

# LONDON SECURITY PLC

INTERIM STATEMENT 2008



L. Safety Ltd

TOTAL  
FIRE STOP  
what we do

BRANDBEVEILIGING  
PROTECTION INCENDIE  
what we do

GFA  
premier

Bayles Fire & Safety Ltd

UFA  
UNITED FIRE ALARMS

DIMEX  
Technics

nu-swift

THE  
ASCO  
FIRE GROUP

ANSUL



TVF  
Integrated Fire and  
Security Solutions

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## FINANCIAL HIGHLIGHTS

Financial highlights of the unaudited results for the six months ended 30 June 2008 compared with the first half of 2007 are as follows:

- Revenue of £35.6 million (2007: £32.8 million)
- Operating profit of £8.8 million (2007: £8.1 million)
- Profit on ordinary activities before taxation of £6.4 million (2007: £7.3 million)
- Earnings per share of 35.9 pence (2007: 41.0 pence)

## TRADING AND PROSPECTS

The Group's revenue has increased by £2.8 million (8.5%). This improvement is due to the full year effect of various initiatives implemented in 2007 and a favourable exchange rate. There is also an adverse effect following the sale of the Swiss businesses, as results from these companies were included in the 2007 accounts.

For the same reasons, the Group's operating profit has increased by £0.7 million (8.6%).

Within finance costs, the Group has suffered an additional charge of £1.8 million (2007: charge of £0.1 million) in respect of the exchange rate movement on its loans denominated in Euros. This is offset by a positive effect of using income streams from Europe to repay the Group's Euro borrowings.

In mainland Europe, the Group has grown through our multi-service strategy, offering customers a complete range of services. This strategy has enabled the Group's evolution from solely an extinguisher supplier to our customers' safety partner.

In the UK, there has been strong, positive customer response to new contracts and sales initiatives. Investment in training our field service team and a changed payment package continues to maintain market penetration.

It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board.

I am pleased to inform you that, in August 2008, we purchased the fire extinguisher division of Somati in Belgium. This business, now incorporated as Somati FIE NV, has revenue of €8.5 million (£6.5 million) and will contribute positively to the Group in the second half of 2008.

## DIVIDENDS AND FINANCING

A first interim dividend in respect of 2008 of £0.57 per ordinary share was paid to shareholders on 25 April 2008. A second interim dividend of £0.73 per ordinary share was paid on 22 May 2008. Dividends paid totalled £16 million.

In order to pay the interim dividends referred to above, the Group has arranged an additional £15 million of bank loans with Lloyds Bank plc.

## J.G. MURRAY

Chairman

26 September 2008

## FINANCIAL HIGHLIGHTS

Financial highlights of the unaudited results for the six months ended 30 June 2008:

Revenue of	Operating profit of	Profit on ordinary activities before taxation of	Earnings per share of
<b>£35.6 million</b> (2007: £32.8 million)	<b>£8.8 million</b> (2007: £8.1 million)	<b>£6.4 million</b> (2007: £7.3 million)	<b>35.9 pence</b> (2007: 41.0 pence)

## CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS TO 30 JUNE 2008

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
<b>Revenue</b>	<b>35,627</b>	32,815	66,605
Cost of sales	<b>(6,094)</b>	(5,308)	(11,351)
<b>Gross profit</b>	<b>29,533</b>	27,507	55,254
Distribution costs	<b>(12,820)</b>	(11,294)	(22,453)
Administrative expenses	<b>(7,924)</b>	(8,134)	(16,008)
<b>Operating profit</b>	<b>8,789</b>	8,079	16,793
EBITDA*	<b>9,987</b>	8,983	18,785
Depreciation	<b>(1,198)</b>	(904)	(1,992)
Operating profit	<b>8,789</b>	8,079	16,793
Profit on disposal of subsidiary undertakings	—	—	4,216
Finance income	<b>587</b>	478	952
Finance costs	<b>(1,154)</b>	(1,139)	(2,652)
Exchange loss on foreign currency loans	<b>(1,791)</b>	(149)	(2,097)
Finance costs – net	<b>(2,358)</b>	(810)	(3,797)
<b>Profit before income tax</b>	<b>6,431</b>	7,269	17,212
Income tax expense	<b>(2,021)</b>	(2,215)	(4,017)
<b>Profit for the period attributable to equity shareholders of the company</b>	<b>4,410</b>	5,054	13,195
<b>Earnings per share</b>			
Basic and diluted	Note 2 <b>35.9p</b>	41.0p	107.3p
<b>Dividends</b>			
Dividends paid per share	<b>130.0p</b>	—	50.0p

\*Earnings before interest, taxation, depreciation, amortisation and impairment charges.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS TO 30 JUNE 2008

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Profit for the financial period	<b>4,410</b>	5,054	13,195
Currency translation differences on foreign currency net investments	<b>1,123</b>	(9)	1,328
Actuarial gain recognised in pension scheme	—	—	1,473
Movement on deferred tax relating to pension scheme	<b>(224)</b>	—	(988)
Net gains/(losses) not recognised in the income statement	<b>899</b>	(9)	1,813
<b>Total recognised income for the year attributable to equity shareholders</b>	<b>5,309</b>	5,045	15,008

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8,457	7,246	7,863
Intangible assets	47,704	47,090	47,236
Deferred tax asset	508	1,258	743
Derivative financial instruments	299	132	—
	<b>56,968</b>	55,726	55,842
<b>Current assets</b>			
Inventories	6,239	4,990	5,687
Trade and other receivables	15,524	15,605	14,358
Cash and cash equivalents	11,439	10,249	11,807
	<b>33,202</b>	30,844	31,852
<b>Total assets</b>	<b>90,170</b>	86,570	87,694
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(15,123)	(12,932)	(14,475)
Income tax liabilities	(1,527)	(2,295)	(1,891)
Borrowings	(6,015)	(5,071)	(5,388)
Provision for liabilities and charges	(107)	(166)	(49)
	<b>(22,772)</b>	(20,464)	(21,803)
<b>Non-current liabilities</b>			
Trade and other payables	(48)	—	(43)
Borrowings	(40,209)	(27,964)	(27,022)
Derivative financial instruments	—	—	(19)
Deferred tax liabilities	—	(34)	(100)
Retirement benefit obligations	(165)	(4,167)	(949)
Provision for liabilities and charges	(19)	(130)	(130)
	<b>(40,441)</b>	(32,295)	(28,263)
<b>Total liabilities</b>	<b>(63,213)</b>	(52,759)	(50,066)
<b>Net assets</b>	<b>26,957</b>	33,811	37,628
<b>Shareholders' equity</b>			
Ordinary shares	123	123	123
Merger reserve	2,033	2,033	2,033
Other reserves	2,194	(266)	1,071
Retained earnings	22,607	31,921	34,401
<b>Total shareholders' equity</b>	<b>26,957</b>	33,811	37,628

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS TO 30 JUNE 2008

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	9,223	8,361	19,328
Interest paid	(1,110)	(1,017)	(2,033)
Income tax paid	(2,970)	(2,150)	(4,556)
<b>Net cash generated from operating activities</b>	<b>5,143</b>	5,194	12,739
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertaking	—	—	(231)
Net proceeds from sale of subsidiary undertakings	—	—	4,587
Purchases of property, plant and equipment	(1,446)	(1,289)	(2,707)
Proceeds from sale of property, plant and equipment	209	238	401
Purchases of intangible assets	(564)	(272)	(578)
Proceeds from sale of intangible assets	22	—	18
Interest received	222	113	278
<b>Net cash used in investing activities</b>	<b>(1,557)</b>	(1,210)	1,768
<b>Cash flows from financing activities</b>			
Purchase of own shares	—	—	(97)
New long-term loans	15,000	—	—
Repayments of borrowings	(2,974)	(2,366)	(5,133)
Capital repayment of finance leases	—	(45)	—
Equity dividends paid	(15,980)	—	(6,146)
<b>Net cash used in financing activities</b>	<b>(3,954)</b>	(2,411)	(11,376)
<b>Net (decrease)/increase in cash in the period</b>	<b>(368)</b>	1,573	3,131
Cash and cash equivalents at beginning of the period	11,807	8,676	8,676
<b>Cash and cash equivalents at the end of the period</b>	<b>11,439</b>	10,249	11,807

## 1 NATURE OF INFORMATION

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditors and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the six months ended 30 June 2008 is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2007 Annual Report and Accounts. Comparative figures for the year ended 31 December 2007 have been extracted from the statutory accounts for the year ended 31 December 2007 which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.

## 2 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £4,410,000 (2007: £5,054,000) and on 12,294,798 (2007: 12,294,798) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The revised weighted average number of shares is 12,294,798 (2007: 12,294,798). After taking into account the effect of dilutive securities, the basic EPS and adjusted EPS figures are unaltered.

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Profit on ordinary activities after taxation	<b>4,410</b>	5,054	13,195
Basic earnings per ordinary share	<b>35.9p</b>	41.0p	107.3p

## 3 ACTUARIAL VALUATION OF PENSION SCHEME

In common with many other companies, the Group has not prepared an actuarial valuation of pension scheme assets and liabilities for the 2008 interim statement. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's 2008 Annual Report and Accounts.

## 4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months to 30 June 2008 £'000	Six months to 30 June 2007 £'000	Year to 31 December 2007 £'000
Profit for the financial period	<b>4,410</b>	5,054	13,195
Dividends	<b>(15,980)</b>	—	(6,146)
Currency translation differences on foreign currency net investments	<b>1,123</b>	(9)	1,328
Purchase of own shares	—	(97)	(97)
Actuarial gain recognised in pension scheme	—	—	1,473
Movement on deferred tax relating to pension scheme	<b>(224)</b>	—	(988)
<b>Net increase in shareholders' funds</b>	<b>(10,671)</b>	4,948	8,765
Shareholders' funds at the beginning of the period	<b>37,628</b>	28,863	28,863
<b>Shareholders' funds at the end of the period</b>	<b>26,957</b>	33,811	37,628

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## AUSTRIA

**Total Firestop G.m.b.H.**

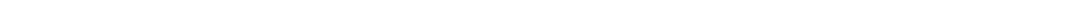
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