London Security plc

Annual Report and Accounts 2012

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, the Netherlands, Austria and Luxembourg**.

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.

In this report

01 European group brands
02 Chairman's statement
04 Financial review
07 Operational review
08 Directors and company advisers
09 Report of the directors
12 Directors' remuneration report
13 Independent auditor's report
14 Consolidated income statement
14 Consolidated statement of comprehensive income
15 Consolidated statement of changes in equity
16 Consolidated statement of financial position
17 Consolidated statement of cash flow
18 Notes to the financial statements
41 Parent company balance sheet
42 Notes to the parent company financial statements
46 Notice of annual general meeting
49 Group companies

European group brands

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.

Highlights

Earnings per share

154.9p

Year	EPS
2012	154.9p
2011	115.2p
2010	106.5p
2009	118.2p
2008	45.2p

Operating profit

£19.4m

Year	Operating profit
2012	£19.4m
2011	£20.8m
2010	£19.3m
2009	£19.8m
2008	£18.9m

Revenue

£94.1m

Year	Revenue
2012	£94.1m
2011	£96.3m
2010	£85.5m
2009	£86.0m
2008	£74.9m

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 2012 compared with the year ended 31 December 2011 are as follows:

- revenue of £94.1 million (2011: £96.3 million);
- operating profit before depreciation and amortisation of £23.0 million (2011: £24.5 million);
- operating profit of £19.4 million (2011: £20.8 million); and
- profit after income tax of £19.0 million (2011: £14.1 million).

Trading review

The financial highlights illustrate that the Group's revenue decreased by £2.2 million (2.3%) to £94.1 million and operating profit decreased by £1.4 million (6.7%) to £19.4 million. However, these results are distorted by the movement in the Euro to Sterling average exchange rate which has increased from 1.15 to 1.23. If the 2012 results had been translated at 2011 rates, revenue would have been £99.2 million instead of £94.1 million, (increase of 3.0% on prior year). On the same basis operating profit would have been £20.6 million instead of £19.4 million, (decrease of 1.0%). This performance is very satisfactory in this difficult trading environment.

Profit after tax includes the sale of part the Group's site in Elland, West Yorkshire. The sale realised £7.2 million and the profit on sale was £5.9 million. A new factory and office building was constructed in Elland at a cost of £3.2 million.

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

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 prices where an adequate return is envisaged by the Board. In the year under review the Group has entered a new market, Luxembourg, with the acquisition of A.L.P.I. sarl.

Management and staff

2012 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 £10.7 million of borrowings.

The Group's borrowings are due for repayment by June 2013 and are therefore disclosed as current liabilities. Lloyds TSB Bank Plc irrevocably confirmed their agreement to new facilities on 29 April 2013. The final documentation is expected to be finalised no later than 31 May 2013. The Group has new facilities of £20 million until 2018. This will be repaid at the rate of £2 million per year over five years with a £10 million repayment at maturity. The multi-currency loan will be denominated £6 million in Sterling and £14 million in Euros.

Dividends

An interim dividend in respect of 2012 of £0.25 per ordinary share was paid to shareholders on 22 June 2012.

A further interim dividend in respect of 2012 of £0.29 per ordinary share was paid to shareholders on 7 December 2012.

The Board is recommending the payment of a final dividend in respect of 2012 of £0.38 per ordinary share to be paid on 8 July 2013.

Dividend policy continues to be reviewed regularly by the Board.

Future prospects

Economic growth in the Group's market has been depressed in 2012 as uncertainty surrounding European sovereign debt continues leading to austerity measures, reduced customer confidence and related economic fragility. However, the Group does not operate in the most troubled of the peripheral Eurozone economies and fire protection is not an item of discretionary expenditure. As a leading provider in this market with a well-diversified and loyal customer base, the Board is optimistic for further success in 2013.

Annual general meeting

The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 19 June 2013 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
1 May 2013

Financial highlights:

Revenue

£94.1m
2011: £96.3m

EBITDA*

£23.0m
2011: £24.5m

Operating profit

£19.4m
2011: £20.8m

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

Financial review

“

The Group continues to demonstrate consistently profitable performance and strong cash conversion

Consolidated income statement

The Group's revenue decreased by £2.2 million (2.3%) to £94.1 million. Operating profit decreased by £1.4 million (6.7%) to £19.4 million. However, these results partially reflect the movement in the Euro to Sterling average exchange rate which has increased from 1.15 to 1.23. If the 2012 results from the European subsidiaries had been translated at 2011 rates, revenue would have been £99.2 million instead of £94.1 million, which would represent an increase of 3.0% on prior year.

On the same basis operating profit would have been £20.6 million instead of £19.4 million, a decrease of 1.0% compared to 2011, reflecting the difficult trading environment experienced.

This year's results include the profit resulting from the Group's sale of part of its Elland, West Yorkshire, site. The sale realised £7.2 million and the profit on sale was £5.9 million.

Net finance costs have decreased from £0.4 million to £0.2 million. This movement should be considered in terms of its components:

Finance income. Finance income has decreased from £0.9 million to £0.7 million. This is mainly due to the reduction in returns on the Group's pension scheme assets and bank interest receivable.

Finance cost. The interest charged has declined from £1.3 million to £1.0 million as a result of the repayment of £10.7 million of loans in the year outweighing an increase in the weighted average interest rate from 2.0% in 2011 to 2.1% in 2012. This led to a reduction of £0.2 million. A further reduction of £0.1 million relates to a decrease in interest charged on pension scheme liabilities and a revaluation of derivative financial instruments.

The Group's effective income tax rate of 31% of operating profit has remained constant despite a reduction in corporation tax rates in the UK.

Consolidated statement of financial position

The Group continues to demonstrate consistently profitable performance and strong cash conversion. This is illustrated by a well-capitalised balance sheet with no net debt, a strong asset base and cash balances. Cash flow from operating activities of £21.0 million represents 91% of operating profit before depreciation and amortisation charges. This demonstrates the ability of the Group to convert profitability into positive cash flow.

Borrowings have decreased from £26.4 million to £15.1 million. This includes an additional early repayment of £3.8 million following the sale of part of the land in Elland. The movement can be analysed as follows:

Opening borrowings	£26.4 million
Scheduled loan repayments	£(6.9) million
Additional repayment	£(3.8) million
Exchange rate impact	£(0.6) million
Closing borrowings	£15.1 million

Your Directors have been conducting negotiations with several interested financial institutions with the purpose of refinancing these borrowings. They are disclosed as current liabilities as they are due for repayment by June 2013. Lloyds TSB Bank Plc irrevocably confirmed their agreement to new facilities on 29 April 2013. The final documentation is expected to be finalised no later than 31 May 2013. The Group has new facilities of £20 million until 2018. This will be repaid at the rate of £2 million per year over five years with a £10 million repayment at maturity. The multi-currency loan will be denominated £6 million in Sterling and £14 million in Euros.

Pension scheme surplus

As set out in the notes to the accounts to the consolidated financial statements as at 31 December 2012 the UK pension scheme valuation calculated in accordance IAS 19 resulted in a surplus of £1.8 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, which are split between Euro and Sterling according to

Key Performance Indicators:

Average revenue per employee

£105,643
2011: £114,604

Operating cash flow as a percentage of operating assets employed

76.3%
2011: 98.3%

Operating profit divided by interest charge

20.1
2011: 16.1

Net cash

£2.8m
2011: net debt £3.3m

Financial review continued

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

Treasury management and policy continued

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.

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. Similar agreements are still under negotiation to mitigate the interest rate risk connected with the new borrowings.

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.

Growth through acquisition is an important strategy of the Group. 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 to build on its reputation for service excellence and quality to develop a "Safety Solutions" business

2011 benefited significantly from the effect of certain legislative changes concerning PFOS foam extinguishers which inflated that year's results. The Group recognised that this revenue was unique to 2011 and would not continue. Despite difficult trading conditions the core Group produced a good stable performance demonstrating the strength of our activities.

The Group continued its strategy of adding service units through acquisition. A total of 129,000 extinguisher units and 32,000 alarm units were acquired in the year. Amongst these was the strategically important acquisition of A.L.P.I. sarl in Luxembourg, a new country for the Group's operations, with 35,000 units. Also of note were West Coast adding 22,000 units in Scotland and three acquisitions in the Netherlands, adding 83,000 units to the Dutch pool.

During the year the Group completed its investment in the construction of new facilities at Elland in the UK. These new premises comprise a factory, a warehouse and offices. The new premises will enable increased productivity and better quality control. The transfer of all functions to the new site was achieved with no disruption to our service levels.

The Group continues to build on its reputation for service excellence and quality to develop a "Safety Solutions" business with a well-diversified and loyal customer base. As a leading provider in our revenue categories and a proven management team we are well positioned to pursue growth opportunities, both organic and through acquisition, as they arise.

Directors and company advisers

Executive Directors

Jacques Gaston Murray 93
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 46
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 48
Managing Director
Xavier Mignolet joined the Group in 1995. He is a Non-Executive Director of Andrews Sykes.

Emmanuel Sebag 44
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 75
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 77
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 44
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 49
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
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

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
WH Ireland Limited
24 Martin Lane
London EC4R 0DR

Report of the directors

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2012.

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 2012 of £19.0 million (2011: £14.1 million). The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2012 of £0.38 per ordinary share (2011: £Nil). Interim dividends of £6.6 million were paid in the year (2011: £2.9 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 2 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 2012, and up to the date of signing the Group and Parent Company financial statements, 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 2012.

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 2012.

J-J. Murray, X. Mignolet and M-C. Leon 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 2012 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

Substantial shareholdings

At 1 May 2013, 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%

Insofar as it is aware, the Parent Company has no institutional shareholders.

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 2012 Group average creditor days were 59 days (2011: 57 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 (2011: £Nil) and made charitable donations of £3,750 (2011: £2,500).

Purchase of own shares and authorities to issue shares

As at 1 May 2013 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 2014 Annual General Meeting.

The special business to be proposed at the 2013 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, 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 46 to 48 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 17 June 2013. 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
1 May 2013

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 £476,040 (2011: £794,133). This includes an amount paid to the highest paid Director of £205,333 (2011: £254,724).

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	
	2012	2011
J.G. Murray	£Nil	£Nil
J-J. Murray	£162,941	£142,500
X. Mignolet	£205,333	£254,724
E. Sebag	£24,200	£30,467
J-P. Murray	£20,000	£20,000
M-C. Leon	£20,300	£20,000
H. Shouler	£22,133	£20,000
M. Gailer	£21,133	£19,000

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 £1,839,000 (2011: £2,045,000) for the year ended 31 December 2012 as per the Services Agreement.

On behalf of the Board

H. Shouler
Chairman of the remuneration committee
1 May 2013

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 2012 set out on pages 14 to 45. 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2012 and of the Group's profit for the year then ended;

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

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

> 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.

David Hutchinson (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
1 May 2013

Consolidated income statement

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue		**94,128**	96,267
Cost of sales		**(18,164)**	(19,481)
Gross profit		**75,964**	76,786
Distribution costs		**(35,268)**	(35,474)
Administrative expenses		**(21,267)**	(20,554)
Operating profit		**19,429**	20,758
EBITDA*		**23,041**	24,549
Depreciation and amortisation		**(3,612)**	(3,791)
Operating profit		**19,429**	20,758
Profit on disposal of fixed assets	6	**5,928**	—
Finance income		**721**	855
Finance costs		**(965)**	(1,286)
Finance costs – net	7	**(244)**	(431)
Profit before income tax	8	**25,113**	20,327
Income tax expense	9	**(6,115)**	(6,199)
Profit for the year attributable to equity shareholders of the Company		**18,998**	14,128
Earnings per share			
Basic and diluted	10	**154.9p**	115.2p

* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 18 to 40 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 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		**18,998**	14,128
Other comprehensive income:			
– currency translation differences on foreign currency net investments, net of tax		**(507)**	(421)
– actuarial loss recognised in pension scheme	21	**(491)**	(68)
– movement on deferred tax relating to pension scheme	19	**180**	16
– net pension asset not recognised due to uncertainty over future recoverability	21	**(573)**	(568)
Other comprehensive loss for the year, net of tax		**(1,391)**	(1,041)
Total comprehensive income for the year		**17,607**	13,087

Consolidated statement of changes in equity

for the year ended 31 December 2012

	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 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
– movement in 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 1 January 2012	123	344	1	2,033	5,889	57,648	66,038
Total comprehensive income for the year							
Profit for the financial period	—	—	—	—	—	18,998	18,998
Other comprehensive income:							
– exchange adjustments	—	—	—	—	(507)	—	(507)
– actuarial loss on pension scheme	—	—	—	—	—	(491)	(491)
– movement on deferred tax relating to pension asset	—	—	—	—	—	180	180
– movement in net pension asset not recognised due to uncertainty over future recoverability	—	—	—	—	—	(573)	(573)
Total comprehensive income for the year	—	—	—	—	(507)	18,114	17,607
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(6,621)	(6,621)
– purchase of own shares	—	—	—	—	—	(5)	(5)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(6,626)	(6,626)
At 31 December 2012	**123**	**344**	**1**	**2,033**	**5,382**	**69,136**	**77,019**

The merger reserve is not a distributable reserve. The other reserve relates entirely to the effects of changes in foreign currency exchange rates.

Consolidated statement of financial position

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**9,511**	7,389
Intangible assets	13	**54,455**	53,454
Deferred tax asset	19	**488**	500
		64,454	61,343
Current assets			
Inventories	15	**9,123**	8,329
Trade and other receivables	16	**18,512**	18,373
Cash and cash equivalents	17	**17,861**	23,043
		45,496	49,745
Total assets		**109,950**	111,088
Liabilities			
Current liabilities			
Trade and other payables	18	**(15,767)**	(15,919)
Income tax liabilities		**(65)**	(1,004)
Borrowings	20	**(15,060)**	(7,030)
Derivative financial instruments	14	**(99)**	—
Provision for liabilities and charges	22	**(4)**	(109)
		(30,995)	(24,062)
Non-current liabilities			
Trade and other payables	18	**(427)**	(526)
Borrowings	20	**—**	(19,329)
Derivative financial instruments	14	**—**	(103)
Deferred tax liabilities	19	**(333)**	(359)
Retirement benefit obligations	21	**(1,176)**	(671)
		(1,936)	(20,988)
Total liabilities		**(32,931)**	(45,050)
Net assets		**77,019**	66,038
Shareholders' equity			
Ordinary shares	23	**123**	123
Share premium	23	**344**	344
Capital redemption reserve	23	**1**	1
Merger reserve		**2,033**	2,033
Other reserves		**5,382**	5,889
Retained earnings		**69,136**	57,648
Total shareholders' equity		**77,019**	66,038

The financial statements on pages 14 to 40 were approved by the Board of Directors on 1 May 2013 and were signed on its behalf by:

J.G. Murray
Chairman
1 May 2013

Consolidated statement of cash flow

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operations	24	20,621	22,887
Interest paid		(419)	(626)
Income tax paid		(7,051)	(6,027)
Net cash generated from operating activities		13,151	16,234
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	27	(1,226)	(1,390)
Purchases of property, plant and equipment		(5,402)	(2,332)
Proceeds from sale of property, plant and equipment		7,146	300
Proceeds from sale of intangible assets		1	—
Purchases of intangible assets		(1,162)	(1,653)
Interest received		217	266
Net cash used in investing activities		(426)	(4,809)
Cash flows from financing activities			
Repayments of borrowings	25	(10,658)	(7,252)
Purchase of own shares		(5)	(482)
Issue of shares		—	344
Dividends paid to Company's shareholders		(6,621)	(2,944)
Net cash used in financing activities		(17,284)	(10,334)
Effects of exchange rates on cash and cash equivalents		(623)	(334)
Net (decrease)/increase in cash in the year		(5,182)	757
Cash and cash equivalents at beginning of the year		23,043	22,286
Cash and cash equivalents at end of the year	17	17,861	23,043

Notes to the financial statements

for the year ended 31 December 2012

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, Austria and Luxembourg.

The Parent Company is a public limited liability company incorporated and domiciled in England. The registered office is Premier House, 2 Jubilee Way, Elland, West Yorkshire HX5 9DY.

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) A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2012. These are either not relevant or have no material impact on the Group.

(b) There are also a number of new standards, amendments to standards and interpretations that are mandatory for accounting periods beginning on or after 1 January 2013, but the Group has not adopted them early. Of these only IAS 19 is expected to have a material impact on the results or financial position of the Group.

- IAS 19 "Defined benefit plans". The amendments require immediate recognition of actuarial gains and losses in other comprehensive income and eliminate the corridor method and the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation.

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.

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.

2 Summary of significant accounting policies continued

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.

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.

Notes to the financial statements continued

for the year ended 31 December 2012

2 Summary of significant accounting policies continued

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 £15.1 million (£12.8 million denominated in Euros and £2.3 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.

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.

2 Summary of significant accounting policies continued

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.

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.

Notes to the financial statements continued

for the year ended 31 December 2012

2 Summary of significant accounting policies continued

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.

(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 £29 million (2011: £32 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.

3 Financial risk management continued

Financial risk factors continued

(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 2012	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	4,592	13,269	17,861
Trade receivables	4,133	14,379	18,512
Bank loans	(2,332)	(12,728)	(15,060)
Trade payables	(3,884)	(11,883)	(15,767)
Other payables	(65)	—	(65)
Balance sheet exposure	2,444	3,037	5,481

31 December 2011	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	3,865	19,178	23,043
Trade receivables	4,378	13,995	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	(575)	(1,291)	(1,866)

A 5% weakening of the Euro against Sterling at 31 December 2012 would have decreased equity and profit or loss by £143,000 (2011: increase £17,000). 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 2012 would have had the equal but opposite effect, 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 £101,000 (2011: £158,000). 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.

Notes to the financial statements continued

for the year ended 31 December 2012

3 Financial risk management continued

Financial risk factors continued

(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	2012 £'000	2011 £'000
Total borrowings	**15,060**	26,359
Less: cash and cash equivalents	**(17,861)**	(23,043)
Net (funds)/debt	**(2,801)**	3,316
Total equity	**77,425**	66,038
Total capital	**74,624**	69,354

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:

(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 2013 and agreed business plans for the two years ending 31 December 2014 and 31 December 2015. 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%. 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 £212,000; a decrease of 0.5% in the inflation rate would increase the surplus by £182,000. The impact of a 0.5% increase in the discount rate would be to increase the pension surplus by £675,000; a decrease of 0.5% in the discount rate would decrease the surplus by £753,000.

4 Critical accounting estimates and judgements continued

Fair value estimation continued

(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

	2012 £'000	2011 £'000
Wages and salaries	30,385	30,241
Social security costs	6,686	6,824
Other pensions costs (note 21)	1,154	1,104
	38,225	38,169
Number of employees	891	840

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:

	2012 Number	2011 Number
Production	54	54
Administration and management	837	786
Total	891	840

6 Profit on disposal of fixed assets

In January 2012, one of the Group's subsidiaries sold part of its site. The sale realised £7.2 million and the profit on the sale was £5.9 million.

7 Finance income and costs

	2012 £'000	2011 £'000
Finance income		
Bank interest receivable	(217)	(266)
Expected return on pension scheme assets (note 21)	(500)	(589)
Fair value of derivative financial instruments	(4)	—
Total finance income	(721)	(855)
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	419	626
Fair value of derivative financial instruments	—	73
Exchange loss on foreign currency balances	—	7
Interest on pension scheme liabilities	546	580
Total finance costs	965	1,286
Net finance costs	244	431

Notes to the financial statements continued

for the year ended 31 December 2012

8 Profit before income tax

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

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment	1,994	2,375
Amortisation on intangible fixed assets	1,618	1,416
Profit on disposal of plant and equipment	(61)	(76)
Profit on disposal of property	(5,928)	—
Hire charges under operating leases:		
– land and buildings	412	249
– other	859	747

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:

	2012 £'000	2011 £'000
Audit services		
Fees payable to the Parent Company's auditor for the audit of Group's annual accounts	17	16
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	151	152
Services relating to taxation:		
– compliance services	16	40
– advisory services	11	1
	195	209

9 Income tax expense

	2012 £'000	2011 £'000
United Kingdom		
Corporation tax	192	265
Adjustment in respect of prior periods	1	(52)
	193	213
Foreign tax		
Corporation taxes	5,757	5,695
Total current tax	5,950	5,908
Deferred tax		
Original and reversal of timing differences representing:		
– United Kingdom	193	117
– foreign tax	(28)	174
Total deferred tax (note 19)	165	291
Total tax charge	6,115	6,199

9 Income tax expense continued

The tax for the year is lower (2011: higher) than the standard rate of corporation tax in the United Kingdom of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	25,113	20,327
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 24.5% (2011: 26.5%)	6,153	5,387
Effects of:		
– income not chargeable for tax purposes	(1,452)	—
– expenses not deductible for tax purposes	116	57
– overseas tax in excess of UK standard	1,297	807
– prior year under/(over) provision	1	(52)
Total tax charge	6,115	6,199

The Group expects to pay similar levels of taxation going forward. The Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

10 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £18,998,000 (2011: £14,128,000) and on 12,261,486 (2011: 12,265,538) 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.

	2012		2011	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	18,998	154.9	14,128	115.2

11 Dividends per share

	2012 £'000	2011 £'000
Equity – ordinary shares		
Interim paid £0.54 (2011: £0.24) per share	6,621	2,944

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2012 of £0.38 per ordinary share (2011: £Nil).

Notes to the financial statements continued

for the year ended 31 December 2012

12 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 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 1 January 2012	7,113	3,702	9,784	8,165	4,392	33,156
Additions	3,161	230	267	1,357	387	5,402
On acquisitions of subsidiary undertakings	—	—	—	42	—	42
Disposals	(756)	(959)	(117)	(2,040)	(1,291)	(5,163)
Exchange adjustment	(185)	(80)	(309)	(202)	(90)	(866)
At 31 December 2012	**9,333**	**2,893**	**9,625**	**7,322**	**3,398**	**32,571**
Accumulated depreciation						
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 1 January 2012	4,967	3,250	9,158	4,469	3,923	25,767
Disposals	(15)	(926)	(100)	(1,716)	(1,249)	(4,006)
Charge for the year	138	108	275	1,238	235	1,994
Exchange adjustment	(152)	(69)	(292)	(103)	(79)	(695)
At 31 December 2012	**4,938**	**2,363**	**9,041**	**3,888**	**2,830**	**23,060**
Net book amount						
At 31 December 2012	**4,395**	**530**	**584**	**3,434**	**568**	**9,511**
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

Depreciation and profit/loss on disposal have been charged to the Income Statement through administrative expenses, except in the case of the profit on disposal of land at Elland which is disclosed separately on the face of the Income Statement. Freehold land is not depreciated.

13 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Other £'000	Total £'000
Cost					
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 1 January 2012	62,360	9,888	689	1,806	74,743
Additions	—	1,037	49	76	1,162
On acquisitions of subsidiary undertakings	302	1,336	—	—	1,638
Disposals	—	—	(164)	—	(164)
Exchange differences	(655)	(210)	(16)	(59)	(940)
At 31 December 2012	**62,007**	**12,051**	**558**	**1,823**	**76,439**
Accumulated amortisation					
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 1 January 2012	15,871	3,899	468	1,051	21,289
Disposals	—	—	(163)	—	(163)
Charge for the year	—	1,423	72	123	1,618
Exchange differences	(642)	(74)	(10)	(34)	(760)
At 31 December 2012	**15,229**	**5,248**	**367**	**1,140**	**21,984**
Net book amount					
At 31 December 2012	**46,778**	**6,803**	**191**	**683**	**54,455**
At 31 December 2011	46,489	5,989	221	755	53,454
At 31 December 2010	46,096	4,945	106	813	51,960

Amortisation has been charged to the Income Statement through administrative expenses. Additions are discussed in further detail in note 27.

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 2013 and agreed business plans for the two years ending 31 December 2014 and 31 December 2015. 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% 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 £37,424,000 relates to Ansul S.A. and Ansul B.V., £7,017,000 relates to TVF (UK) Limited and the balance relates to the remaining five CGUs which are individually considered insignificant.

Notes to the financial statements continued

for the year ended 31 December 2012

14 Derivative financial instruments

	2012		2011	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	99	—	103

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.

15 Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	4,753	3,894
Work in progress	416	337
Finished goods	3,954	4,098
	9,123	8,329

The cost of inventories recognised as expense and included in cost of sales amounted to £17,001,000 (2011: £18,750,000). No (2011: £Nil) previous inventory write downs have been reversed.

16 Trade and other receivables

	2012 £'000	2011 £'000
Amounts falling due within one year		
Trade receivables	17,728	17,585
Less: provision for impairment of receivables	(1,118)	(980)
Trade receivables – net	16,610	16,605
Amounts owed by related undertakings	43	255
Other receivables	697	475
Prepayments and accrued income	945	984
Taxation recoverable	217	54
	18,512	18,373

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

As of 31 December 2012, trade receivables of £9,931,000 (2011: £11,027,000) were fully performing.

As of 31 December 2012, trade receivables of £4,131,000 (2011: £3,674,000) 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:

	2012 £'000	2011 £'000
Up to three months	3,713	3,370
Three to six months	418	304
	4,131	3,674

As of 31 December 2012, trade receivables of £3,666,000 (2011: £2,884,000) were impaired and provided for. The amount of the provision was £1,118,000 (2011: £980,000). It was assessed that a portion of the receivables is expected to%be recovered. The ageing of these receivables is as follows:

	2012 £'000	2011 £'000
Up to three months	1,696	1,275
Three to six months	939	642
Six months or greater	1,031	967
	3,666	2,884

16 Trade and other receivables continued

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

	2012 £'000	2011 £'000
Sterling	4,133	4,378
Euro	14,379	13,995
Total	18,512	18,373

These are detailed as Sterling equivalent.

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

	2012 £'000	2011 £'000
At 1 January	980	1,092
Provision for receivables' impairment	641	390
Receivables written off in the year as uncollectable	(468)	(443)
Unused amounts reversed	(35)	(59)
At 31 December	1,118	980

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.

17 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash at bank and in hand	17,861	23,043

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

18 Trade and other payables

	2012 £'000	2011 £'000
Current		
Trade payables	2,861	3,065
Other payables	2,381	2,267
Other taxation and social security	6,832	6,424
Accruals	1,343	1,556
Deferred income	2,350	2,607
	15,767	15,919

	2012 £'000	2011 £'000
Non-current (one to two years)		
Other payables	427	526

Notes to the financial statements continued

for the year ended 31 December 2012

19 Deferred income tax

	Amount (provided)/recognised		Amount (unprovided)/unrecognised	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred tax asset				
Pension deficit	400	229	—	—
Accelerated capital allowances	88	271	—	—
Losses	—	—	1,314	1,428
	488	500	1,314	1,428
Deferred tax liabilities				
Short-term timing differences	(333)	(359)	—	—
	(333)	(359)	—	—
Net deferred tax asset	155	141	1,314	1,428

	£'000
At 1 January 2012	141
Exchange differences	(1)
Amount charged to the Consolidated Income Statement (note 9)	(165)
Amount charged to the Consolidated Statement of Comprehensive Income	180
At 31 December 2012	155

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 23%.

20 Borrowings

	2012 £'000	2011 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:	—	19,329
– in one to two years	—	19,329
Current (one year or less or on demand)		
Bank borrowings	15,060	7,030
Total borrowings	15,060	26,359

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.12% (2011: 2.02%) per annum.

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	2012 £'000	2011 £'000
Bank borrowings:		
– within one year	15,206	7,486
– in one to two years	—	19,516
	15,206	27,002

20 Borrowings continued

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 14.

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 2012 £'000	Weighted average interest rate 2012	Total 2011 £'000	Weighted average interest rate 2011
Currency				
Sterling	**2,332**	**1.79%**	4,732	1.6%
Euro	**12,728**	**2.19%**	21,627	2.1%
	15,060	**2.12%**	26,359	2.0%

Borrowing facilities

These borrowings are disclosed as current liabilities as they are due for repayment by June 2013. Following negotiations with several financial institutions the Group has a new £20 million facility until 2018. This will be repaid at the rate of £2 million per year over five years with a £10 million repayment at maturity. The multi-currency loan will be denominated £6 million in Sterling and £14 million in Euros.

At 31 December 2012 the Group had an undrawn committed borrowing facility of £1.8 million (2011: £1.8 million), which expires in less than one year.

21 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 2011. 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 2011 showed that the market value of the scheme's assets was £11,231,000 and that the actuarial value of those assets represented 83% 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.

At 31 December 2012 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out overleaf of £1,794,000 (2011: net surplus £1,221,000). 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.

Notes to the financial statements continued

for the year ended 31 December 2012

21 Retirement benefit obligations continued

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 2011 and 31 December 2010 respectively. The results of these valuations have been projected to 31 December 2012 and then recalculated using the assumptions set out below which result in a net liability position of £776,000 (2011: £442,000). The schemes' assets are stated at their market value at 31 December 2012.

Expected contributions to retirement benefit obligations for the year ending 31 December 2013 are £692,000.

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

	2012	2011	2010
Discount rate	3.25% – 4.30%	4.50% – 4.70%	4.50% – 5.50%
Inflation rate	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.50%
Salary increase rate	0.00% – 1.00%	0.00% – 1.00%	0.00% – 1.00%
Increases for pensions in payment	2.90%	2.90%	3.30%
Revaluation of deferred pensions	2.00%	2.00%	3.00%

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:

	2012	2011
Male	21.4	21.4
Female	23.2	23.0

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:

	2012	2011
Male	22.7	22.8
Female	24.0	23.9

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

	Long-term return expected at 31 December 2012	Value at 31 December 2012 £'000	Percentage of scheme assets 2012	Long-term return expected at 31 December 2011	Value at 31 December 2011 £'000	Percentage of scheme assets 2011
Equities	5.50%	3,348	24.82%	5.50%	2,979	23.79%
Assets with guaranteed interest with insurer	4.00%	1,172	8.69%	4.00%	1,311	10.47%
Bonds	3.45%	8,787	65.15%	3.45%	7,952	63.50%
Cash	2.50%	181	1.34%	2.50%	281	2.24%
		13,488			12,523	
Present value of the schemes' liabilities		(12,870)			(11,973)	
Surplus in the schemes in accordance with stated assumptions		618			550	
Net pension asset not recognised due to uncertainty over future recoverability		(1,794)			(1,221)	
Deficit in the schemes recognised in the Statement of Financial Position		(1,176)			(671)	
Related deferred tax asset		400			229	
Net pension deficit		(776)			(442)	

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.

21 Retirement benefit obligations continued

The following disclosures relate to the schemes:

Analysis of the amount recognised in the Income Statement

	2012 £'000	2011 £'000
Current service cost	122	125
Interest cost	546	580
Expected return on plan assets	(500)	(589)
Total operating charge	168	116

Movement in the defined benefit obligation over the year

	2012 £'000	2011 £'000
Start of the year	(11,973)	(11,051)
Current service cost	(122)	(125)
Interest cost	(546)	(580)
Actuarial loss	(960)	(689)
Exchange movement	64	37
Benefits paid	667	435
End of the year	(12,870)	(11,973)

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

	2012 £'000	2011 £'000
Start of the year	12,523	11,072
Expected return on plan assets	500	589
Actuarial gain	469	621
Employer contributions	706	702
Benefits paid	(667)	(435)
Exchange movements	(43)	(26)
End of the year	13,488	12,523

The history of the plan

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of plan liabilities	(12,870)	(11,973)	(11,051)	(10,447)	(9,879)	(9,582)
Fair value of plan assets	13,488	12,523	11,072	9,842	9,137	8,633
Net pension asset not recognised due to uncertainty over future recoverability	(1,794)	(1,221)	(653)	—	—	—
Retirement benefit obligation	(1,176)	(671)	(632)	(605)	(742)	(949)
Experience (loss)/gain on defined benefit obligation	(960)	(689)	(297)	(591)	207	2,384
Percentage of plan liabilities	7.46%	5.72%	(2.69%)	(5.66%)	2.10%	24.88%
Experience gain/(loss) on plan assets	469	621	448	194	(915)	(911)
Percentage of plan assets	3.48%	4.94%	4.05%	1.97%	(1.00%)	(9.51%)
Net actuarial (loss)/gain recognised in the year	(491)	(68)	151	(397)	(708)	1,473

Notes to the financial statements continued

for the year ended 31 December 2012

21 Retirement benefit obligations continued

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

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	(491)	(68)
Actuarial loss recognised in the Consolidated Statement of Comprehensive Income	(491)	(68)

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £213,000 in the year ended 31 December 2012 (2011: £185,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,154,000 for the year ended 31 December 2012 (2011: £1,104,000) and were wholly recognised in administrative expenses.

22 Provisions for liabilities and charges

		Current	
	Onerous lease £'000	Rectification provision £'000	Total £'000
At 1 January 2012	105	4	109
Amount utilised in the year	(105)	—	(105)
Provision at 31 December 2012	**—**	**4**	**4**

The rectification provision relates to after sales costs. The provision is expected to be fully utilised within the next year.

23 Called up share capital

	2012 Number	2012 £'000	2011 Number	2011 £'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	12,261,477	123	12,261,761	123

There are no outstanding options at 31 December 2012.

The mid-market price of the Company's shares at 31 December 2012 was £17.50 and the range during the year was £17.50 to £18.50.

Share premium account

	£'000
At 1 January 2012 and 31 December 2012	344

Capital redemption reserve

	£'000
At 1 January 2012 and 31 December 2012	1

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

24 Reconciliation of operating profit to cash generated from operations

	2012 £'000	2011 £'000
Operating profit	19,429	20,758
Amortisation of intangible assets	1,618	1,416
Depreciation of property, plant and equipment	1,994	2,375
Profit on disposal of property, plant and equipment	(61)	(76)
Exchange differences	(174)	(132)
Difference between pension charge and cash contributions	(605)	(588)
Decrease/(increase) in trade and other receivables	221	(1,543)
(Decrease)/increase in trade and other payables	(985)	1,192
(Decrease)/increase in provisions	(105)	100
Increase in inventories	(711)	(615)
Cash generated from operations	20,621	22,887

Disposal of assets

	2012 £'000	2011 £'000
Net book value	1,158	224
Profit on disposal of property, plant and equipment	5,989	76
Proceeds	7,147	300

25 Reconciliation of movement in net (debt)/funds

	At 1 January 2012 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2012 £'000
Cash in hand and at bank	23,043	(4,559)	(623)	17,861
Debt due within one year	(7,030)	6,858	(14,888)	(15,060)
Debt due after one year	(19,329)	3,800	15,529	—
Total	(3,316)	6,099	18	2,801

Reconciliation of decrease in cash to movement in net (funds)/debt

	2012 £'000	2011 £'000
(Decrease)/increase in cash	(4,559)	1,091
Decrease in debt	10,658	7,252
Change in net debt from cash flows	6,099	8,343
Non-cash changes	18	(89)
Net debt at 1 January	(3,316)	(11,570)
Net funds/(debt) at 31 December	2,801	(3,316)

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

Notes to the financial statements continued

for the year ended 31 December 2012

26 Commitments and contingent liabilities

The Group leases various properties and vehicles under non-cancellable operating lease agreements. The lease agreements are between one and five 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 8.

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

	2012 £'000	2011 £'000
Within one year	**1,374**	1,112
Between two and five years inclusive	**1,985**	1,756
	3,359	2,868

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2012 (2011: £Nil).

27 Acquisitions

On 1 January 201 the Group purchased the entire issued share capital of Couwenberg Noodverlichting B.V., a company incorporated in and which operates in the Netherlands. On 1 March 2012 the Group purchased the entire issued share capital of Cowley Fire Limited, a company incorporated in and which operates in England. On 1 June 2012 the Group purchased the entire issued share capital of Prevent Brandbeveiliging B.V., a company incorporated in and which operates in the Netherlands. On 1 July 2012 the Group purchased the entire issued share capital of A.L.P.I. sarl, a company incorporated in and which operates in Luxembourg. 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	**42**
Inventories	**83**
Receivables	**198**
Payables	**(400)**
Fair value of net assets acquired	**(77)**
Intangible assets (see note 13)	**1,638**
Consideration	**1,561**

Satisfied by:

	Provisional consideration £'000
Cash	**1,226**
Deferred consideration	**335**
	1,561

In addition, the Group acquired contracts from a number of companies and businesses for a total consideration of £1,037,000. 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 2012 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2012 would have been had the acquisitions taken place on 1 January 2012.

28 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
A.L.P.I. sarl	Fire protection	Luxembourg
Ansul B.V.	Fire protection	The Netherlands
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
Couwenberg Noodverlichting B.V.	Fire protection	The Netherlands
Cowley Fire Limited	Fire protection	England
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
MK Fire Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	The Netherlands
Nu-Swift International Limited	Fire protection	England
Nu-Swift Limited	Sub-holding	England
Prevent Brandbeveiliging B.V.	Fire protection	The Netherlands
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
United Fire Alarms Limited	Fire protection	England

With the exception of the Parent Company's 100% interest in Fire Protection Holdings Limited, MK 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 2012

29 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.

30 Related party transactions

During the year the Group incurred costs amounting to £1,839,000 (2011: £2,045,000) 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 (2011: £210,000) in relation to the Service Agreement by Andrews Sykes.

The balance disclosed in note 16 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 £315,000 (2011: £297,000).

The Group incurred £240,000 (2011: £154,000) of expenditure on behalf of J.G. Murray during the year. This was reimbursed in the year.

31 Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £212,100 (2011: £575,000).

Parent company balance sheet

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	2	459	510
Investments	3	58,756	58,756
		59,215	59,266
Current assets			
Debtors	4	5,435	6,175
Cash at bank and in hand		1,210	1,237
		6,645	7,412
Creditors: amounts falling due within one year			
Finance debt	5	(2,332)	(1,500)
Creditors	6	(11,358)	(13,755)
		(13,690)	(15,255)
Net current liabilities		(7,045)	(7,843)
Total assets less current liabilities		52,170	51,423
Creditors: amounts falling due after more than one year			
Finance debt	5	–	(3,232)
Net assets		52,170	48,191
Capital and reserves			
Called up share capital	8	123	123
Share premium account	8	344	344
Capital redemption reserve fund	8	1	1
Profit and loss account	9	51,702	47,723
Equity shareholders' funds	10	52,170	48,191

The registered number of the Company is 53417.

The notes on pages 42 to 45 are an integral part of these financial statements.

The financial statements on pages 41 to 45 were approved by the Board of Directors on 1 May 2013 and were signed on its behalf by:

J.G. Murray
Chairman
1 May 2013

Notes to the parent company financial statements

for the year ended 31 December 2012

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 2012	1,019
Depreciation	
At 1 January 2012	509
Charge for the year	51
At 31 December 2012	**560**
Net book amount	
At 31 December 2012	**459**
At 31 December 2011	510

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2012 and 31 December 2012	**58,756**

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

4 Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**5,030**	5,207
Amounts owed by related undertakings	—	222
Other debtors	—	154
Taxation recoverable	**405**	592
	5,435	6,175

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

	2012 £'000	2011 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	—	3,232
	—	3,232
Current (amounts falling due within one year or on demand)		
Bank borrowings	**2,332**	1,500
Total borrowings	**2,332**	4,732

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.8% (2011: 1.6%) per annum.

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

Notes to the parent company financial statements continued

for the year ended 31 December 2012

5 Finance debt continued

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

	Total 2012 £'000	Weighted average interest rate 2012	Total 2011 £'000	Weighted average interest rate 2011
Currency				
Sterling	2,332	1.8%	4,732	1.6%
	2,332	1.8%	4,732	1.6%

Borrowing facilities

The borrowings are disclosed as current liabilities as they are due for repayment by June 2013. Following negotiations with several financial institutions the Company has a new £6 million facility until 2018. This will be repaid at the rate of £0.6 million per year over five years with a £3 million repayment at maturity.

The Company has undrawn committed borrowing facilities of £1.8 million (2011: £1.8 million).

6 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to subsidiary undertakings	11,082	13,295
Other creditors	130	131
Accruals	146	329
	11,358	13,755

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Losses	—	—	(1,314)	(1,428)
Deferred tax asset	—	—	(1,314)	(1,428)

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 23%.

8 Called up share capital

	2012 Number	2012 £'000	2011 Number	2011 £'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	12,261,477	123	12,261,761	123

During the period under review a total of 284 ordinary shares were purchased for cancellation for a total consideration of £5,210.

There were no outstanding options at 31 December 2012.

The mid-market price of the Company's shares at 31 December 2012 was £17.50 and the range during the year was £17.50 to £18.50.

Share premium account

	£'000
At I January 2012 and 31 December 2012	344

8 Called up share capital continued

Capital redemption reserve

	£'000
At I January 2012 and 31 December 2012	1

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

9 Profit and loss account

	£'000
At 1 January 2012	47,723
Profit for the financial year	10,605
Dividends paid	(6,621)
Purchase of own shares	(5)
At 31 December 2012	51,702

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 profit for the financial year of the Parent Company included within the consolidated profit for the year attributable to the equity shareholders is £10,605,000 (2011: £2,157,000).

The Parent Company had no employees during the year (2011: 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 2012 is set out in note 8 to the Group financial statements.

10 Reconciliation of movements in equity shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	10,605	2,157
Dividends paid	(6,621)	(2,944)
Issue of shares	—	344
Purchase of own shares	(5)	(482)
Net increase/(reduction) in equity shareholders' funds	3,979	(925)
Opening equity shareholders' funds	48,191	49,116
Closing equity shareholders' funds	52,170	48,191

11 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2012 (2011: £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 2012 this guarantee amounted to £12,728,000 (2011: £21,628,000). 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 £718,000 (2011: £971,000) 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 and were £Nil at 31 December 2012.

The Company recharged and was reimbursed £210,000 (2011: £210,000) in relation to the Service Agreement by Andrews Sykes.

The Company incurred £240,000 (2011: £154,000) of expenditure on behalf of J.G. Murray during the year. This was reimbursed in the year.

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.

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 19 June 2013 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 2012 and the Reports of the Directors and auditor and the Directors' Remuneration Report for that period.
2. To re-elect J-J. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect X. Mignolet as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
4. To re-elect M-C. Leon as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
5. To declare a final dividend in respect of 2012 of £0.38 per ordinary share.
6. 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.
7. 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:

8. That, subject to the passing of resolution 7 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 7 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 £6,131 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.
9. 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.

10. That the articles of association be amended by the insertion of the following article 41 to allow laser signatures on share certificates:

    A share certificate may be issued under Seal (by affixing the Seal to or printing the Seal or a representation of it on the certificate) or signed by at least two directors or by at least one director and the secretary. Any such signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them so that the certificates need not be signed by any person. Such certificate shall specify the number and class of the shares in respect of which it is issued and the amount or respective amounts paid up on it.

By order of the Board

R. Pollard
Secretary
1 May 2013

Registered office
Premier House
2 Jubilee Way
Elland
West Yorkshire
HX5 9DY

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.

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.

Notice of annual general meeting continued

Notes continued

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 1 May 2013, 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 1 May 2013 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 1 May 2013 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
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

Hoyles Fire & Safety Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

MK 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
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 01422 372 852
Fax: 01422 379 569
Email: customer.service@nuswift.co.uk
Website: www.nu-swift.co.uk

TVF (UK) Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 01494 450 641
Fax: 01494 465 378
Email: customer.service@tvfltd.co.uk
Website: www.tvfltd.co.uk

United Fire Alarms Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 0845 601 5836
Fax: 0845 601 5837
Email: customer.service@utdfa.co.uk
Website: www.unitedfirealarm.com

Belgium

All-Protec N.V.
Bogaertstraat 16
9910 Knesslare

Tel: 00 32 9375 2044
Fax: 00 32 9374 6895
Email: info@all-protec.be

Ansul S.A.
Ansul Belgium S.A.
Industrialaan 35
B-1702 Groot-Bijgaarden

Tel: 00 32 2467 7211
Fax: 00 32 2466 4456
Email: mail@ansul.be
Website: www.ansul.be

Dimex Technics S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
Email: info@dimex-technics.be

Importex S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
Email: info@importex.be

SAS Sprl
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
Email: info@dimex-technics.be
Website: www.sas-company.com

Somati FIE N.V.
Industrielaan 19a
9320 Erembodegem

Tel: 00 32 5385 2222
Fax: 00 32 5385 2221
Email: info@somati.be
Website: www.somati.be

Le Chimiste Sprl
Avenue Marcator 1
1300 Wavre

Tel: 00 32 10 86 84 19
Fax: 00 32 10 24 62 37
Email: info@lechimiste.be

Braco B.V.B.A.
Affligemdreef12
9300 Aalst

Tel: 00 32 5321 4570
Fax: 00 32 5377 6383
Email: info@bracofireprotection.be

Luxembourg

A.L.P.I. sarl
9 Rue du Chemin de Fer
8057 Bertrange

Tel: 00 352 26 31 30 13
Fax: 00 352 26 31 30 14
Email: alpi@pt.lu

The Netherlands

Ansul B.V.
Ansul Solutions B.V.
Platinastraat 15
8211 AR Lelystad

Tel: 00 31 320 240864
Fax: 00 31 320 247707
Email: info@ansul.nl
Website: www.ansul.nl

Nu-Swift Brandbeveiliging B.V.
Ringoven 45
6826 TP Arnhem

Tel: 00 31 263 630330
Fax: 00 31 263 640828
Email: info@nu-swift.nl
Website: www.nu-swift.nl

NL Brandbeveiliging B.V.
Gaasbeekstraat 6
5628 WC Eindhoven

Tel: 00 40 248 2196
Email: info@nlbrandbeveiliging.nl
Website: www.nu-swift.nl

Couwenberg Noodverlichting B.V.
Petunialaan 1D
5582 HA Waalre

Tel: 0031 40 2220933
Fax: 0031 40 2213275
Email: couwenberg.noodverlichting@hetnet.nl
Website: www.couwenbergnoodverlichting.nl

Prevent Brandbeveiliging B.V.
Maaslandsweg 1
2291 PH Wateringen

Tel: 00 31 174 526700
Fax: 00 31 174 526701
Email: info@prevent.brandbeveiliging.nl
Website: www.preventbrandbeveiliging.nl

Austria

Total Firestop G.m.b.H.
Tillmanngasse 5
1220 Wien

Tel: 00 431 259 36310
Fax: 00 431 259 363118
Email: info@total.at
Website: www.total.at

Blesberger G.m.b.H.
Harruckerstrasse 9
A-4040 Linz

Tel: 00 43732 733 234
Website: www.blesberger.at

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

London Security plc
Premier House
2 Jubilee Way
Elland
West Yorkshire
HX5 9DY

www.londonsecurity.org