>	<b>5,617</b>	<b>6,490</b>	<b>6,523</b>
<b>Non-current liabilities</b>			
Long term borrowings	1,519	2,217	1,893
Provisions	110	100	110
<b>Total non-current liabilities</b>	<b>1,629</b>	<b>2,317</b>	<b>2,003</b>
<b>Total liabilities</b>	<b>7,246</b>	<b>8,807</b>	<b>8,526</b>
<b>TOTAL NET ASSETS</b>	<b>7,643</b>	<b>7,971</b>	<b>8,124</b>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	4,687	4,687	4,687
Share premium reserve	553	553	553
Merger reserve	801	801	801
Foreign exchange difference reserve	(238)	(108)	(163)
Retained earnings	1,800	1,998	2,206
<b>Total attributed to equity holders</b>	<b>7,603</b>	<b>7,931</b>	<b>8,084</b>
Non-controlling interest	40	40	40
<b>TOTAL EQUITY</b>	<b>7,643</b>	<b>7,971</b>	<b>8,124</b>

**CONSOLIDATED CASH FLOW STATEMENTS**  
For the six months ended 31 October 2024

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>Six months</b>	<b>Six months</b>	<b>Year</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>31 October</b>	<b>31 October</b>	<b>30 April</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>			
Net (loss)/profit after tax from ordinary activities	(431)	(51)	134
Adjustments for: Depreciation, amortisation and impairment	745	713	1,459
Finance costs	155	181	386
Gain on sale of property, plant and equipment	(2)	(3)	(19)
Share based payment	25	20	43
Corporation tax credit	-	(75)	254
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<b>Operating profit before changes in working capital and provisions</b>	492	785	2,257
Decrease/(increase) in trade and other receivables	577	358	156
Decrease/(increase) in inventories	48	438	1,412
(Decrease)/increase in trade and other payables	(400)	(1,439)	(1,004)
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<b>Cash generated from operations</b>	717	142	2,821
Corporation tax recovered	-	189	177
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<b>Cash flows from operating activities</b>	717	331	2,998
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	(310)	(181)	(415)
Sale of property, plant and equipment	2	3	19
Acquisition of intangible assets	(221)	(170)	(438)
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	(529)	(348)	(834)
<b>Cash flow from financing activities</b>			
Bank loans paid	(200)	(200)	(400)
Principal paid on lease liabilities	(271)	(206)	(565)
(Repayments)/proceeds from invoice financing	(453)	(12)	(365)
Interest paid	(112)	(137)	(293)
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	(1,036)	(555)	(1,623)
<b>(Decrease)/increase in cash and cash equivalents</b>	(848)	(572)	541
Cash and cash equivalents at beginning of period/year	1,137	581	581
Exchange differences on cash and cash equivalents	(14)	(2)	15
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<b>Cash and cash equivalents at end of period/year</b>	275	7	1,137

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained earnings	Amounts attributable to owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2024	4,687	553	801	(163)	2,206	8,084	40	8,124
Profit for the period	-	-	-	-	(431)	(431)	-	(431)
Other comprehensive income	-	-	-	(75)	-	(75)	-	(75)
<i>Transactions with owners</i>								
Share based payment	-	-	-	-	25	25	-	25
Total comprehensive income for the year	-	-	-	(75)	(406)	(481)	-	(481)
<b>As at 31 October 2024</b>	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(238)</b>	<b>1,800</b>	<b>7,603</b>	<b>40</b>	<b>7,643</b>
At 1 May 2023	4,687	553	801	(181)	2,029	7,889	40	7,929
Profit for the period	-	-	-	-	(51)	(51)	-	(51)
Other comprehensive income	-	-	-	73	-	73	-	73
<i>Transactions with owners</i>								
Share based payment	-	-	-	-	20	20	-	20
Total comprehensive income for the year	-	-	-	73	(31)	42	-	42
<b>As at 31 October 2023</b>	<b>4,687</b>	<b>553</b>	<b>801</b>	<b>(108)</b>	<b>1,998</b>	<b>7,931</b>	<b>40</b>	<b>7,971</b>

## NOTES TO THE ACCOUNTS

### 1. BASIS OF ACCOUNTS

The financial information for the six months ended 31 October 2024 and 31 October 2023 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 ending 30 April 2025 and are unchanged from those disclosed in the Group's Annual Report for the year ended 30 April 2024.

The comparative financial information for the year ended 30 April 2024 ("FY24") included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Financial Statements for FY24 have been filed with the Registrar of Companies. The Independent Auditors' Report on that Annual Report and Financial Statement for FY24 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. EARNINGS PER SHARE

The loss per share figure has been calculated based on the weighted average number of shares in issue during the period, which was 9,374,647 shares (H1 FY24: 9,374,647).

### 3. DIVIDENDS

No interim dividend is proposed (H1 FY24: Nil).