

London Security plc
Unaudited Interim Statement
for the six months ended 30 June 2016

**A leader in Europe's
fire security industry**



London Security plc is a leader in Europe's fire security industry.

Each year we provide fire protection for over **218,000** 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.



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Chairman's statement

“Our strategy is to continue to concentrate on the highest levels of customer service.”

Financial highlights

- > Revenue of £56.3m (2015: £50.2m); and
- > operating profit of £9.3m (2015: £7.9m).

Trading

The financial highlights illustrate that the Group's revenue increased by £6.1 million (12.2%) to £56.3 million. However, these results are impacted by the movement in the Euro to Sterling average exchange rate which has decreased from 1.36 to 1.28. This movement in exchange rates had a positive effect of £2.5 million on reported turnover. If the 2016 results had been translated at 2015 rates, revenue would have been £53.7 million instead of £56.3 million, an adjusted increase of 7.0%. This revenue increase can be attributed to acquisition activity (£1.1 million) and improved organisation of work which results in services being performed earlier in the year.

Operating profit increased by £1.4 million (17.7%) to £9.3 million. Adjusting for the change in exchange rates on the same basis as above, operating profit would have been £8.8 million instead of £9.3 million (an adjusted increase of 11.4%). Operating profit as a percentage of turnover has risen from 15.7% to 16.5% as fixed costs, largely of an administrative nature, have been spread over increased turnover.

Acquisitions

In the six months to the end of June, the Group has acquired a total of seven well established businesses at a cost of £1.7 million (2015: six businesses at a cost of £1.4 million). The integration of these businesses into the Group has, so far, been successful and results are in line with expectations. It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board.

Prospects

The fire security market is experiencing increased competition and downward pressure on prices. Our strategy is to continue to concentrate on the highest levels of customer service to mitigate this. The Board is optimistic for further success in 2016.

Dividends

A final dividend in respect of 2015 of £0.40 per ordinary share was paid to shareholders on 8 July 2016.

J.G. Murray

Chairman

26 September 2016

Consolidated income statement

for the six months ended 30 June 2016

	Note	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Revenue		56,295	50,191	101,165
Cost of sales		(12,053)	(10,105)	(20,373)
Gross profit		44,242	40,086	80,792
Distribution costs		(20,765)	(19,297)	(37,304)
Administrative expenses		(14,152)	(12,872)	(25,010)
Operating profit		9,325	7,917	18,478
EBITDA*		11,926	10,341	23,191
Depreciation and amortisation		(2,601)	(2,424)	(4,713)
Operating profit		9,325	7,917	18,478
Finance income		19	84	179
Finance costs		(258)	(208)	(446)
Finance costs – net		(239)	(124)	(267)
Profit before income tax		9,086	7,793	18,211
Income tax expense		(2,999)	(2,561)	(5,942)
Profit for the period attributable to equity shareholders of the Company		6,087	5,232	12,269
Earnings per share				
Basic and diluted	3	49.6p	42.7p	100.1p
Dividends				
Dividends paid per share		Nil	Nil	68.0p

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

The above are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the six months ended 30 June 2016

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Profit for the financial period	6,087	5,232	12,269
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
– currency translation differences on foreign operation consolidation, net of tax	3,503	(2,194)	(1,168)
– actuarial gain recognised in the Nu-Swift pension scheme	–	–	(406)
– movement on deferred tax relating to the Nu-Swift pension scheme	–	–	142
– actuarial loss recognised in the Ansul pension scheme	–	–	163
– movement on deferred tax relating to the Ansul pension scheme	–	–	(56)
Other comprehensive income/(expense) for the period, net of tax	3,503	(2,194)	(1,325)
Total comprehensive income for the period	9,590	3,038	10,944

Consolidated statement of changes in equity

for the six months ended 30 June 2016

	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 2015	123	344	1	2,033	3,758	79,157	85,416
Comprehensive income for the period							
– profit for the period	–	–	–	–	–	5,232	5,232
– exchange adjustments	–	–	–	–	(2,194)	–	(2,194)
Total comprehensive income for the period	–	–	–	–	(2,194)	5,232	3,038
At 30 June 2015	123	344	1	2,033	1,564	84,389	88,454
Comprehensive income for the period							
– profit for the period	–	–	–	–	–	7,037	7,037
– exchange adjustments	–	–	–	–	1,026	–	1,026
– actuarial loss on pension schemes	–	–	–	–	–	(243)	(243)
– movement on deferred tax relating to pension schemes	–	–	–	–	–	86	86
Total comprehensive income for the period	–	–	–	–	1,026	6,880	7,906
Contributions by and distributions to owners of the Company							
– dividends	–	–	–	–	–	(8,337)	(8,337)
Total contributions by and distributions to owners of the Company	–	–	–	–	–	(8,337)	(8,337)
At 31 December 2015	123	344	1	2,033	2,590	82,932	88,023
Comprehensive income for the period							
– profit for the period	–	–	–	–	–	6,087	6,087
– exchange adjustments	–	–	–	–	3,503	–	3,503
Total comprehensive income for the period	–	–	–	–	3,503	6,087	9,590
At 30 June 2016	123	344	1	2,033	6,093	89,019	97,613

Consolidated statement of financial position

as at 30 June 2016

	Unaudited as at 30 June 2016 £'000	Unaudited as at 30 June 2015 £'000	Audited as at 31 December 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	10,596	9,335	9,789
Intangible assets	62,358	60,603	60,594
Deferred tax asset	787	699	690
Retirement benefit surplus	3,196	3,283	3,196
	76,937	73,920	74,269
Current assets			
Inventories	11,166	8,885	9,689
Trade and other receivables	23,707	19,953	19,901
Cash and cash equivalents	25,997	22,696	19,736
	60,870	51,534	49,326
Total assets	137,807	125,454	123,595
Liabilities			
Current liabilities			
Trade and other payables	(21,168)	(18,279)	(16,666)
Income tax liabilities	(839)	(636)	(1,335)
Borrowings	(1,836)	(1,659)	(1,679)
Provision for liabilities and charges	(35)	—	(35)
	(23,878)	(20,574)	(19,715)
Non-current liabilities			
Trade and other payables	(803)	(703)	(669)
Borrowings	(11,519)	(11,965)	(11,417)
Derivative financial instruments	(244)	(163)	(190)
Deferred income tax liabilities	(1,649)	(1,667)	(1,696)
Retirement benefit obligations	(1,909)	(1,687)	(1,684)
Provision for liabilities and charges	(192)	(241)	(201)
	(16,316)	(16,426)	(15,857)
Total liabilities	(40,194)	(37,000)	(35,572)
Net assets	97,613	88,454	88,023
Shareholders' equity			
Ordinary shares	123	123	123
Share premium	344	344	344
Capital redemption reserve	1	1	1
Merger reserve	2,033	2,033	2,033
Other reserves	6,093	1,564	2,590
Retained earnings	89,019	84,389	82,932
Total shareholders' equity	97,613	88,454	88,023

Consolidated statement of cash flow

for the six months ended 30 June 2016

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Cash flows from operating activities			
Cash generated from operations	14,436	9,865	20,215
Interest paid	(204)	(208)	(425)
Income tax paid	(4,391)	(3,560)	(5,889)
Net cash generated from operating activities	9,841	6,097	13,901
Cash flows from investing activities			
Acquisition of subsidiary undertakings	(1,324)	(902)	(1,301)
Purchases of property, plant and equipment	(1,333)	(1,125)	(2,363)
Proceeds from sale of property, plant and equipment	168	91	236
Purchases of intangible assets	(2,024)	(373)	(974)
Interest received	19	20	27
Net cash used in investing activities	(4,494)	(2,289)	(4,375)
Cash flows from financing activities			
Repayments of borrowings	(869)	(844)	(1,663)
Dividends paid to Company's shareholders	—	—	(8,337)
Net cash used in financing activities	(869)	(844)	(10,000)
Effects of exchange rates on cash and cash equivalents	1,783	(1,246)	(768)
Net increase/(decrease) in cash in the period	6,261	1,718	(1,242)
Cash and cash equivalents at the beginning of the period	19,736	20,978	20,978
Cash and cash equivalents at end of the period	25,997	22,696	19,736

Notes to the financial statements

for the six months ended 30 June 2016

1 Nature of information

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditor and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2016 has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2015. The principal risks and uncertainties as disclosed in the year end accounts are considered to be consistent with those that are still applicable now.

Comparative figures for the year ended 31 December 2015 have been extracted from the statutory accounts for the year ended 31 December 2015, which have been delivered to the Registrar of Companies. The Independent Auditor's Report on those accounts was unqualified and did not contain an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expense. Actual results may differ from these estimates.

3 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £6,087,000 (2015: £5,232,000) and on 12,261,477 (2015: 12,261,477) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. 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.

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000	Audited year ended 31 December 2015 £'000
Profit on ordinary activities after taxation	6,087	5,232	12,269
Basic earnings per ordinary share	49.6p	42.7p	100.1p

4 Actuarial valuation of the pension scheme

As permitted under IAS 19 the Group has not prepared an actuarial valuation of the pension scheme assets and liabilities for the Interim Statement 2016. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2016.

Directors and Company advisers

Executive Directors

Jacques Gaston Murray

Chairman

Jean-Jacques Murray

Vice Chairman

Xavier Mignolet

Managing Director

Emmanuel Sebag

Executive Director

Independent Non-Executive Directors

Henry Shouler

Senior Independent Non-Executive Director

Michael Gailer

Independent Non-Executive Director

Non-Executive Directors

Jean-Pierre Murray

Non-Executive Director

Marie-Claire Leon

Non-Executive Director

Company advisers

Company Secretary and registered office

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Registered number

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