London Security plc

Annual Report and Accounts 2011

London Security plc is a leader in Europe's fire security industry. Each year we provide fire protection for over 170,000 customers through our local presence in the United Kingdom, Belgium, Holland and Austria.

Our services and products are commercialised through the well and long established brands of Nu-Swift, Ansul, Total, Premier and Master. The unique styling of our products makes them immediately recognisable to both the industry and customers alike.

We aim to achieve the highest levels of service and product quality through continuing training of our employees to the most stringent servicing standards and the development of the highest performance rated fire products. These activities are performed whilst considering the preservation of the environment.

From the largest blue chip companies to governments and private individuals, our customers know that our name stands for integrity of service by the best trained and qualified individuals with quality products that have achieved the highest performance ratings.

European group brands

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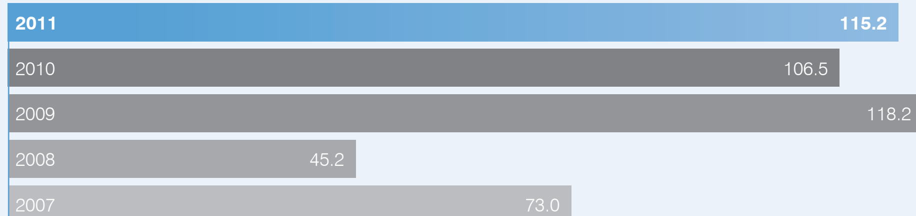
London Security plc continues to deliver industry-leading profit margins since acquiring the Ansul and Nu-Swift businesses in December 1999. The challenges for the future are to continue to grow through acquisition and organically and to build upon our competitive advantage of being a complete fire protection solution provider.

Earnings per share
115.2p



Operating profit
£20.8m

Revenue
£96.3m

Chairman's statement

"Acquisitions are being sought throughout Europe and the Group will invest where an adequate return is envisaged."

Financial highlights

Financial highlights of the audited results for the year ended 31 December 2011 compared with the year ended 31 December 2010 are as follows:

- revenue of £96.3 million (2010: £85.5 million);
- operating profit before depreciation and amortisation of £24.5 million (2010: £22.7 million);
- operating profit of £20.8 million (2010: £19.3 million); and
- profit after income tax of £14.1 million (2010: £13.1 million).

Trading review

The financial highlights illustrate that the Group's revenue increased by £10.8 million (12.6%) to £96.3 million and operating profit increased by £1.5 million (7.8%) to £20.8 million. However, these results partially reflect the movement in the Sterling to Euro average exchange rate which has decreased from 1.16 to 1.15. If the 2011 results had been translated at 2010 rates, revenue would have been £95.6 million instead of £96.3 million (increase of 11.8%). On the same basis operating profit would have been £20.6 million instead of £20.8 million (increase of 6.7%). This performance is very satisfactory in this difficult trading environment.

Ongoing cost control, cash and working capital management have continued to be priorities for the Group. The Group has continued to focus on its stock levels and capital expenditure. Cost control has been achieved without any adverse impact on the operational structure of the business.

A more detailed review of this year's performance is given in the Operational Review and Financial Review.

Acquisitions

We have continued to acquire further contracts to service fire equipment through smaller acquisitions.

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.

Management and staff

2011 was a year in which the staff performed well and, on your behalf, I would like to express thanks and appreciation for their contribution.

Financing

The Group has benefited from the low level of interest rates and has repaid a further £7.3 million of borrowings. These two factors have resulted in a reduction in net interest costs of £0.2 million. Finance costs also move due to pensions and financial instruments although they broadly offset each other.

Dividends

An interim dividend in respect of 2011 of £0.24 per ordinary share was paid to shareholders on 24 June 2011.

The Board is not recommending the payment of a final dividend in respect of 2011.

Dividend policy continues to be reviewed regularly by the Board.

Share buy-back programme

As previously announced, the Board continues to believe that shareholder value will be optimised by the purchase by the Company, when appropriate, of its own shares.

During the period under review a total of 39,187 ordinary shares were purchased for cancellation for a total consideration of £573,974.

The Directors confirm that they intend to actively continue to pursue this policy and any shareholder who is considering taking advantage of the share buy-back programme is invited to contact their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, in order to contact N+1 Brewin LLP who are operating the buy-back programme on behalf of the Company.

Future prospects

Economic growth in the Group's market has been depressed in 2011 resulting from the issues surrounding European sovereign debt and the consequent austerity measures. However, the Group does not operate in the most troubled of the peripheral Eurozone economies. 2011 was a strong year for the Group and although 2012 will be challenging the effect of past and potential acquisitions and our multi-service offering means we are in a strong position. The Board is optimistic for further success in 2012.

Annual General Meeting

The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 13 June 2012 at 11 am. You will find enclosed a form of proxy for use at that Meeting which you are requested to complete and return in accordance with the instructions on the form. I shall, along with your Directors, look forward to meeting you at that time.

J.G. MURRAY
Chairman
2 May 2012

Financial highlights:

Revenue

£96.3 million

2010: £85.5 million

EBITDA*

£24.5 million

2010: £22.7 million

Operating profit

£20.8 million

2010: £19.3 million

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

Financial review

> "Cash flow from operating activities of £22.9 million demonstrates the ability of the Group to convert profitability into positive cash flow."

Consolidated Income Statement

The Group's revenue increased by £10.8 million (12.6%) to £96.3 million. Operating profit increased by £1.5 million (7.8%) to £20.8 million. However, these results partially reflect the movement in the Sterling to Euro average exchange rate which has decreased from 1.16 to 1.15. If the 2011 results from the European subsidiaries had been translated at 2010 rates, revenue would have been £95.6 million instead of £96.3 million, which would represent an increase of 11.8%.

On the same basis operating profit would have been £20.6 million instead of £20.8 million, an increase of 6.7% compared to 2010, reflecting the improved trading experienced.

Net finance costs

Net finance costs have decreased from £0.6 million to £0.4 million. This movement should be considered in terms of its components:

Finance income

Finance income has decreased from £1.1 million to £0.9 million. This is mainly due to the gain on the revaluation of the Group's financial derivatives in 2010 of £0.3 million not being repeated in 2011.

Finance cost

The interest charged has declined from £1.7 million to £1.3 million reflecting the repayment of £7.3 million of loans in the year outweighing an increase in the weighted average interest rate from 1.8% in 2010 to 2.0% in 2011. This led to a total reduction of £0.1 million. A further reduction of £0.2 million relates to the decision to write off the interest cap fees in 2010. There was also a decrease in interest charged on pension scheme liabilities of £0.2 million.

The tax charge for the year has increased by £0.6 million in line with profit before tax. The Group's effective rate of 30% has remained constant despite a reduction in corporation tax rates in the UK.

Consolidated Statement of Financial Position

Cash flow from operating activities of £22.9 million represents 93% of operating profit before depreciation and amortisation charges. This demonstrates the ability of the Group to convert profitability into positive cash flow. The year end cash and cash equivalents have increased by £0.8 million.

Borrowings have decreased from £33.9 million to £26.4 million. The movement can be analysed as follows:

Opening borrowings	£33.9 million
Loans repaid	£(7.3) million
Exchange rate impact	£(0.2) million
Closing borrowings	£26.4 million

Pension scheme surplus

As set out in the notes to the accounts to the consolidated financial statements as at 31 December 2011 the UK pension scheme valuation calculated in accordance IAS 19 resulted in a surplus of £1.2 million. This asset has not been recognised in these financial statements as there is currently no unconditional right for the Group to recover the surplus.

Treasury management and policy

The Board considers foreign currency translation exposure and interest rates to be the only potential treasury risks. Treasury policies and guidelines are authorised and reviewed by the Board.

To fully address the foreign currency translation exposure the Group initiated a restructuring early in 2010 to match the Group's borrowings of £26.4 million which are split between Euro and Sterling according to the forecast income streams. This policy acts as a natural hedge as the effect of an adverse exchange movement on translation of foreign currency loans would be offset by a positive effect of translating income streams from Europe, and vice versa. This restructuring did not involve a change in the Group's overall borrowings and existing facilities were not repaid to facilitate the transaction.

Regarding the interest risk, the Group has entered into interest rate agreements fixing LIBOR to 1.04% and EURIBOR to 1.39% plus a margin of between 0.6% and 1.5% to take advantage of the low market interest rates prevailing at the time. The agreements took effect from September 2011 and remain in effect until the loans are repaid in 2013. These agreements replace the previous interest rate caps taken out in 2006 and 2008. These caps limited the Group's exposure to EURIBOR to 5.25% and LIBOR to 6.25%.

Key performance indicators:

Average revenue per employee

£114,604

2010: £106,342

Operating cash flow(1) as a percentage of operating assets(2) employed

98.3%

2010: 101.2%

Operating profit divided by interest charge(3)

16.1

2010: 11.5

Net debt

£3.3 million

2010: £11.6 million

(1) Operating cash flow before defined benefit scheme contributions.
(2) Operating assets are net assets employed excluding pension liabilities, loans, deferred tax, corporation tax balances, goodwill and cash.
(3) Interest charge is stated excluding any exchange differences.

Financial review continued

"Our service levels are recognised as being the best in the industry, complemented by a diverse base of operations throughout Europe."

Segmental reporting

The Directors have considered the requirements of IFRS 8 "Operating segments". Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM for the London Security Group has been identified as the Board as ultimately this function is responsible for the allocation of resources and assessing the performance of the Group's business units. The management information on which the CODM makes its decisions has been reviewed to identify any reportable segments as defined by IFRS 8. The Directors have concluded that there is a single operating segment for which financial information is regularly reviewed by the CODM.

The Group's companies in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks. The Group's operations are managed on a Pan-European basis and there are close operational relationships between subsidiary companies. In addition the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that under IFRS 8 the Group operates in a single geographical and market segment.

Key risks and uncertainties

Increased competition, the current economic climate and industry changes are regarded as the main strategic risks. These are mitigated by providing service levels recognised as being the best in the industry, together with a diverse base of operations throughout Europe.

In addition, acquisition is important to the Group and a potential risk is not identifying unsuitable acquisitions that fail to meet the investment case and would be disruptive to integrate into the Group. This risk is mitigated by formal review by the Investment Committee prior to an offer being made. Following acquisition the integration team implements the integration plan and monitors performance against that plan.

The Directors have considered the inherent uncertainties which surround the European sovereign debt and banking crisis. However, the Group has no trading exposure to those peripheral Eurozone economies which are facing the greatest challenges. In addition the Group's deposits are held in banks which are expected to meet the Basel III requirements which address the level of banks' reserves and their ability to withstand losses.

Operational review

> "The Group continues its evolution from being solely an extinguisher supplier to the customers' safety partner. At the same time the Group will continue to concentrate on its cost base to maintain profitability."

Despite difficult trading conditions the core Group produced a good stable performance demonstrating the strength of our activities. The Group is now benefitting substantially from fully integrating past acquisitions and realising the forecasted synergy savings. These newly acquired customers are now able to benefit from the wider portfolio of services the Group can offer. We have reviewed our pricing strategy to ensure a consistently lower attrition rate year on year.

The Group has continued to develop its fixed suppression systems activity through a number of international projects.

New legislation in The Netherlands concerning the composition of foam in fixed systems contributed £1.7 million to turnover. The legislation required the replacement of non compliant products before the end of 2011.

The investment in the partial automation of our fire extinguisher assembly line has started to pay for itself in 2011 through increased productivity and better quality control. A further investment has started on the construction of more efficient new facilities for the Group in 2012 at one of its UK sites.

The Group has continued to support and develop its traditional business roots in servicing fire extinguishers, hose reels and fire alarms and growing our new activities through our multi-service strategy offering. This was achieved through a series of training and employee development programmes. The business will continue to develop new sales channels that will enable the Group to take advantage of favourable market conditions and opportunities as they arise. The Group continues its evolution from being solely an extinguisher supplier to the customers' safety partner. At the same time the Group will continue to concentrate on its cost base to maintain profitability during the difficult economic environment.

Directors and company advisers

Executive Directors

Jacques Gaston Murray (92)
Chairman

Mr. Murray's involvement in the fire industry began in 1961 with his investment in a business which became General Incendie S.A., one of France's largest fire extinguisher companies. He invested in Nu-Swift and became Chairman in 1982 and the majority shareholder in 1984 when Nu-Swift acquired Associated Fire Protection Limited, which owned General Incendie S.A. He has a business interest in, and is Chairman of, Andrews Sykes Group plc ("Andrews Sykes"), a separately AIM quoted UK company.

Jean-Jacques Murray (45)
Vice Chairman

Jean-Jacques Murray is the son of Jacques Gaston Murray. His responsibility is the control and strategic direction of the Group. He is a Non-Executive Vice Chairman of Andrews Sykes.

Xavier Mignolet (47)
Operations Director

Xavier Mignolet joined the Group in 1995. He is responsible for the Group's operations. He is a Non-Executive Director of Andrews Sykes.

Emmanuel Sebag (43)
Executive Director

Emmanuel Sebag has responsibility for review and supervision of Group operations. He is a Non-Executive Director of Andrews Sykes.

Independent Non-Executive Directors

Henry Shouler (74)
Senior Independent Non-Executive Director

Henry Shouler is a Director of PKL Holdings plc. He also has a number of other directorships in private companies.

Michael Gailer (76)
Independent Non-Executive Director

Michael Gailer is a Non-Executive Director of Andrews Sykes and a number of private companies.

Non-Executive Directors

Jean-Pierre Murray (43)
Non-Executive Director

Jean-Pierre Murray is the son of Jacques Gaston Murray. He is a Non-Executive Director of Andrews Sykes and a number of private companies.

Marie-Claire Leon (48)
Non-Executive Director

Marie-Claire Leon has been responsible for managing various projects around the world with Jacques Gaston Murray. She is a Non-Executive Director of Andrews Sykes.

Company advisers

Company Secretary and Registered Office
Richard Pollard
Wistons Lane
Elland
West Yorkshire HX5 9DT

Registered number
53417

Chartered accountants and statutory auditor
KPMG Audit Plc
1 The Embankment
Neville Street
Leeds LS1 4DW

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Bankers
Lloyds Banking Group plc

Solicitors
Salans
Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Stockbrokers and nominated advisers
N+1 Brewin LLP
34 Lisbon Street
Leeds LS1 4LX

Report of the directors

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2011.

Principal activities

London Security plc is an investment holding company and its Board co-ordinates the Group's activities. The principal activities of the subsidiaries of the Group are the manufacture, sale and rental of fire protection equipment and the provision of associated maintenance services.

Results and dividends

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2011 of £14.1 million (2010: £13.1 million). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2011 (2010: £Nil). An interim dividend of £2.9 million was paid in the year (2010: £2.1 million).

Business Review and future prospects

The information that fulfils the requirements of the Business Review (as required by Section 417 of the Companies Act 2006), which is incorporated in this Report of the Directors by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement and the Financial Review on pages 4 to 6. Key performance indicators are shown on page 5.

Directors

The Directors of the Parent Company who served during the whole of the year ended 31 December 2011, and up to the date of signing the Group and Parent Company financial statements, except where stated, were:

Executive Directors

J.G. Murray, J-J. Murray, X. Mignolet and E. Sebag were Directors through the whole of the year ended 31 December 2011.

J-C. Pillois resigned on 21 December 2011.

Non-Executive Directors

M. Gailer, M-C. Leon, H. Shouler and J-P. Murray were Directors through the whole of the year ended 31 December 2011.

J.G. Murray, J-P. Murray and E. Sebag retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

None of the Directors have a service contract with the Parent Company.

Brief biographical details of the Directors are set out on page 8.

Directors' interests

No Director in office at 31 December 2011 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

Substantial shareholdings

At 2 May 2012, the Parent Company had been notified of the following interests of 3% or more in its share capital:

	Number of shares	Percentage of share capital
EOI Fire SARL	9,861,954	80.43%
Tristar Fire Corp.	2,256,033	18.40%

In so far as it is aware, the Parent Company has no institutional shareholders.

Directors' share options

The Directors held no options to subscribe for ordinary shares at 31 December 2011 under the Group's Inland Revenue unapproved share option scheme. Options exercised during the year are detailed in note 22 to the accounts.

Report of the directors continued

Health, safety and the environment
The maintenance and improvement of working standards to safeguard the health and wellbeing of staff and customers alike is a continuing priority. Health and Safety Officers are appointed at each Group location and they receive periodic training to keep abreast of both legislative requirements and technological advances. It is Group policy to operate in a reasonable manner with regard to the environment.

Employment of disabled persons
The Group is committed to employment policies that follow best practice based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the Group continues employment wherever possible and arranges retraining.

Employee involvement
The Group recognises the need to ensure effective communications with employees to encourage involvement in the Group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, which take into account factors such as numbers employed and location, and include newsletters and communication meetings.

Payment to suppliers
The Parent Company and Group agree payment terms with all suppliers when they enter into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any standard or external code which deals specifically with the payment of suppliers.

At 31 December 2011 Group average creditor days were 57 days (2010: 39 days). The Parent Company had no trade creditors at either year end.

Donations
The Parent Company and Group made no political donations during the year (2010: £Nil) and made charitable donations of £2,500 (2010: £Nil).

Purchase of own shares and authorities to issue shares
As at 2 May 2012 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 8 is to be proposed at the Annual General Meeting to extend this authority until the 2013 Annual General Meeting.

The special business to be proposed at the 2012 Annual General Meeting also includes, at resolution 7, a special resolution to authorise the Directors to issue shares for cash, other than pro rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £6,130 being 5% of the Parent Company's issued ordinary share capital. This authority will expire on the earlier of the date of next year's Annual General Meeting or 15 months after the passing of the resolution. The passing of that resolution is subject to resolution 6, being an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares.

Statement of disclosure of information to auditor
The Directors of the Parent Company at the date of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps he or she ought to have taken as a Director in order to make himself or herself aware of any audit information and to establish that the Parent Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor

A resolution is to be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006 for the re-appointment of KPMG Audit Plc as auditor of the Parent Company and authorising the Directors to set their remuneration.

Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 49 to 51 and all shareholders are invited to attend in person if they wish or by proxy if they are unable to attend. A form of proxy is enclosed for you to complete according to the instructions printed on it and send to the Parent Company's registrars. All proxies must be received by the registrar by 11 am on 11 June 2012. Appointment of a proxy will not prevent you from attending and voting at the Meeting if you subsequently find that you are able to do so.

By order of the Board

R. Pollard
Company Secretary
2 May 2012

Directors' remuneration report

The Parent Company has followed the provisions in Schedule B of the Combined Code with respect to Directors' remuneration except that, due to the small size of the Board, the remuneration committee does not consist exclusively of Independent Non-Executive Directors. As the Parent Company is quoted on AIM, it is not required to make disclosures specified by the Remuneration Report Regulations 2002.

Remuneration committee (unaudited)

The remuneration committee comprises H. Shouler, M. Gailer and J-J. Murray, the majority being Non-Executive Directors of the Company who are independent of management. The committee is chaired by H. Shouler. The remuneration of Non-Executive Directors is set by a committee of the other Directors. No Director is involved in deciding his or her own remuneration.

Policy on Executive Directors' remuneration (unaudited)

It is the Parent Company's policy to provide the packages needed to attract, retain and motivate Directors of the quality required, bearing in mind the size and resources of the Parent Company and its position relative to other companies.

Directors' remuneration (audited)

Directors' emoluments totalled £794,133 (2010: £620,394). This includes an amount paid to the highest paid Director of £287,442 (2010: £217,724).

In compliance with the amendment to AIM Rule 19 the following disclosure in respect of Directors' remuneration is made:

	Emoluments and compensation including any cash or non-cash benefits received	
	2011	2010
J.G. Murray	£Nil	£Nil
J-J. Murray	£142,500	£75,423
J-C. Pillois	£287,442	£132,752
X. Mignolet	£254,724	£217,724
E. Sebag	£30,467	£107,182
J-P. Murray	£20,000	£20,000
M-C. Leon	£20,000	£20,000
H. Shouler	£20,000	£20,000
M. Gailer	£19,000	£19,000

J-C. Pillois resigned on 21 December 2011 and a settlement package was agreed which will result in the payment of 15 months' salary at a cost of £159,690 during the course of 2012 and 2013. As this unconditional settlement package was agreed prior to the year end this amount is included in the disclosure above.

None of the Directors participate in Group pension arrangements. The Company paid no contributions to any private pension schemes.

Details of Directors' share options are given in the Directors' Report.

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999 and reviewed annually. The total costs amounted to £2,045,000 (2010: £1,853,000) for the year ended 31 December 2011 as per the Services Agreement.

On behalf of the Board

H. Shouler
Chairman of the remuneration committee
2 May 2012

Independent auditor's report
to the members of London Security plc

We have audited the financial statements of London Security plc for the year ended 31 December 2011 set out on pages 14 to 48. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;

> the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Parent Company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

D.J. Hutchinson (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1, The Embankment
Neville Street
Leeds
LS1 4DW
2 May 2012

Consolidated income statement

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Revenue		96,267	85,499
Cost of sales		(19,481)	(15,254)
Gross profit		76,786	70,245
Distribution costs		(35,474)	(31,755)
Administrative expenses		(20,554)	(19,162)
Operating profit		20,758	19,328
EBITDA*		24,549	22,679
Depreciation and amortisation		(3,791)	(3,351)
Operating profit		20,758	19,328
Finance income		855	1,093
Finance costs		(1,286)	(1,726)
Finance costs – net	6	(431)	(633)
Profit before income tax	7	20,327	18,695
Income tax expense	8	(6,199)	(5,613)
Profit for the year attributable to equity shareholders of the Company		14,128	13,082
Earnings per share			
Basic and diluted	9	115.2p	106.5p

* Earnings before interest, tax, depreciation, amortisation and impairment charges.

The notes on pages 18 to 42 are an integral part of these consolidated financial statements.

The above results are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year		14,128	13,082
Other comprehensive income:			
– currency translation differences on foreign currency net investments, net of tax		(421)	(357)
– foreign currency loan hedges, net of tax		—	465
– actuarial (loss)/gain recognised in pension scheme	20	(68)	151
– movement on deferred tax relating to pension scheme	18	16	(21)
– net pension asset not recognised due to uncertainty over future recoverability	20	(568)	(653)
Other comprehensive loss for the year, net of tax		(1,041)	(415)
Total comprehensive income for the year		13,087	12,667

Consolidated statement of changes in equity
for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Capital redemption £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2010	123	—	—	2,033	6,310	37,191	45,657
Total comprehensive income for the year							
Profit for the financial period	—	—	—	—	—	13,082	13,082
Other comprehensive income:							
– exchange adjustments	—	—	—	—	(357)	—	(357)
– actuarial gain on pension scheme	—	—	—	—	—	151	151
– movement on deferred tax relating to pension asset	—	—	—	—	—	(21)	(21)
– net pension asset not recognised due to uncertainty over future recoverability	—	—	—	—	—	(653)	(653)
– foreign currency loan hedges net of tax	—	—	—	—	357	108	465
Total comprehensive income for the year	—	—	—	—	—	12,667	12,667
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(2,086)	(2,086)
– purchase of own shares	—	—	—	—	—	(205)	(205)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(2,291)	(2,291)
At 1 January 2011	123	—	—	2,033	6,310	47,567	56,033
Total comprehensive income for the year							
Profit for the financial period	—	—	—	—	—	14,128	14,128
Other comprehensive income:							
– exchange adjustments	—	—	—	—	(421)	—	(421)
– actuarial loss on pension scheme	—	—	—	—	—	(68)	(68)
– movement on deferred tax relating to pension asset	—	—	—	—	—	16	16
– net pension asset not recognised due to uncertainty over future recoverability	—	—	—	—	—	(568)	(568)
Total comprehensive income for the year	—	—	—	—	(421)	13,508	13,087
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(2,944)	(2,944)
– issue of shares	—	344	—	—	—	—	344
– purchase of own shares	—	—	1	—	—	(483)	(482)
Total contributions by and distributions to owners of the Company	—	344	1	—	—	(3,427)	(3,082)
At 31 December 2011	123	344	1	2,033	5,889	57,648	66,038

The merger reserve is not a distributable reserve. The other reserve relates entirely to the effects of changes in foreign currency exchange rates. The creation of the share premium reserve is detailed in note 22 to the accounts.

Consolidated statement of financial position
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	7,389	7,719
Intangible assets	12	53,454	51,960
Deferred tax asset	18	500	589
		61,343	60,268
Current assets			
Inventories	14	8,329	7,611
Trade and other receivables	15	18,373	16,604
Cash and cash equivalents	16	23,043	22,286
		49,745	46,501
Total assets		111,088	106,769
Liabilities			
Current liabilities			
Trade and other payables	17	(15,919)	(14,498)
Income tax liabilities		(1,004)	(968)
Borrowings	19	(7,030)	(7,126)
Provision for liabilities and charges	21	(109)	(9)
		(24,062)	(22,601)
Non-current liabilities			
Trade and other payables	17	(526)	(457)
Borrowings	19	(19,329)	(26,730)
Derivative financial instruments	13	(103)	(30)
Deferred tax liabilities	18	(359)	(286)
Retirement benefit obligations	20	(671)	(632)
		(20,988)	(28,135)
Total liabilities		(45,050)	(50,736)
Net assets		66,038	56,033
Shareholders' equity			
Ordinary shares	22	123	123
Share premium	22	344	—
Capital redemption reserve	22	1	—
Merger reserve		2,033	2,033
Other reserves		5,889	6,310
Retained earnings		57,648	47,567
Total shareholders' equity		66,038	56,033

The financial statements on pages 14 to 42 were approved by the Board of Directors on 2 May 2012 and were signed on its behalf by:

J.G. Murray
Chairman
2 May 2012

Consolidated statement of cash flow
for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated from operations	23	22,887	21,845
Interest paid		(626)	(713)
Income tax paid		(6,027)	(4,900)
Net cash generated from operating activities		16,234	16,232
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	26	(1,390)	—
Purchases of property, plant and equipment		(2,332)	(1,746)
Proceeds from sale of property, plant and equipment		300	259
Purchases of intangible assets		(1,653)	(883)
Interest received		266	171
Net cash used in investing activities		(4,809)	(2,199)
Cash flows from financing activities			
Repayments of borrowings	24	(7,252)	(8,337)
Purchase of own shares		(482)	(205)
Issue of shares		344	—
Dividends paid to Company's shareholders		(2,944)	(2,086)
Net cash used in financing activities		(10,334)	(10,628)
Effects of exchange rates on cash and cash equivalents		(334)	(189)
Net increase in cash in the year		757	3,216
Cash and cash equivalents at beginning of the year		22,286	19,070
Cash and cash equivalents at end of the year	16	23,043	22,286

Notes to the financial statements
for the year ended 31 December 2011

1 General information
London Security plc (the "Parent Company") is a leader in the European fire security industry, providing fire protection for over 170,000 customers through a local presence in the UK, Belgium, the Netherlands and Austria.

The Parent Company is a public limited liability company incorporated and domiciled in England. The registered office is Wistons Lane, Elland, West Yorkshire HX5 9DT.

The Parent Company has its primary listing on AIM, part of the London Stock Exchange.

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These Group financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These Group financial statements have been prepared under the historical cost convention, as modified by accounting for derivative financial instruments at fair value through profit or loss.

The Directors have prepared these financial statements on the fundamental assumption that the Group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements. In determining whether the Group's accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect the future performance. The Directors have reviewed trading and cash flow forecasts as part of the going concern assessment and based on this have the expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accounting developments
(a) The Group has adopted the following new and amended IFRS as at 1 January 2011:

> IAS 24 Related Party Disclosures (revised 2009);

> amendment to IFRIC 14 "Prepayments of a minimum funding requirement"; and

> IAS 1 "Presentation of financial statements" – presentation of statement of changes in equity.

(b) Standards, amendments and interpretations effective for the year ended 31 December 2011 but not relevant
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2011 but have no material impact on the Group:

> IFRS 1 "First-time adoption of IFRSs" – accounting policy changes in the year of adoption;

> IFRS 1 "First-time adoption of IFRSs" – revaluation basis as deemed cost;

> IFRS 1 "First-time adoption of IFRSs" – use of deemed cost for rate-regulated operations;

> IFRS 7 "Financial instruments: disclosures" – amendments to disclosures;

> IFRIC 13 "Customer loyalty programmes" – fair value of award credit;

> amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"; and

> IAS 34 "Interim Financial Reporting – Significant events and transactions".

2 Summary of significant accounting policies continued

Accounting developments continued

(c) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not adopted them early:

> IFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard contains two primary measurement categories for financial assets: amortised cost and fair value;

> amendments to IFRS 1 Severe hyperinflation and removal of fixed dates for first-time adopters. An entity must present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss;

> government loans – Amendments to IFRS 1;

> IFRS 10 Consolidated financial statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company;

> IAS 27 (2011) "Separate financial statements";

> IFRS 11 "Joint Arrangements";

> amendments to IAS 28 (2008);

> IFRS 12 "Disclosure of interests in other entities" includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles;

> IFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and single source of fair value measurement and disclosure requirements for use across IFRSs;

> amendments to IAS 32 "Offsetting financial assets and financial liabilities";

> amendments to IFRS 7 "Disclosures – Offsetting financial assets and financial liabilities";

> IFRIC 20 – Stripping costs in the production phase of a surface mine;

> amendments to IAS 19 "Defined benefit plans". The amendment does not impact the Group; and

> IAS 28 "Investments in associates and joint ventures" (2011).

None of the above are expected to have a material impact on the results or financial position of the Group.

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All subsidiaries share the same reporting date, being 31 December, and same accounting policies as London Security plc.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The costs directly attributable to the acquisition are expensed, with the exception of those relating to the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Notes to the financial statements continued

for the year ended 31 December 2011

2 Summary of significant accounting policies continued

Consolidation continued

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

On transition to IFRS, the Directors fixed the value of consolidated goodwill on the European subsidiaries at the rate in effect at the date of transition, as permitted under IFRS 1. Hence, the consolidated goodwill is presented at amortised cost less any provision for diminution in value.

Segment reporting

An operating segment is a group of assets and operations for which discrete financial information is available that is regularly reviewed by the CODM. The Directors have concluded that there is a single operating segment as defined by IFRS 8, being the provision and maintenance of fire protection equipment in Europe. Consequently, the results for the year and assets and liabilities relate to the one operating segment and one geographical area.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group financial statements are presented in Sterling, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(ii) income and expenses for each Income Statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity and are reported within the Statement of Comprehensive Income.

In accordance with IFRS 1, the translation reserve has been set at £Nil at the date of transition to IFRS.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on sale.

Property, plant and equipment

Property is carried at deemed cost at the date of transition to IFRS based on the previous UK GAAP valuations. Plant and equipment held at the date of transition and subsequent additions to property, plant and equipment are stated at purchase cost including directly attributable costs, less accumulated depreciation.

Subsequent costs are recognised when it is probable that future economic benefits associated with the items will flow to the Group and the costs of the item can be measured reliably.

2 Summary of significant accounting policies continued

Property, plant and equipment continued

Freehold land is not depreciated. Depreciation on all other assets is calculated using the straight line method to allocate their cost less residual value over their estimated useful lives, as follows:

Freehold buildings	2 – 6%
Plant, machinery and extinguisher rental units	10 – 33%
Motor vehicles and share in aircraft	5 – 33%
Fixtures, fittings and equipment	10%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in "intangible assets". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives (15 – 20 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 – 5 years) using the straight line method.

(d) Service contracts

Acquired service contracts are capitalised on the basis of the costs incurred to acquire. Amortisation is calculated using the straight line method to allocate the cost of the contracts over their estimated useful lives (5 – 10 years) based on information available to the Directors on average attrition rates.

Derivative financial instruments and hedging activities

The Group's borrowings of £26.4 million (£21.6 million denominated in Euros and £4.8 million denominated in Sterling) are subject to fixed interest rate agreements for LIBOR of 1.04% and EURIBOR of 1.39% plus a margin of between 0.6% and 1.5%. The agreements took effect from September 2011 and continue until the loans are repaid in June 2013.

Derivative financial instruments are initially measured at cost and are re-measured at fair value at the Statement of Financial Position date with any valuation adjustment being reflected in the Income Statement.

Notes to the financial statements continued

for the year ended 31 December 2011

2 Summary of significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow moving or defective items where appropriate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement within administrative expenses.

Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Financial Position at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, less bank overdrafts where there is a legal right of off-set. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Parent Company purchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled.

Trade payables

Trade payables are recognised at fair value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the net assets approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies continued

Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated triennially by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The interest cost and the expected return on the assets are shown within finance cost and finance income respectively within the Consolidated Income Statement. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income. Net defined benefit pension scheme deficits are presented separately on the Statement of Financial Position within non-current liabilities before tax relief. The attributable deferred tax asset is included within deferred tax and is subject to the recognition criteria as set out in the accounting policy on deferred taxation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Exceptional items

Significant transactions which occur outside the normal scope of business are classified as exceptional items.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Outright sale of equipment

Revenue from the outright sale of equipment is recognised upon delivery to the customer.

(b) Service

Revenue from the servicing of equipment is recognised when the service has been performed.

(c) Maintenance

Revenue from the provision of maintenance services is recognised over the term of the maintenance contract on a pro rata basis with the unexpired portion held in deferred income.

(d) Equipment leases

Revenue from the equipment leased to customers under an operating lease is recognised over the term of the lease, typically five years, on a pro rata basis. All contracts are cancellable.

Notes to the financial statements continued
for the year ended 31 December 2011

2 Summary of significant accounting policies continued
Revenue recognition continued
(e) Long-term installation
Revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. As soon as the outcome of the contract can be estimated reliably, contract revenue is recognised in the Income Statement in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in the Income Statement.

Cost of sales
Cost of sales includes direct material costs. Other direct costs, largely direct labour, of £32 million (2010: £29 million) are included within distribution costs.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

Dividend distribution
Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements when paid in the case of interim dividends or in the period in which the dividends are approved by the Parent Company's shareholders in the case of final dividends.

3 Financial risk management
Financial risk factors
The Board considers the Group has exposure to the following risks: foreign exchange risk, interest rate risk and capital risk. Risk management is carried out under treasury policies and guidelines authorised and reviewed by the Board of Directors. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. The Board has also considered the Group's exposure to credit risk and liquidity risk. The Group's trade receivables consist of a large number of customers spread across diverse industries and geographical locations. The Group does not have any significant credit risk exposure to any single customer. As a result the Board has concluded that the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. In view of the significant level of cash reserves held by the Group, the Board has concluded that it has minimal exposure to liquidity risk.

(a) Foreign exchange risk
The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

31 December 2011	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	3,865	19,178	23,043
Trade receivables	3,434	14,939	18,373
Bank loans	(4,732)	(21,627)	(26,359)
Trade payables	(3,934)	(11,985)	(15,919)
Other payables	(152)	(852)	(1,004)
Balance sheet exposure	(1,519)	(347)	(1,866)

3 Financial risk management continued
Financial risk factors continued
(a) Foreign exchange risk continued

31 December 2010	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	4,917	17,369	22,286
Trade receivables	3,847	12,757	16,604
Bank loans	(6,232)	(27,624)	(33,856)
Trade payables	(2,905)	(11,593)	(14,498)
Other payables	(179)	(789)	(968)
Balance sheet exposure	(552)	(9,880)	(10,432)

A 5% weakening of the Euro against Sterling at 31 December 2011 would have increased equity and profit or loss by £17,000 (2010: £482,000). This calculation assumes that the change occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date. A 5% strengthening of the Euro against Sterling at 31 December 2011 would have had the equal but opposite effect to the amounts shown overleaf, on the basis that all other variables remain constant.

(b) Interest rate risk
The Group's interest rate risk arises from long-term borrowings. These borrowings were issued at variable rates based on EURIBOR and LIBOR and did expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by entering into fixed interest rate agreements. The effect of these agreements is to fix the Group's exposure to EURIBOR to 1.39% and LIBOR to 1.04%. The agreements took effect from September 2011 and provide interest rate cover until the loans are repaid in June 2013.

A change of 50 basis points in interest rates at the prior Statement of Financial Position date would have decreased equity and profit or loss by £158,000 (2010: £179,000). This calculation assumes that the change occurred at the prior Statement of Financial Position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates.

(c) Capital risk
The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide for an appropriate level of dividend payment to shareholders.

The Group is not subject to external regulatory capital requirements.

Total capital	2011 £'000	2010 £'000
Total borrowings	26,359	33,856
Less: cash and cash equivalents	(23,043)	(22,286)
Net debt	3,316	11,570
Total equity	66,038	56,033
Total capital	69,354	67,603

4 Critical accounting estimates and judgements
Fair value estimation
The fair value of the fixed interest rate agreement is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below:

Notes to the financial statements continued

for the year ended 31 December 2011

4 Critical accounting estimates and judgements continued

Fair value estimation continued

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2011 and agreed business plans for the two years ending 31 December 2012 and 31 December 2013. Subsequent cash flows are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows have then been discounted using a pre-tax rate of 12% for the year ended 31 December 2011. A single discount rate has been applied as the risk associated with each element of goodwill is considered to be similar. The value-in-use calculations did not indicate impairment in any goodwill. If the discount rate had been 5% higher there would still have been no impairment in any goodwill.

(b) Pension scheme assumptions and mortality tables

The carrying value of the defined benefit pension scheme is valued using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme's actuaries which are checked from time to time with benchmark surveys.

Prior to the effect of deferred tax, the impact of a 0.5% increase in the inflation rate would be to decrease the pension surplus by £239,000; a decrease of 0.5% in the inflation rate would be to increase the surplus by £210,000. The impact of a 0.5% increase in the discount rate would be to increase the pension surplus by £670,000; a decrease of 0.5% in the discount rate would be to decrease the surplus by £748,000.

(c) Intangible assets

Amortisation of intangible assets is charged to the Income Statement on a straight line basis over the estimated useful life of each asset which in some cases is in excess of the contracted life. The Directors have made judgements based on the evidence in the market and historical evidence on attrition rates when determining the useful economic lives and based on the legal rights on the contracts being renewable.

(d) Provisions for doubtful debtors

Trade receivables are stated in the Statement of Financial Position at their nominal value less any appropriate provisions for irrecoverable amounts. In determining the need for a provision, judgement is required in estimating the likely levels of recovery. In exercising this judgement, consideration is given to the overall economic environment as well as specific indicators that the recovery of the balance may be in doubt.

5 Employee benefit expense

	2011 £'000	2010 £'000
Wages and salaries	30,241	27,668
Social security costs	6,824	5,944
Other pensions costs (note 20)	1,104	1,262
	38,169	34,874
Number of employees	840	804

Directors' remuneration is reported within audited sections of the Directors' Remuneration Report on page 12 under the heading "Directors' Remuneration (audited)".

The average monthly number of persons employed by the Group (including Directors) during the year was as follows:

	2011 Number	2010 Number
Production	54	50
Administration and management	786	754
Total	840	804

6 Finance income and costs

	2011 £'000	2010 £'000
Finance income		
Bank interest receivable	(266)	(171)
Expected return on pension scheme assets (note 20)	(589)	(656)
Fair value of derivative financial instruments	—	(266)
Total finance income	(855)	(1,093)
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	626	713
Amortisation of interest cap fees	—	217
Fair value of derivative financial instruments	73	—
Exchange loss on foreign currency balances	7	39
Interest on pension scheme liabilities	580	757
Total finance costs	1,286	1,726
Net finance costs	431	633

7 Profit before income tax

Profit before income tax is stated after charging/(crediting):

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment	2,375	2,170
Amortisation on intangible fixed assets	1,416	1,181
Profit on disposal of property, plant and equipment	(76)	(39)
Loss on disposal of intangible assets	—	4
Hire charges under operating leases:		
– land and buildings	249	228
– other	747	353

Services provided by the Group's external auditor and network firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2011 £'000	2010 £'000
Audit services		
Fees payable to the Parent Company's auditor for the audit of Group's annual accounts	16	14
Fees payable to the Parent Company's auditor and its network firms for other services:		
– the audit of the Parent Company's subsidiaries pursuant to legislation	133	132
Services relating to taxation:		
– compliance services	40	—
– advisory services	1	—
	190	146

Notes to the financial statements continued

for the year ended 31 December 2011

8 Income tax expense

	2011 £'000	2010 £'000
United Kingdom		
Corporation tax	265	308
Adjustment in respect of prior periods	(52)	(114)
	213	194
Foreign tax		
Corporation taxes	5,695	5,285
Total current tax	5,908	5,479
Deferred tax		
Original and reversal of timing differences representing:		
– United Kingdom	117	32
– foreign tax	174	102
Total deferred tax (note 18)	291	134
Total tax charge	6,199	5,613

The tax for the year is higher (2010: higher) than the standard rate of corporation tax in the United Kingdom 26.5% (2010: 28%). The differences are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	20,327	18,695
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 26.5% (2010: 28%)	5,387	5,265
Effects of:		
– expenses not deductible for tax purposes	57	71
– deferred tax relating to pension contributions	(16)	24
– overseas tax in excess of UK standard	823	367
– prior year over provision	(52)	(114)
Total tax charge	6,199	5,613

The Group expects to pay similar levels of taxation going forward. It has been announced that the main UK rate of corporation tax will reduce from 26% to 24% with effect from 1 April 2012.

9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £14,128,000 (2010: £13,082,000) and on 12,265,538 (2010: 12,284,170) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. There was no difference in the weighted average number of shares used for the calculation of basic and diluted earnings per share as there are no potentially dilutive shares outstanding.

	2011		2010	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	14,128	115.2	13,082	106.5

10 Dividends per share

	2011 £'000	2010 £'000
Equity – ordinary shares		
Interim paid £0.24 (2010: £0.17) per share	2,944	2,086

The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2011 (2010: £Nil).

11 Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Extinguisher rental units £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost						
At 1 January 2010	7,293	7,476	9,749	8,262	4,444	37,224
Additions	28	87	339	1,148	144	1,746
Disposals	—	(3,819)	(135)	(1,227)	(243)	(5,424)
Exchange adjustment	(201)	(184)	(156)	(147)	(95)	(783)
At 1 January 2011	7,120	3,560	9,797	8,036	4,250	32,763
Additions	91	226	269	1,444	302	2,332
On acquisitions of subsidiary undertakings	—	—	—	31	—	31
Disposals	—	(38)	(107)	(1,319)	(34)	(1,498)
Exchange adjustment	(98)	(46)	(175)	(27)	(126)	(472)
At 31 December 2011	7,113	3,702	9,784	8,165	4,392	33,156
Accumulated depreciation						
At 1 January 2010	4,905	7,072	9,023	3,943	3,729	28,672
Disposals	—	(3,817)	(110)	(1,039)	(239)	(5,205)
Charge for the year	153	119	319	1,330	249	2,170
Exchange adjustment	(162)	(170)	(139)	(43)	(79)	(593)
At 1 January 2011	4,896	3,204	9,093	4,191	3,660	25,044
Disposals	—	(38)	(88)	(1,115)	(33)	(1,274)
Charge for the year	152	121	310	1,419	373	2,375
Exchange adjustment	(81)	(37)	(157)	(26)	(77)	(378)
At 31 December 2011	4,967	3,250	9,158	4,469	3,923	25,767
Net book amount						
At 31 December 2011	2,146	452	626	3,696	469	7,389
At 31 December 2010	2,224	356	704	3,845	590	7,719
At 31 December 2009	2,388	404	726	4,319	715	8,552

Depreciation and profit/loss on disposal have been charged to the Income Statement through administrative expenses.
Freehold land is not depreciated.

Notes to the financial statements continued

for the year ended 31 December 2011

12 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Other £'000	Total £'000
Cost					
At 1 January 2010	61,960	7,032	518	1,764	71,274
Additions	—	819	13	51	883
Disposals	—	(4)	—	—	(4)
Exchange differences	7	(178)	(12)	(61)	(244)
At 1 January 2011	61,967	7,669	519	1,754	71,909
Additions	—	1,388	181	84	1,653
On acquisitions of subsidiary undertakings	408	962	—	—	1,370
Exchange differences	(15)	(131)	(11)	(32)	(189)
At 31 December 2011	62,360	9,888	689	1,806	74,743
Accumulated amortisation					
At 1 January 2010	15,871	1,776	415	785	18,847
Charge for the year	—	990	7	184	1,181
Exchange differences	—	(42)	(9)	(28)	(79)
At 1 January 2011	15,871	2,724	413	941	19,949
Charge for the year	—	1,225	61	130	1,416
Exchange differences	—	(50)	(6)	(20)	(76)
At 31 December 2011	15,871	3,899	468	1,051	21,289
Net book amount					
At 31 December 2011	46,489	5,989	221	755	53,454
At 31 December 2010	46,096	4,945	106	813	51,960
At 31 December 2009	46,089	5,256	103	979	52,427

Amortisation has been charged to the Income Statement through administrative expenses. Additions are discussed in further detail in note 26.

Impairment tests for goodwill

The recoverable amount of goodwill is determined based on value-in-use calculations for each cash-generating unit (CGU). The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2011 and agreed business plans for the two years ending 31 December 2012 and 31 December 2013. Subsequent cash flows are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows have then been discounted using a pre-tax rate of 12% for the year ending 31 December 2011 which reflects the expected long-term average growth rate for the industry in which the Group operates. A single discount rate has been applied as the risk associated with each element of goodwill is considered to be similar. The value-in-use calculations did not indicate impairment in any goodwill. The value of goodwill is split into seven CGUs to assess indicators of impairment. Of the total goodwill £37,301,000 relates to Ansul S.A. and Ansul B.V., £7,017,000 relates to TVF (UK) Limited with the balance relating to the remaining five CGUs which are individually considered insignificant.

13 Derivative financial instruments

	2011		2010	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	103	—	30

The Group has entered into interest rate agreements fixing LIBOR to 1.04% and EURIBOR to 1.39%. The agreements took effect from September 2011 and remain in effect until the loans are repaid in 2013. The liability represents the forecast increase in interest payable as a result of these agreements over the remaining life of the loans at the year end.

14 Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	3,894	3,912
Work in progress	337	325
Finished goods	4,098	3,374
	8,329	7,611

The cost of inventories recognised as expense and included in cost of sales amounted to £18,750,000 (2010: £14,475,000). No (2010: £Nil) previous inventory write downs have been reversed.

15 Trade and other receivables

	2011 £'000	2010 £'000
Amounts falling due within one year		
Trade receivables	17,585	16,333
Less: provision for impairment of receivables	(980)	(1,092)
Trade receivables – net	16,605	15,241
Amounts owed by related undertakings	255	236
Other receivables	475	334
Prepayments and accrued income	984	781
Taxation recoverable	54	12
	18,373	16,604

Amounts owed by related undertakings do not attract interest and no security is held in respect of these balances.

As of 31 December 2011, trade receivables of £11,027,000 (2010: £10,537,000) were fully performing.

As of 31 December 2011, trade receivables of £3,674,000 (2010: £3,235,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 £'000	2010 £'000
Up to three months	3,370	2,898
Three to six months	304	337
	3,674	3,235

As of 31 December 2011, trade receivables of £2,884,000 (2010: £2,561,000) were impaired and provided for. The amount of the provision was £980,000 (2010: £1,092,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2011 £'000	2010 £'000
Up to three months	1,275	1,124
Three to six months	642	720
Six months or greater	967	717
	2,884	2,561

Notes to the financial statements continued
for the year ended 31 December 2011

15 Trade and other receivables continued
The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000
Sterling	4,378	3,847
Euro	13,995	12,757
Total	18,373	16,604

These are detailed as Sterling equivalent.

Movements in the Group provision for impaired trade receivables are as follows:

	2011 £'000	2010 £'000
At 1 January	1,092	1,069
Provision for receivables' impairment	390	326
Receivables written off in the year as uncollectable	(443)	(261)
Unused amounts reversed	(59)	(42)
At 31 December	980	1,092

The creation and release of the provision for impaired receivables has been included in administrative expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The carrying value of trade and other receivables approximates to fair value.

There is no impairment of other receivables.

The Group does not hold any collateral as security.

16 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and in hand	23,043	22,286

The carrying value of cash at bank and in hand represents its fair value due to its short maturity.

17 Trade and other payables

	2011 £'000	2010 £'000
Current		
Trade payables	3,065	1,634
Other payables	2,267	3,171
Other taxation and social security	6,424	5,751
Accruals	1,556	1,490
Deferred income	2,607	2,452
	15,919	14,498

	2011 £'000	2010 £'000
Non-current (one to two years)		
Other payables	526	457

18 Deferred income tax

	Amount (provided)/recognised 2011 £'000	Amount (provided)/recognised 2010 £'000	Amount (unprovided)/unrecognised 2011 £'000	Amount (unprovided)/unrecognised 2010 £'000
Deferred tax asset				
Pension deficit	229	198	—	—
Accelerated capital allowances	271	391	—	—
Losses	—	—	1,428	1,599
	500	589	1,428	1,599
Deferred tax liabilities				
Short-term timing differences	(359)	(286)	—	—
	(359)	(286)	—	—
Net deferred tax asset	141	303	1,428	1,599

	£'000
At 1 January 2011	303
Exchange differences	(4)
Amount charged to the Consolidated Income Statement (note 8)	(174)
Amount charged to the Consolidated Statement of Comprehensive Income	16
At 31 December 2011	141

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences will reverse, based on tax rates and laws substantively enacted at the Statement of Financial Position date, being a rate of 25%.

19 Borrowings

	2011 £'000	2010 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
– in one to two years	19,329	7,124
– between two and five years	—	19,606
	19,329	26,730
Current (one year or less or on demand)		
Bank borrowings	7,030	7,126
	7,030	7,126
Total borrowings	26,359	33,856

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.02% (2010: 1.81%) per annum.

Notes to the financial statements continued
for the year ended 31 December 2011

19 Borrowings continued

The table below analyses the Group's financial liabilities including interest which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

Financial maturity analysis	2011 £'000	2010 £'000
Bank borrowings:		
– within one year	7,486	7,674
– in one to two years	19,516	7,549
– between two and five years	—	19,774
	27,002	34,997

The Directors consider that the fair value of the bank loans are not materially different from their book values. The estimated fair value of the interest rate agreement has been included in the Statement of Financial Position as disclosed in note 13.

The borrowings are secured by fixed and floating charges on the assets of the Group.

The carrying amounts of the Group's borrowings, all of which are floating rate financial liabilities, are denominated in the following currencies:

	Total 2011 £'000	Weighted average interest rate 2011	Total 2010 £'000	Weighted average interest rate 2010
Currency				
Sterling	4,732	1.6%	6,232	1.7%
Euro	21,627	2.1%	27,624	1.9%
	26,359	2.0%	33,856	1.8%

Borrowing facilities

At 31 December 2011 the Group had an undrawn committed borrowing facility of £1.8 million (2010: £1.8 million), which expires in more than one year.

20 Retirement benefit obligations

The Group operates a number of pension schemes. Details of the major schemes are set out below.

Nu-Swift International Limited operates a funded defined benefit pension scheme, which was closed to new entrants with effect from 1 December 2002 and to further accrual on 30 June 2007, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested with Legal and General Investment Management. The total pension cost of the Group is determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 December 2008. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensions. It was assumed that the investment returns would be 3.95% per annum and that present and future pensions would increase at the rate of 2.9% per annum.

The most recent actuarial valuation as at 31 December 2008 showed that the market value of the scheme's assets was £7,926,000 and that the actuarial value of those assets represented 75% of the benefits that had accrued to members.

The move in the underlying measure for deferred pension revaluation from RPI to CPI has been included in the figures presented at 31 December 2011 as the scheme rules require this change. However, due to the wording of the scheme rules, the pension increases in payment which are linked to inflation will not automatically move to CPI and therefore the link to RPI for pension increases has been retained.

20 Retirement benefit obligations continued

At 31 December 2011 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out overleaf of £1,221,000 (2010: net surplus £653,000). This asset has not been recognised in these financial statements due to the uncertainty of its future recoverability in future periods. This is due to the scheme being closed to further accrual and the Group not having an unconditional right to a refund of surplus contributions.

In addition there is a defined contribution stakeholder pension scheme in operation within the UK.

The Ansul Group operates a number of funded pension schemes, the majority of which are prescribed by the State. Included within these is a funded pension scheme for which the majority of the Belgian employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Ansul Group, being invested with Delta Lloyd Life. The total pension cost of the Ansul Group scheme is determined by an independent qualified actuary. The most recent valuation was at 31 December 2010.

In respect of the Nu-Swift International and Ansul schemes (the "schemes"), the valuations used for IAS 19 in order to assess the liabilities of the schemes are based on actuarial valuations at 31 December 2008 and 31 December 2010 respectively. The results of these valuations have been projected to 31 December 2011 and then recalculated using the assumptions set out overleaf which result in a net liability position of £442,000 (2010: £434,000). The schemes' assets are stated at their market value at 31 December 2011.

Expected contributions to retirement benefit obligations for the year ending 31 December 2012 are £691,000.

The financial assumptions used to calculate liabilities of the schemes under IAS 19 are:

	2011	2010	2009
Discount rate	4.50% – 4.70%	4.50% – 5.50%	5.50% – 5.80%
Inflation rate	2.00% – 3.00%	2.00% – 3.50%	2.00% – 3.60%
Salary increase rate	0.00% – 1.00%	0.00% – 1.00%	0.00%
Increases for pensions in payment	2.90%	3.30%	3.40%
Revaluation of deferred pensions	2.00%	3.00%	3.60%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 at the Statement of Financial Position date is as follows:

	2011	2010
Male	21.4	20.4
Female	23.0	23.2

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the Statement of Financial Position date, is as follows:

	2011	2010
Male	22.8	21.3
Female	23.9	24.1

Notes to the financial statements continued
for the year ended 31 December 2011

20 Retirement benefit obligations continued

The assets in the schemes and the expected rates of return were:

	Long-term return expected at 31 December 2011	Value at 31 December 2011 £'000	Percentage of scheme assets 2011	Long-term return expected at 31 December 2010	Value at 31 December 2010 £'000	Percentage of scheme assets 2010
Equities	5.50%	2,979	23.79%	6.90%	3,151	28.46%
Assets with guaranteed interest with insurer	4.00%	1,311	10.47%	4.00%	1,205	10.88%
Bonds	3.45%	7,952	63.50%	4.70%	6,653	60.09%
Cash	2.50%	281	2.24%	4.00%	63	0.57%
		12,523			11,072	
Present value of the schemes' liabilities		(11,973)			(11,051)	
Surplus/(deficit) in the schemes in accordance with stated assumptions		550			21	
Net pension asset not recognised due to uncertainty over future recoverability		(1,221)			(653)	
Deficit in the schemes recognised in the Statement of Financial Position		(671)			(632)	
Related deferred tax asset		229			198	
Net pension deficit		(442)			(434)	

Expected returns on equity reflect long-term real rates of return experienced in the markets. The expected yields on bonds and assets with guaranteed interest with insurer are based on gross redemption yields as at the Statement of Financial Position date.

The following disclosures relate to the schemes:

Analysis of the amount recognised in the Income Statement

	2011 £'000	2010 £'000
Current service cost	125	300
Interest cost	580	757
Expected return on plan assets	(589)	(656)
Total operating charge	116	401

Movement in the defined benefit obligation over the year

	2011 £'000	2010 £'000
Start of the year	(11,051)	(10,447)
Current service cost	(125)	(300)
Interest cost	(580)	(757)
Actuarial loss	(689)	(297)
Exchange movement	37	54
Benefits paid	435	696
End of the year	(11,973)	(11,051)

20 Retirement benefit obligations continued

Movement in the fair value of the plan assets over the year

	2011 £'000	2010 £'000
Start of the year	11,072	9,842
Expected return on plan assets	589	656
Actuarial gain	621	448
Employer contributions	702	864
Benefits paid	(435)	(696)
Exchange movements	(26)	(42)
End of the year	12,523	11,072

The history of the plan

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of plan liabilities	(11,973)	(11,051)	(10,447)	(9,879)	(9,582)	(15,397)
Fair value of plan assets	12,523	11,072	9,842	9,137	8,633	11,264
Net pension asset not recognised due to uncertainty over future recoverability	(1,221)	(653)	—	—	—	—
Retirement benefit obligation	(671)	(632)	(605)	(742)	(949)	(4,133)
Experience (loss)/gain on defined benefit obligation	(689)	(297)	(591)	207	2,384	309
Percentage of plan liabilities	5.72%	(2.69%)	(5.66%)	2.10%	24.88%	2.01%
Experience gain/(loss) on plan assets	621	448	194	(915)	(911)	(257)
Percentage of plan assets	4.94%	4.05%	1.97%	(1.00%)	(9.51%)	(2.28%)
Net actuarial gain/(loss) recognised in the year	(68)	151	(397)	(708)	1,473	52

Analysis of the amount recognised in the Consolidated Statement of Comprehensive Income

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	(68)	151
Actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	(68)	151

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £185,000 in the year ended 31 December 2011 (2010: £162,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,104,000 for the year ended 31 December 2011 (2010: £1,262,000) and was wholly recognised in administrative expenses.

21 Provisions for liabilities and charges

		Current	
	Onerous lease £'000	Rectification provision £'000	Total £'000
At 1 January 2011	—	9	9
Amount provided/(utilised) in the year	105	(5)	100
Provision at 31 December 2011	105	4	109

The onerous lease provision relates to a property for which the Group is actively seeking a tenant. The provision represents one year's rent and associated costs. The rectification provision relates to after sales costs. Both provisions are expected to be fully utilised within the next year.

Notes to the financial statements continued

for the year ended 31 December 2011

22 Called up share capital

	2011 Number	2011 £'000	2010 Number	2010 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,261,761	123	12,270,948	123

During the period under review a total of 39,187 ordinary shares were purchased for cancellation for a total consideration of £573,974.

There are no outstanding options at 31 December 2011 following the exercise by X. Mignolet of his options.

Date granted	At 1 January 2011	Exercised in the year	At 31 December 2011	Exercise price £	Dates normally exercisable
14/01/03	30,000	30,000	Nil	11.50	14/01/06 – 14/01/13

The mid-market price of the Company's shares at 31 December 2011 was £18.25 and the range during the year was £9.75 to £18.25.

Share premium account

	£'000
At 1 January 2011	—
Issue of shares	344
At 31 December 2011	344

The share premium has arisen following the exercise on 9 June by X. Mignolet, Operations Director, of 30,000 ordinary shares of 1 pence each in the Company at a price of £11.50 each under the Company's Inland Revenue unapproved share options scheme. Subsequently X. Mignolet also sold these 30,000 ordinary shares to the Company at the prevailing market value of £14.60 per share. Following this disposal X. Mignolet does not have a beneficial interest in the Company. The total share-based payment charged to the Consolidated Income Statement for the period relating to Directors' share options was £35,000.

Capital redemption reserve

	£'000
At 1 January 2011	—
Purchase of own shares	1
At 31 December 2011	1

The capital redemption reserve has arisen following the purchase of own shares in the year.

23 Reconciliation of operating profit to cash generated from operations

	2011 £'000	2010 £'000
Operating profit	20,758	19,328
Amortisation of intangible assets	1,416	1,181
Loss on disposal of intangible assets	—	4
Depreciation of property, plant and equipment	2,375	2,170
Profit on disposal of property, plant and equipment	(76)	(39)
Exchange differences	(132)	(602)
Difference between pension charge and cash contributions	(588)	(624)
(Increase)/decrease in trade and other receivables	(1,543)	840
Increase/(decrease) in trade and other payables	1,192	(597)
Increase/(decrease) in provisions	100	(9)
(Increase)/decrease in inventories	(615)	193
Cash generated from operations	22,887	21,845

23 Reconciliation of operating profit to cash generated from operations continued

Disposal of assets

	2011 £'000	2010 £'000
Net book value	224	224
Loss on disposal of intangible assets	—	(4)
Profit on disposal of property, plant and equipment	76	39
Proceeds	300	259

24 Reconciliation of movement in net debt

	At 1 January 2011 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2011 £'000
Cash in hand and at bank	22,286	1,091	(334)	23,043
Debt due within one year	(7,126)	7,126	(7,030)	(7,030)
Debt due after one year	(26,730)	126	7,275	(19,329)
Total	(11,570)	8,343	(89)	(3,316)

Reconciliation of decrease in cash to movement in net debt

	2011 £'000	2010 £'000
Increase in cash	1,091	3,405
Decrease in debt	7,252	8,337
Change in net debt from cash flows	8,343	11,742
Non-cash changes	(89)	811
Net debt at 1 January	(11,570)	(24,123)
Net debt at 31 December	(3,316)	(11,570)

Non-cash changes relate to foreign exchange movements and the movement between current and non-current debt in the year.

25 Commitments and contingent liabilities

The Group leases various properties under non-cancellable operating lease agreements. The lease agreements are between one and six years and the majority of lease agreements are renewable at the end of the lease period at market rates.

The lease expenditure charged to the Income Statement during the year is disclosed in note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 £'000	2010 £'000
Within one year	1,112	942
Between two and five years inclusive	1,756	1,562
More than five years	—	81
	2,868	2,585

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2011 (2010: £Nil).

Notes to the financial statements continued

for the year ended 31 December 2011

26 Acquisitions

On 4 January 2011 the Group purchased the entire issued share capital of Ulysses Fire Services Limited, a company incorporated in and which operates in England for consideration of £115,000. On 18 February 2011 the Group purchased the entire issued share capital of Le Chimiste Sprl, a company incorporated in and which operates in Belgium for consideration of £575,000. On 24 March 2011 the Group purchased the entire issued share capital of Blesberger G.m.b.H., a company incorporated in and which operates in Austria, for consideration of £258,000. On 15 July 2011 the Group purchased the entire issued share capital of Braco B.V.B.A., a company incorporated in and which operates in Belgium, for consideration of £442,000. None of the acquisitions in the current year were individually material in Group terms and hence the details are provided in aggregate. The book and provisional fair value of the net assets acquired were as follows:

	Book and provisional fair values £'000
Property, plant and equipment	31
Inventories	103
Receivables	184
Payables	(298)
Fair value of net assets acquired	20
Intangible assets (see note 12)	1,370
Consideration	1,390

Satisfied by:

	Provisional consideration £'000
Cash	1,222
Deferred consideration	168
	1,390

In addition, the Group acquired contracts from a number of companies and businesses for a total consideration of £1,388,000. The Directors considered that the consideration equated to the fair value of the contracts acquired and have recognised an intangible asset accordingly. The Group monitors contract retention rates for any indication of impairment.

Due to the integration of the companies and businesses acquired during the year into the existing businesses and operations, the Directors are unable to determine the contribution of the acquisitions to the revenue and net profit of the Group for the year ended 31 December 2011 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2011 would have been had the acquisitions taken place on 1 January 2011.

27 Group undertakings

The subsidiary undertakings of the Parent Company, in which the Group wholly owns the entire issued and voting ordinary share capital, are as follows:

	Activity	Country of registration or incorporation and operation
All-Protec N.V.	Fire protection	Belgium
Ansul B.V.	Fire protection	Holland
Ansul S.A.	Fire protection	Belgium
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Braco B.V.B.A.	Fire protection	Belgium
Blesberger G.m.b.H.	Fire protection	Austria
Dimex Technics S.A.	Fire protection	Belgium
Fire Protection Holdings Limited	Sub-holding	England
GFA Premier Limited	Fire protection	England
Hoyles Fire & Safety Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Importex S.A.	Fire protection	Belgium
Le Chimiste Sprl	Fire protection	Belgium
L. W. Safety Limited	Fire protection	England
M K Fire Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	Holland
Nu-Swift International Limited	Fire protection	England
Nu-Swift Limited	Sub-holding	England
SAS Sprl	Fire protection	Belgium
Somati FIE N.V.	Fire Protection	Belgium
Total Firestop G.m.b.H.	Fire protection	Austria
TVF (UK) Limited	Fire protection	England
Ulysses Fire Services Limited	Fire protection	England
United Fire Alarms Limited	Alarms	England

With the exception of the Parent Company's 100% interest in Fire Protection Holdings Limited, M K Fire Limited and TVF (UK) Limited, the shares in the remaining Group undertakings are held by subsidiary undertakings.

All of these entities have been included within the consolidation.

Notes to the financial statements continued

for the year ended 31 December 2011

28 Ultimate parent undertaking and controlling party

The Parent Company regards EOI Fire SARL, a company registered in Luxembourg, as its ultimate parent undertaking through its 80% interest in London Security plc. The Directors regard the Eden and Ariane Trustee companies as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

29 Related party transactions

During the year the Group incurred costs amounting to £2,045,000 (2010: £1,853,000) in respect of the Executive Directors including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report.

The Group recharged and was reimbursed £210,000 (2010: £210,000) in relation to the Service Agreement by Andrews Sykes.

The balance disclosed in note 15 as being due from related undertakings is with EFS Property Holdings Ltd., a company controlled by J.G. Murray. The amount outstanding at the year end relates entirely to transactions in the year.

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £297,000 (2010: £271,000).

The Group incurred £154,000 (2010: £122,000) of expenditure on behalf of J.G. Murray during the year. This will be reimbursed in 2012.

30 Post balance sheet events

In January 2012, one of the Group's subsidiaries entered into an unconditional agreement to sell part of its site. The sale realised £7.0 million and the profit on the sale was £6.0 million. Subsequent to that event another subsidiary of the Group has entered into a commitment with a developer to build a new facility at a cost of £3.0 million on land that it owns. Additional costs of £0.3 million are forecast to bring the facility into operation.

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £575,000.

Parent company balance sheet
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	2	510	561
Investments	3	58,756	58,756
		59,266	59,317
Current assets			
Debtors	4	6,175	5,687
Cash at bank and in hand		1,237	2,230
		7,412	7,917
Creditors: amounts falling due within one year			
Finance debt	5	(1,500)	(1,500)
Creditors	6	(13,755)	(11,886)
		(15,255)	(13,386)
Net current liabilities		(7,843)	(5,469)
Total assets less current liabilities		51,423	53,848
Creditors: amounts falling due after more than one year			
Finance debt	5	(3,232)	(4,732)
Net assets		48,191	49,116
Capital and reserves			
Called up share capital	8	123	123
Share premium account	8	344	—
Capital redemption reserve fund	8	1	—
Profit and loss account	9	47,723	48,993
Equity shareholders' funds	10	48,191	49,116

The registered number of the Company is 53417.

The notes on pages 44 to 48 are an integral part of these financial statements.

The financial statements on pages 43 to 48 were approved by the Board of Directors on 2 May 2012 and were signed on its behalf by:

J.G. Murray
Chairman
2 May 2012

Notes to the parent company financial statements
for the year ended 31 December 2011

1 Principal accounting policies

Basis of accounting

These Parent Company financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The Directors have prepared these financial statements on the fundamental assumption that the Company is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements. In determining whether the Company's accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect the future performance. The Directors have reviewed trading and cash flow forecasts as part of the going concern assessment and based on this have the expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

A summary of the more important accounting policies, which have been consistently applied, is set out below.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost or internal production costs, together with any incidental costs of acquisition.

Depreciation is provided for on all tangible fixed assets on the straight line method at rates calculated to write off the cost or valuation less estimated residual values over the estimated lives of the assets. The annual rates are as follows:

Share in aircraft 5%

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in value is charged to the profit and loss account.

Investments

Investments in subsidiary undertakings and unlisted investments are included at cost unless, in the opinion of the Directors, an impairment has occurred, in which case the deficiency is provided for and charged in the Parent Company's profit and loss account.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis.

Finance arrangement costs and interest rate caps

Costs of arranging bank loans and interest rate caps are treated as a deduction from the loan liability and are amortised over the lives of the relevant loans.

Cash flow statement

The cash flows of the Parent Company are included in the Consolidated Statement of Cash Flow of London Security plc. Consequently, the Parent Company is exempt under the terms of FRS 1 (revised) "Cash flow statements" from publishing a cash flow statement.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements when paid in the case of interim dividends or in the period in which the dividends are approved by the Parent Company's shareholders in the case of final dividends.

2 Tangible assets

	Share in aircraft £'000
Cost	
At 1 January and 31 December 2011	1,019
Depreciation	
At 1 January 2011	458
Charge for the year	51
At 31 December 2011	509
Net book amount	
At 31 December 2011	510
At 31 December 2010	561

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2011 and 31 December 2011	58,756

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

4 Debtors

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	5,207	4,619
Amounts owed by related undertakings	222	204
Other debtors	154	122
Taxation recoverable	592	742
	6,175	5,687

Amounts owed by subsidiary and related undertakings are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

5 Finance debt

	2011 £'000	2010 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	3,232	1,500
– between two and five years	—	3,232
	3,232	4,732
Current (amounts falling due within one year or on demand)		
Bank borrowings	1,500	1,500
Total borrowings	4,732	6,232

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.6% (2010: 1.7%) per annum.

Notes to the parent company financial statements continued

for the year ended 31 December 2011

5 Finance debt continued

The Directors consider that the fair values of the bank loans are not materially different from their book values.

The carrying amounts of the Company's borrowings, all of which are floating rate financial liabilities, are denominated in the following currencies:

	Total 2011 £'000	Weighted average interest rate 2011	Total 2010 £'000	Weighted average interest rate 2010
Currency				
Sterling	4,732	1.6%	6,232	1.7%
	4,732	1.6%	6,232	1.7%

Borrowing facilities

The Company has undrawn committed borrowing facilities of £1.8 million (2010: £1.8 million).

6 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to subsidiary undertakings	13,295	11,548
Other creditors	131	118
Accruals	329	220
	13,755	11,886

Amounts due to subsidiary undertakings are unsecured, interest free and repayable on demand.

7 Deferred tax

The deferred tax asset comprises:

	Amount recognised		Amount unrecognised	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Losses	—	—	(1,428)	(1,599)
Deferred tax asset	—	—	(1,428)	(1,599)

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences will reverse, based on tax rates and laws substantively enacted at the Statement of Financial Position date being a rate of 25%.

8 Called up share capital

	2011 Number	2011 £'000	2010 Number	2010 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,261,761	123	12,270,948	123

During the period under review a total of 39,187 ordinary shares were purchased for cancellation for a total consideration of £573,974.

There are no outstanding options at 31 December 2011 following the exercise by X. Mignolet of his options.

Date granted	At 1 January 2011	Exercised in the year	At 31 December 2011	Exercise price £	Dates normally exercisable
14/01/03	30,000	30,000	Nil	11.50	14/01/06 – 14/01/13

The mid-market price of the Company's shares at 31 December 2011 was £18.25 and the range during the year was £9.75 to £18.25.

Share premium account

	£'000
At 1 January 2011	—
Issue of shares	344
At 31 December 2011	344

The creation of the share premium account is set out in note 22 to the Group financial statements.

Capital redemption reserve

	£'000
At 1 January 2011	—
Purchase of own shares	1
At 31 December 2011	1

The capital redemption reserve has arisen following the purchase of own shares in the year.

9 Profit and loss account

	£'000
At 1 January 2011	48,993
Loss for the financial year	(1,270)
At 31 December 2011	47,723

London Security plc has not presented its own profit and loss account as the Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006. The loss for the financial year of the Parent Company included within the consolidated loss for the year attributable to the equity shareholders is £1,270,000 (2010 profit: £51,251,000).

The Parent Company had no employees during the year (2010: Nil).

The remuneration paid to the Parent Company auditor in respect of the audit of Group and Parent Company financial statements for the year ended 31 December 2011 is set out in note 7 to the Group financial statements.

Notes to the parent company financial statements continued

for the year ended 31 December 2011

10 Reconciliation of movements in equity shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	2,157	53,077
Dividends paid	(2,944)	(2,086)
Net exchange gain on foreign currency loans	—	466
Issue of shares	344	—
Purchase of own shares	(482)	(206)
Net (reduction)/increase in equity shareholders' funds	(925)	51,251
Opening equity shareholders' funds/(deficit)	49,116	(2,135)
Closing equity shareholders' funds	48,191	49,116

11 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2011 (2010: £Nil).

The Parent Company was party to a cross guarantee under which it guaranteed the borrowings of certain of its subsidiary undertakings. At 31 December 2011 this guarantee amounted to £21,628,000 (2010: £27,624,000). No loss is expected to arise from this guarantee.

12 Ultimate parent undertaking and controlling party

The Parent Company regards EOI Fire SARL, a company registered in Luxembourg, as its ultimate parent undertaking through its 80% interest in London Security plc. The Directors regard the Eden and Ariane Trustee companies as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

13 Related party transactions

During the year the Company incurred costs amounting to £971,000 (2010: £783,000) in respect of the Executive Directors, including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report. The balances disclosed in note 4 as being due from related undertakings are with companies controlled by J.G. Murray.

The Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" from disclosing transactions between related parties within the London Security plc group of companies.

The Company incurred £154,000 (2010: £122,000) of expenditure on behalf of J.G. Murray during the year. This will be reimbursed in 2012.

Notice of annual general meeting

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc (the "Company") will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 13 June 2012 at 11 am for the following purposes:

You will be asked to consider the following resolutions as ordinary resolutions:

1. To receive the financial statements for the year ended 31 December 2011 and the Reports of the Directors and auditor and the Directors' Remuneration Report for that period.
2. To re-elect J.G. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect J-P. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
4. To re-elect E. Sebag as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
5. That KPMG Audit Plc be re-appointed as auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
6. That the Directors be generally and unconditionally authorised in accordance with Section 549 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 550 of the Act) up to an aggregate nominal value equal to the whole of the authorised but unissued share capital of the Company immediately following the passing of this resolution provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire at the conclusion of five years from the date this resolution is passed provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution has not expired.

You will be asked to consider the following resolutions as special resolutions:

7. That, subject to the passing of resolution numbered 6 above, the Directors be and are empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 564 of the Act) of the Company for cash pursuant to the authority conferred by the resolution numbered 6 above as if Section 561 of the Act did not apply to such allotment, provided that this power shall be limited to:
   - (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate in such offer in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and
   - (ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £6,130 and such power shall expire on the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired.

Notice of annual general meeting continued

8. That the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (as defined in Section 701 (2) of the Act) on the London Stock Exchange of ordinary shares of 1 pence each in the capital of the Company ("ordinary shares") provided that:
   (i) the maximum aggregate number of ordinary shares authorised to be purchased is 500,000 shares;
   (ii) the minimum price which may be paid for such shares is 1 pence per share;
   (iii) the maximum price (exclusive of expenses) which may be paid for such shares is not more than 5% above the average of the middle market quotations for the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase of the ordinary shares is contracted to take place;
   (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is the earlier); and
   (v) the Company may make a contract to purchase its own shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board

R. Pollard
Secretary
2 May 2012

Registered office
Wistons Lane
Elland
West Yorkshire
HX5 9DT

Notes

1. If you are a member of the Company you are entitled to appoint one or more proxies to attend, speak and vote at the Meeting and you should have received a form of proxy with the Notice of Meeting. You can appoint a proxy using the procedures set out in these notes and the notes in the form of proxy.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, fill out a copy of the accompanying form of proxy for each proxy. Multiple proxy appointments should be returned in the same envelope.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Notes continued

Appointment of proxy using hard copy proxy form

5. The notes to the form of proxy explain how to direct your proxy, how to vote on each resolution or withhold their vote. To appoint a proxy using the form of proxy, the form must be:

   (a) completed and signed;

   (b) sent or delivered to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and

   (c) received by Capita Registrars no later than 48 hours before the time of the Meeting.

   In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy) of such power or authority must be included with the form of proxy.

Appointment of proxy by joint members

6. In the case of appointment of a proxy by joint shareholders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the registrars if the name of the first-named holder is given.

Changing proxy instructions

7. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Capita Registrars no later than 48 hours before the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

9. As at 11 am on 2 May 2012, the Company's issued share capital comprised 12,261,477 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 11 am on 2 May 2012 is 12,261,477.

Documents on display

10. The register of Directors' interests will be available for inspection at the registered office of the Company from 2 May 2012 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting.

Communication

11. Except as provided above, members who have general queries about the Meeting should use the following method of communication (no other methods of communication will be accepted):

    (a) calling 01422 372852;

    (b) you may not use any electronic address provided either:

    (i) in this notice of Annual General Meeting; or

    (ii) any related documents (including the form of proxy), to communicate with the Company.

Group companies

United Kingdom

Asco Extinguishers Company Limited
Unit 1.1
Festival Court
Brand Place
Glasgow G51 1DR

Tel: 0141 427 1144
Fax: 0141 427 6644
Email: customer.service@asco.uk.com
Website: www.asco.uk.com

GFA Premier Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel: 01422 377 521
Fax: 01422 377 524
Email: customer.service@gfapremierco.uk

Hoyles Fire & Safety Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel: 01422 314 351
Fax: 01422 314 311
Email: customer.service@hoyles.co.uk
Website: www.hoyles.co.uk

L. W. Safety Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 01422 314 350
Fax: 01422 314 311
Email: customer.service@lwsafety.co.uk
Website: www.lwsafety.co.uk

M K Fire Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 01494 769 744
Fax: 01494 465 378
Email: customer.service@mkfire.co.uk
Website: www.mkfire.co.uk

Nu-Swift International Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel: 01422 372 852
Fax: 01422 379 569
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