

London Security plc

A leader in Europe's fire security industry.

Unaudited Interim Statement for
the six months ended 30 June 2019



Chairman's statement

J.G. Murray, Chairman

Financial highlights

- Revenue £71.7m (2018: £66.7m)
- Operating profit £10.5m (2018: £10.1m)
- Earnings per share 57.9p (2018: 56.2p)

Trading

The financial highlights illustrate that the Group's revenue increased by £5.0 million (7.5%) to £71.7 million. The movement in exchange rates had an adverse effect of £0.5 million on reported turnover. The underlying revenue increase can largely be attributed to business acquisitions and improvements in the scheduling of service work.

Operating profit increased by £0.4 million (4.0%) to £10.5 million. This increase in operating profit is again primarily caused by business acquisitions and improved service scheduling.

Acquisitions

In the six months to the end of June, the Group has acquired a total of ten well established businesses at a cost of £3.0 million (2018: three businesses at a cost of £1.9 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.

Financing

In May 2018 the Group entered into a new five year multi-currency facility until 2023 comprising £3.15 million and €8.40 million. To limit our exposure to increasing interest rates these loans are subject to interest rate caps of 1.5% LIBOR on the Sterling loan and 0.25% EURIBOR on the Euro loan.

IFRS 16 "Leases" was applicable from 1 January 2019. The application of the standard has resulted in the recognition of additional right-of-use assets and lease liabilities which have been disclosed separately in the Statement of Financial Position. The standard is discussed further in note 2, Basis of preparation. The impact on the Income Statement was not material.

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. We do not expect the economic environment to become any easier in 2019. Nonetheless your Group remains in a strong position and will continue to focus on meeting the needs of our customers and our shareholders.

Dividends

A final dividend in respect of 2018 of £0.40 per ordinary share was paid to shareholders on 5 July 2019.

J.G. Murray

Chairman

12 September 2019

Consolidated income statement

for the six months ended 30 June 2019

	Note	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Revenue		71,737	66,726	137,711
Cost of sales		(17,932)	(15,402)	(31,780)
Gross profit		53,805	51,324	105,931
Distribution costs		(26,253)	(25,215)	(50,593)
Administrative expenses		(17,025)	(15,969)	(32,163)
Operating profit		10,527	10,140	23,175
EBITDA*		14,474	13,313	29,557
Depreciation and amortisation		(3,947)	(3,173)	(6,382)
Operating profit		10,527	10,140	23,175
Finance income		23	28	131
Finance costs		(121)	(97)	(171)
Finance costs – net		(98)	(69)	(40)
Profit before income tax		10,429	10,071	23,135
Income tax expense		(3,237)	(3,133)	(6,945)
Profit for the period		7,192	6,938	16,190
Profit is attributable to				
Equity shareholders of the Company		7,103	6,891	16,077
Non-controlling interest		89	47	113
		7,192	6,938	16,190
Earnings per share				
Basic and diluted	3	57.9p	56.2p	131.1p
Dividends				
Dividends paid per share		Nil	Nil	80.0p

* 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 2019

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Profit for the financial period	7,192	6,938	16,190
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	47	(418)	361
– actuarial gain recognised in the Nu-Swift pension scheme	–	–	16
– movement on deferred tax relating to the Nu-Swift pension scheme	–	–	(6)
– actuarial loss recognised in the Ansul pension scheme	–	–	(145)
– movement on deferred tax relating to the Ansul pension scheme	–	–	36
Other comprehensive income for the period, net of tax	47	(418)	262
Total comprehensive income for the period	7,239	6,520	16,452

Consolidated statement of changes in equity

for the six months ended 30 June 2019

	Share capital £'000	Share premium £'000	Capital redemption £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2018	123	344	1	2,033	8,470	92,408	189	103,568
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	6,891	47	6,938
– exchange adjustments	–	–	–	–	(418)	–	–	(418)
Total comprehensive income for the period	–	–	–	–	(418)	6,891	47	6,520
At 30 June 2018	123	344	1	2,033	8,052	99,299	236	110,088
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	9,186	66	9,252
– exchange adjustments	–	–	–	–	779	–	–	779
– actuarial loss on pension schemes	–	–	–	–	–	(129)	–	(129)
– movement on deferred tax relating to pension schemes	–	–	–	–	–	30	–	30
Total comprehensive income for the period	–	–	–	–	779	9,087	66	9,932
Contributions by and distributions to owners of the Company:								
– dividends	–	–	–	–	–	(9,809)	–	(9,809)
Total contributions to owners of the Company	–	–	–	–	–	(9,809)	–	(9,809)
At 31 December 2018	123	344	1	2,033	8,831	98,577	302	110,211
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	7,103	89	7,192
– distribution to non-controlling interest	–	–	–	–	–	–	(23)	(23)
– exchange adjustments	–	–	–	–	47	–	–	47
Total comprehensive income for the period	–	–	–	–	47	7,103	66	7,216
At 30 June 2019	123	344	1	2,033	8,878	105,680	368	117,427

Consolidated statement of financial position

as at 30 June 2019

	Unaudited as at 30 June 2019 £'000	Unaudited as at 30 June 2018 £'000	Audited as at 31 December 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12,921	11,732	12,077
Right-of-use assets	2,752	—	—
Intangible assets	65,166	61,698	63,695
Deferred tax asset	807	589	811
Retirement benefit surplus	4,430	4,397	4,430
	86,076	78,416	81,013
Current assets			
Inventories	14,613	12,437	13,293
Trade and other receivables	29,129	27,725	28,732
Cash and cash equivalents	28,869	29,256	26,110
	72,611	69,418	68,135
Total assets	158,687	147,834	149,148
Liabilities			
Current liabilities			
Trade and other payables	(23,808)	(21,503)	(22,713)
Income tax liabilities	(1,145)	(917)	(1,731)
Borrowings	(2,125)	(2,100)	(2,125)
Lease liabilities	(1,239)	—	—
Derivative financial instruments	—	—	—
Provision for liabilities and charges	(5)	—	(5)
	(28,322)	(24,520)	(26,574)
Non-current liabilities			
Trade and other payables	(1,026)	(995)	(922)
Borrowings	(6,379)	(8,404)	(7,441)
Lease liabilities	(1,535)	—	—
Derivative financial instruments	(54)	(34)	(41)
Deferred income tax liabilities	(1,875)	(1,886)	(1,898)
Retirement benefit obligations	(1,880)	(1,705)	(1,880)
Provision for liabilities and charges	(189)	(202)	(181)
	(12,938)	(13,226)	(12,363)
Total liabilities	(41,260)	(37,746)	(38,937)
Net assets	117,427	110,088	110,211
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	8,878	8,052	8,831
Retained earnings	105,680	99,299	98,577
Equity attributable to owners of the Parent Company	117,059	109,852	109,909
Non-controlling interest	368	236	302
Total equity	117,427	110,088	110,211

Consolidated statement of cash flow

for the six months ended 30 June 2019

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Cash flows from operating activities			
Cash generated from operations	13,953	13,156	28,385
Interest paid	(74)	(97)	(147)
Income tax paid	(4,414)	(4,374)	(7,393)
Net cash generated from operating activities	9,465	8,685	20,845
Cash flows from investing activities			
Acquisition of subsidiary undertakings	(1,007)	(1,537)	(4,274)
Purchases of property, plant and equipment	(2,536)	(1,898)	(3,551)
Proceeds from sale of property, plant and equipment	109	114	398
Recognition of right-of-use assets	(3,542)	—	—
Purchases of intangible assets	(2,001)	(115)	(746)
Proceeds from sale of intangible assets	—	20	—
Interest received	23	8	12
Net cash used in investing activities	(8,954)	(3,408)	(8,161)
Cash flows from financing activities			
Repayments of borrowings	(1,040)	(557)	(1,614)
Payment of lease liabilities	(831)	—	—
New lease liabilities	3,542	—	—
Dividends paid to Company's shareholders	—	—	(9,809)
Distribution to non-controlling interest	(23)	—	—
Net cash used in financing activities	1,648	(557)	(11,423)
Effects of exchange rates on cash and cash equivalents	600	(116)	197
Net increase in cash in the period	2,759	4,604	1,458
Cash and cash equivalents at the beginning of the period	26,110	24,652	24,652
Cash and cash equivalents at the end of the period	28,869	29,256	26,110

Notes to the financial statements

for the six months ended 30 June 2019

1 Nature of information

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditors and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2019 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 2018. 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 2018 have been extracted from the statutory accounts for the year ended 31 December 2018, which have been delivered to the Registrar of Companies. The Independent Auditors' 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.

IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. The majority of the Group's lease commitments have been brought onto the balance sheet together with corresponding right-of-use assets. In the Income Statement, the existing operating lease charge, which is recognised within operating profit, has been replaced by a depreciation charge in respect of the right-of-use asset. In addition there is an interest cost in relation to the lease liability which is recognised within finance costs.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

3 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £7,103,000 (2018: £6,891,000) and on 12,261,477 (2018: 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 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited year ended 31 December 2018 £'000
Profit on ordinary activities after taxation	7,103	6,891	16,077
Basic earnings per ordinary share	57.9p	56.2p	131.1p

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 2019. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2019.

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 Director

Henry Shouler
Senior Independent Non-Executive Director

Non-Executive Directors

Jean-Pierre Murray
Non-Executive Director

Marie-Claire Leon
Non-Executive Director

Company information

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 independent auditors

PricewaterhouseCoopers LLP

Central Square
29 Wellington Street
Leeds LS1 4DL

Registrars

Link Asset Services

Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Stockbrokers and nominated advisers

WH Ireland Limited

24 Martin Lane
London EC4R 0DR

Group companies

The United Kingdom

Asco Extinguishers Company Limited

Unit 1.1
Festival Court
Brand Place
Glasgow G51 1DR

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

Beta Fire Protection Limited

Unit 18
Western Road Industrial Estate
Stratford-upon-Avon
Warwickshire CV37 0AH

Tel: 01789 292 050
Email: info@betafire.co.uk
Website: www.betafireprotection.com

City Fire Protection and Maintenance Services LLP

172a Selsdon Road
South Croydon
Surrey CR2 6PJ

Tel: 0208 649 7766
Email: admin@cityfire.co.uk
Website: www.cityfire.co.uk

Firestop Services Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01507 723 322
Email: enquiries@fire-stop.co.uk
Website: www.firestopservices.co.uk

Fire Industry Specialists Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01507 522 466
Email: enquiries@fisltd.co.uk
Website: www.fisltd.co.uk

Amberfire Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01673 885 229
Email: info@amber-fire.co.uk
Website: www.amber-fire.co.uk

GC Fire Protection Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 0208 391 7310
Email: customer.service@gcfireprotection.co.uk
Website: www.gcfireprotection.co.uk

GFA Premier Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

Hoyles Fire & Safety Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

L. W. Safety Limited

59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 0208 575 9000
Email: customer.service@lwsafety.co.uk
Website: www.lwsafety.co.uk

MK Fire Limited

59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

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

Nu-Swift International Limited

Nu-Swift (Engineering) Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

Pyrotec Fire Protection Limited

Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP

Tel: 0800 634 9953
Email: sales@pyrotec.co.uk
Website: www.pyrotec.co.uk

Tunbridge Wells Fire Protection Limited

Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP

Tel: 01825 767 600
Email: customer.service@twfpltd.co.uk
Website: www.twfpltd.co.uk

TVF (UK) Limited

59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

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

Group companies continued

Belgium

Alarm Masters S.A.
50, Z.I. Research Park
B-1731 Zellik

Tel: 00 32 5237 3409
Email: info@alarmmasters.be
Website: www.alarmmasters.be

All-Protex N.V.

Bogaertstraat 16
9910 Knesslare

Tel: 00 32 9375 2044
Email: info@all-protex.be

Ansul S.A.

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

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

Assurance Protection Service Sprl

Avenue Mercator 1
1300 Wavre

Tel: 00 32 7187 7504
Email: info@apsprotectionincendie.be
Website: www.apsprotectionincendie.be

Barkat B.V.B.A.

Ottergemsesteenweg 166
9000 Gent

Tel: 00 32 9221 3838
Website: www.barkat.be

Dimex Technics S.A.

42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8789 0401
Email: info@dimex-technics.be

Importex S.A.

42 Rue de l'Eglise
4710 Lontzen Herbesthal

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

Security Alarm Service Company Sprl

42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8645 6789
Email: info@securityalarmservice.be
Website: www.securityalarmservice.be

Somati FIE N.V.

Industrialaan 19a
9320 Erembodegem

Tel: 00 32 5385 2222
Email: info@somatifie.be
Website: www.somatifie.be

Le Chimiste Sprl

Avenue Mercator 1
1300 Wavre

Tel: 00 32 1086 8419
Email: info@lechimiste.be

Braco B.V.B.A.

Affligemdreef12
9300 Aalst

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

DC Security B.V.B.A.

Vaarstraat 10
2235 Hulshout

Tel: 00 32 1522 5570
Email: info@dcsecurity.be
Website: www.dcsecurity.be

Luxembourg

A.L.P.I. sarl

10 Rue Robert Krieps
4702 Petange

Tel: 00 352 2631 3013
Email: alpi@pt.lu
Website: www.alpi.lu

The Netherlands

Ansul B.V.

Ansul Solutions B.V.
Platinastraat 15
8211 AR Lelystad

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

Boensma Brandbeveiliging B.V.

Zutphenstraat 6
7575 EJ Oldenzaal

Tel: 00 31 541 588030
Website: www.boensmabrandbeveiliging.nl

Nu-Swift Brandbeveiliging B.V.

Ringoven 45
6826 TP Arnhem

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

Incorporating Couwenberg Noodverlichting

Ringoven 45
6826 TP Arnhem

Tel: 00 31 402 220933
Email: couwenberg.noodverlichting@hetnet.nl
Website: www.couwenbergnoodverlichting.nl

NL Brandbeveiliging B.V.

Petunialaan 1D
5582 HA Waalre

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

Group companies continued

The Netherlands continued

Prevent Brandbeveiliging B.V.

Maasdijkseweg 107
2291 PJ Wateringen

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

Record Brandbeveiliging B.V.

Oostergracht 24
3763 LZ Soest

Tel: 00 31 356 027966
Email: info@recordbrandbeveiliging.nl
Website: www.recordbrandbeveiliging.nl

Braho Brandpreventie B.V.

Maasdijkseweg 107
2291 PJ Wateringen

Tel: 00 31 793 410708
Email: info@braho.nl
Website: www.braho.nl

Blusdesign B.V.

Bergweg 35 b
3904 HL Veenendaal

Tel: 00 31 318 508 369
Email: info@blusdesign.com
Website: www.blusdesign.com

Brandpreventie Groep B.V.

Daalderweg 22
507 DT Zaandam

Tel: 0031 75 631 5558
Email: info@brandpreventiegroep.nl
Website: www.brandpreventiegroep.nl

Denmark

Linde Brandmateriel Aps

Industrivej 51 A
4000 Roskilde

Tel: 33313100
Email: lindebrand@lindebrand.dk
Website: www.lindebrand.dk

Austria

Total Fire-Stop Brandschutztechnik G.m.b.H.

Tillmangasse 5
1220 Wien

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

Blesberger Ges.m.b.H.

Hasnerstrasse 12
A-4020 Linz

Tel: 0043 732 73 32 34
Website: www.blesberger.at

Noris Feuerschutzgeraete G.m.b.H.

Baumkircherstrasse 2
8020 Graz

Tel: 00 43 316 71 18 21
Email: zentrale@noris.at
Website: www.noris.at

P.M.P. Feuerlöschgeräte Produktions- und Vertriebsges.m.b.H

Waltendorfer Hauptstrasse 5
8010 Graz

Tel: 00 43 316 46 15 66
Email: office@pyrus-pmp.at
Website: www.pyrus-pmp.at

Florian Feuerschutz G.m.b.H.

Dorf 19
5732 Mühlbach im Pinzgau

Tel: 00 43 6566 7450
Email: office@feuerschutz.at
Website: www.feuerschutz.at

France

One Protect sarl

Z.I. Sainte Agathe
Rue Lavoisier
57192 Florange

Tel: 00 33 382 59 32 40
Email: contact@oneprotectsarl.com
Website: www.oneprotectsarl.com

Germany

LUDWIG Brandschutztechnik G.m.b.H.

Gewerbestrasse 2
D-24392 Suederbrarup

Tel: 00 49 4641 8242
Email: info@brandschutztechnik-ludwig.de

IFH Feuerschutz Hollmann G.m.b.H.

Ihmerter Strasse 211
58675 Hemer

Tel: 00 49 2372 81066
Email: info@feuerschutz-hollmann.de
Website: www.feuerschutz-hollmann.de

London Security plc

Premier House
2 Jubilee Way
Elland
West Yorkshire
HX5 9DY

www.londonsecurity.org

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