



**London Security plc**

Annual Report and Accounts 2014

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

Each year we provide fire protection for over 245,000 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.



## 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

# 103.4p

2014	103.4p
2013	111.8p
2012	154.9p
2011	115.2p
2010	106.5p

### Operating profit

# £19.7m

2014	£19.7m
2013	£20.0m
2012	£19.4m
2011	£20.8m
2010	£19.3m

### Revenue

# £100.9m

2014	£100.9m
2013	£101.4m
2012	£94.1m
2011	£96.3m
2010	£85.5m

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# Chairman's statement

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## Financial highlights

Financial highlights of the audited results for the year ended 31 December 2014 compared with the year ended 31 December 2013 are as follows:

- > revenue of £100.9 million (2013: £101.4 million);
- > operating profit before depreciation and amortisation of £23.9 million (2013: £24.1 million);
- > operating profit of £19.7 million (2013: £20.0 million); and
- > profit after income tax of £12.7 million (2013: £13.7 million).

## Trading review

The financial highlights illustrate that the Group's revenue decreased by £0.5 million (0.5%) to £100.9 million. However, these results are impacted by the movement in the Euro to Sterling average exchange rate which has increased from 1.18 to 1.24. This movement in exchange rates had an adverse effect of £4.0 million on reported turnover. If the 2014 results had been translated at 2013 rates, revenue would have been £104.9 million instead of £100.9 million (increase of 3.5% on the prior year).

Operating profit decreased by £0.3 million (1.5%) to £19.7 million. Adjusting for the change in the exchange rate on the same basis as above, operating profit would have been £20.6 million instead of £19.7 million (increase of 3.0%). This performance is very satisfactory and whilst the trading environment remains difficult we are hopeful of growth returning to our market.

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

## 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 consolidated its presence, particularly in Austria and the UK with the incorporation of PMP Manus G.m.b.H., and the acquisition of Tunbridge Wells Fire Protection Limited and the Pyrotec businesses, Pyrotec Fire Protection Limited and Pyrotec Fire Detection Limited. In addition a further seven acquisitions of service contracts were concluded for smaller, well established businesses for integration into the Group's existing subsidiaries.

## Management and staff

2014 was a year in which the staff performed well and, on your behalf, I would like to express thanks and appreciation for their contribution.

## Dividends

A final dividend in respect of 2013 of £0.31 per ordinary share was paid to shareholders on 8 July 2014.

An interim dividend in respect of 2014 of £0.31 per ordinary share was paid to shareholders on 19 December 2014.

The Board is recommending the payment of a final dividend in respect of 2014 of £0.31 per ordinary share to be paid on 8 July 2015 to shareholders on the register on 12 June 2015. The shares will be marked ex-dividend on 11 June 2015.

## Future prospects

Economic growth in the Group's market has been depressed in 2014 but our business remains strong, cash generative and well developed, with positive net funds. There are signs of a slow recovery and, as a leading provider in this market with a well-diversified and loyal customer base, the Board is optimistic for further success in 2015 as growth improves.

## Annual general meeting

The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 17 June 2015 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. Your Directors look forward to meeting you at that time.

**J.G. Murray**  
Chairman

5 May 2015

“Our business remains strong, cash generative and well developed, with positive net funds.”

### Revenue

**£100.9m**

2013: £101.4m

### EBITDA\*

**£23.9m**

2013: £24.1m

### Operating profit

**£19.7m**

2013: £20.0m

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



### Consolidated income statement

The Group's revenue decreased by £0.5 million (0.5%) to £100.9 million. Operating profit decreased by £0.3 million (1.5%) to £19.7 million. However, these results reflect the movement in the Euro to Sterling average exchange rate which has increased from 1.18 to 1.24. If the 2014 results from the European subsidiaries had been translated at 2013 rates, revenue would have been £104.9 million instead of £100.9 million, which would represent an increase of 3.5% on prior year. On the same basis operating profit would have been £20.6 million instead of £19.7 million, an increase of 3.0% compared to 2013. Comparing EBITDA to turnover, which eliminates the effect of the movement in exchange rates, the ratio has remained constant at 23.7% in 2013 and 2014.

Most of the increase in revenue, £2.3 million, was generated by the full year effect of Noris Feuerschutzgerate G.m.b.H. which was acquired part way through 2013 and £0.7 million from our new subsidiaries PMP Manus G.m.b.H. and Tunbridge Wells Fire Protection Limited. Both Noris Feuerschutzgerate G.m.b.H. and GC Fire Protection Limited recorded an operating loss in 2013. However, following their integration into the Group both have recorded an improved performance and together made a contribution to operating profit of £0.5 million. In its first few months with the Group PMP Manus G.m.b.H. made no contribution to operating profit in 2014. As it is integrated into the Group your Directors are confident of a positive return in 2015.

Net finance costs have increased from £0.1 million to £0.6 million. This is mainly due to a revaluation of our derivative financial instruments. An increase in their value in 2013 resulted in a £0.2 million credit to finance income. In 2014 due to their decline in value there has been a £0.3 million charge included in finance cost. These financial instruments are the interest rate agreements the Group entered into to mitigate its interest rate risk on its bank borrowings.

The Group's effective income tax rate of 32.3% of operating profit is expected to remain constant despite a reduction in corporation tax rates in the UK as most of the expense is incurred in overseas jurisdictions which are not affected by this reduction.

### 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 £24.3 million represents 101.7% of operating profit before depreciation and amortisation charges. This demonstrates the ability of the Group to convert profitability into positive cash flow.

**“Comparing EBITDA to turnover, which eliminates the effect of the movement in exchange rates, the ratio has remained constant at 23.7% in 2013 and 2014.”**



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Borrowings have decreased from £18.1 million to £15.5 million. The movement can be analysed as follows:

Opening borrowings	£18.1 million
Scheduled loan repayments	£(1.9) million
Amortisation of finance arrangement costs	£0.1 million
Exchange rate impact	£(0.8) million
Closing borrowings	£15.5 million

The Group's borrowings were refinanced in May 2013 with the Group's existing bankers, Lloyds Bank plc, and the Group has a new £19.7 million facility until 2018. Half of this loan will be repaid evenly over five years with the balance at maturity. The multi-currency loan is denominated £6 million in Sterling and €16 million in Euros.

The Group incurred £0.5 million in fees in arranging these loans which will be amortised over the life of the loans. The bank loans in the financial statements are stated net of these finance arrangement fees in accordance with accepted accounting practice.

#### 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's borrowings which were refinanced in May 2013 are split between Euro and Sterling according to the forecast income streams. This policy acts as a natural hedge as the effect of an adverse exchange movement on translation of foreign currency loans would be offset by a positive effect of translating income streams from Europe and vice versa.

Regarding the interest risk, the Group has entered into interest rate agreements fixing LIBOR to 1.05% and EURIBOR to 0.84% plus a margin of 1.10% and 1.25% respectively to take advantage of the low market interest rates prevailing at the time. The agreements took effect from May 2013 and remain in effect until the loans are repaid in 2018.

#### 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

The Group's key risks and uncertainties are discussed in the Strategic Report.

**“The Group continues to demonstrate consistently profitable performance and strong cash conversion.”**

## 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.

## Business model

The Group is a leader in Europe's fire security industry. We provide fire protection 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 such as Nu-Swift, Ansul, 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. 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.

## Business review and results

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2014 of £12.7 million (2013: £13.7 million). The Group's results are discussed in detail in the Financial Review. The Group paid dividends in the year of £7.6 million comprising a final dividend in respect of the year ended 31 December 2013 of £0.31 per ordinary share and an interim dividend of £0.31 per ordinary share in respect of the year ended 31 December 2014. The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2013 of £0.31 per ordinary share. The Group ended the year with net assets of £85.4 million.

## Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis of turnover, operating profit and earnings per share are the appropriate KPIs for an understanding of the development, performance and position of the business. The analysis of these KPIs is included in the Chairman's Statement and the Financial Review.

## Principal 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.



## Future developments

Despite signs of a slow recovery in 2014, our market reflects reduced customer confidence and consequent reluctance to invest in our products. However, as a leading provider in this market with a well-diversified and loyal customer base, the Board is cautiously optimistic for further success in 2015 as growth improves. At the same time the Group continues to carefully control its cost base to ensure satisfactory levels of profit can be achieved.

Signed on behalf of the Board

**J.G. Murray**  
Chairman  
5 May 2015



# Directors and company advisers

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## Executive Directors

### Jacques Gaston Murray 95

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 48

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 50

Managing Director

Xavier Mignolet joined the Group in 1995. He is a Non-Executive Director of Andrews Sykes.

### Emmanuel Sebag 46

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 77

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 79

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 46

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 51

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 LLP

1 The Embankment  
Neville Street  
Leeds LS1 4DW

### Registrars

#### Capita Asset Services

Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

### Bankers

#### Lloyds Banking Group plc

### Stockbrokers and nominated advisers

#### WH Ireland Limited

24 Martin Lane  
London EC4R 0DR

# Report of the directors

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The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2014. Future developments in the business and dividends paid and proposed are discussed in the Strategic Report. The Group's financial risk management policy is discussed in the Financial Review.

## Directors

The Directors of the Parent Company who served during the whole of the year ended 31 December 2014, 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 2014.

### 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 2014.

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

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

Brief biographical details of the Directors are set out on page 7.

### Directors' interests

No Director in office at 31 December 2014 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

## Substantial shareholdings

At 5 May 2015, 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.

## 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 2014 Group average creditor days were 51 days (2013: 54 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 (2013: £Nil) and made charitable donations of £3,750 (2013: £3,750).

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### **Purchase of own shares and authorities to issue shares**

As at 5 May 2015 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 9 is to be proposed at the Annual General Meeting to extend this authority until the 2016 Annual General Meeting.

The special business to be proposed at the 2015 Annual General Meeting also includes, at resolution 8, 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 7, 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, Strategic Report, the Directors' 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.

## Report of the directors continued

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### **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 LLP as auditor of the Parent Company and authorising the Directors to set its remuneration.

### **Annual General Meeting**

The Notice of the Annual General Meeting is set out on pages 45 to 47 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 15 June 2015. 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**

5 May 2015

# 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 £466,103 (2013: £445,992). This includes an amount paid to the highest paid Director of £222,194 (2013: £214,034).

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	
	2014	2013
J.G. Murray	£Nil	£Nil
J-J. Murray	£160,909	£142,908
X. Mignolet	£222,194	£214,034
E. Sebag	£Nil	£6,050
J-P. Murray	£20,000	£20,000
M-C. Leon	£20,000	£20,000
H. Shouler	£22,000	£22,000
M. Gailer	£21,000	£21,000

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

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 £1,874,000 (2013: £2,054,000) for the year ended 31 December 2014 as per the Services Agreement.

On behalf of the Board

## H. Shouler

### Chairman of the remuneration committee

5 May 2015

# Independent auditor's report

to the members of London Security plc

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We have audited the financial statements of London Security plc for the year ended 31 December 2014 set out on pages 13 to 44. 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 9, 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 website at [www.frc.org.uk/auditscopeukprivate](http://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 2014 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 Strategic Report and the Report of the Directors 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.

## Lindsey Crossland (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

5 May 2015

## Consolidated income statement

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Revenue</b>		<b>100,876</b>	101,362
Cost of sales		<b>(18,638)</b>	(19,785)
<b>Gross profit</b>		<b>82,238</b>	81,577
Distribution costs		<b>(38,106)</b>	(37,894)
Administrative expenses		<b>(24,451)</b>	(23,729)
<b>Operating profit</b>		<b>19,681</b>	19,954
EBITDA*		<b>23,938</b>	24,059
Depreciation and amortisation		<b>(4,257)</b>	(4,105)
<b>Operating profit</b>		<b>19,681</b>	19,954
Finance income		<b>188</b>	377
Finance costs		<b>(832)</b>	(475)
Finance costs – net	6	<b>(644)</b>	(98)
<b>Profit before income tax</b>	7	<b>19,037</b>	19,856
Income tax expense	8	<b>(6,362)</b>	(6,148)
<b>Profit for the year attributable to equity shareholders of the Company</b>		<b>12,675</b>	13,708
<b>Earnings per share</b>			
Basic and diluted	9	<b>103.4p</b>	111.8p

\* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 17 to 39 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 2014

	Notes	2014 £'000	2013 £'000
Profit for the financial year		<b>12,675</b>	13,708
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
– currency translation differences on foreign currency net investments, net of tax		<b>(1,955)</b>	331
– actuarial gain/(loss) recognised in the Nu-Swift pension scheme	20	<b>127</b>	(72)
– movement on deferred tax relating to Nu-Swift pension scheme surplus	18	<b>(518)</b>	(485)
– Nu-Swift pension scheme surplus recognised	20	<b>–</b>	1,794
– actuarial loss recognised in the Ansul pension scheme	20	<b>(191)</b>	(381)
– movement on deferred tax relating to Ansul pension scheme deficit	18	<b>69</b>	166
Other comprehensive (loss)/gain for the year, net of tax		<b>(2,468)</b>	1,353
<b>Total comprehensive income for the year</b>		<b>10,207</b>	15,061

# Consolidated statement of changes in equity

for the year ended 31 December 2014

	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 2013	123	344	1	2,033	5,382	69,136	77,019
<b>Total comprehensive income for the year</b>							
Profit for the financial period	—	—	—	—	—	13,708	13,708
Other comprehensive income:							
– exchange adjustments	—	—	—	—	331	—	331
– actuarial loss on pension scheme	—	—	—	—	—	(453)	(453)
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(319)	(319)
– brought forward pension surplus recognised	—	—	—	—	—	1,794	1,794
Total comprehensive income for the year	—	—	—	—	331	14,730	15,061
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(9,319)	(9,319)
– release of provision for unclaimed dividends	—	—	—	—	—	50	50
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(9,269)	(9,269)
At 1 January 2014	123	344	1	2,033	5,713	74,597	82,811
<b>Total comprehensive income for the year</b>							
Profit for the financial period	—	—	—	—	—	12,675	12,675
Other comprehensive income:							
– exchange adjustments	—	—	—	—	(1,955)	—	(1,955)
– actuarial loss on pension schemes	—	—	—	—	—	(64)	(64)
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(449)	(449)
Total comprehensive income for the year	—	—	—	—	(1,955)	12,162	10,207
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(7,602)	(7,602)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(7,602)	(7,602)
<b>At 31 December 2014</b>	<b>123</b>	<b>344</b>	<b>1</b>	<b>2,033</b>	<b>3,758</b>	<b>79,157</b>	<b>85,416</b>

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 2014

	Notes	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	9,747	9,973
Intangible assets	12	61,400	58,325
Deferred tax asset	18	753	632
Retirement benefit surplus	20	3,283	2,424
Derivative financial instruments	13	—	92
		<b>75,183</b>	71,446
<b>Current assets</b>			
Inventories	14	9,494	8,826
Trade and other receivables	15	19,573	21,153
Cash and cash equivalents	16	20,978	20,565
		<b>50,045</b>	50,544
<b>Total assets</b>		<b>125,228</b>	121,990
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(18,232)	(16,992)
Income tax liabilities		(1,389)	(866)
Borrowings	19	(1,782)	(1,878)
Provision for liabilities and charges		—	(4)
		<b>(21,403)</b>	(19,740)
<b>Non-current liabilities</b>			
Trade and other payables	17	(739)	(509)
Borrowings	19	(13,678)	(16,261)
Derivative financial instruments	13	(227)	—
Deferred tax liabilities	18	(1,701)	(991)
Retirement benefit obligations	20	(1,843)	(1,678)
Provision for liabilities and charges	21	(221)	—
		<b>(18,409)</b>	(19,439)
<b>Total liabilities</b>		<b>(39,812)</b>	(39,179)
<b>Net assets</b>		<b>85,416</b>	82,811
<b>Shareholders' equity</b>			
Ordinary shares	22	123	123
Share premium	22	344	344
Capital redemption reserve	22	1	1
Merger reserve		2,033	2,033
Other reserves		3,758	5,713
Retained earnings		79,157	74,597
<b>Total shareholders' equity</b>		<b>85,416</b>	82,811

The financial statements on pages 13 to 39 were approved by the Board of Directors on 5 May 2015 and were signed on its behalf by:

**J.G. Murray**  
Chairman  
5 May 2015

# Consolidated statement of cash flow

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	24,338	22,913
Interest paid		(472)	(418)
Income tax paid		(5,218)	(5,625)
<b>Net cash generated from operating activities</b>		<b>18,648</b>	<b>16,870</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary undertakings (net of cash acquired)	26	(2,164)	(3,002)
Purchases of property, plant and equipment		(2,304)	(2,537)
Proceeds from sale of property, plant and equipment		242	275
Proceeds from sale of intangible assets		—	33
Purchases of intangible assets		(3,519)	(2,575)
Interest received		68	96
<b>Net cash used in investing activities</b>		<b>(7,677)</b>	<b>(7,710)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(1,855)	(16,610)
New borrowings		—	19,675
Associated loan arrangement fees		—	(488)
Dividends paid to Company's shareholders		(7,602)	(9,319)
<b>Net cash used in financing activities</b>		<b>(9,457)</b>	<b>(6,742)</b>
<b>Effects of exchange rates on cash and cash equivalents</b>		<b>(1,101)</b>	<b>286</b>
<b>Net increase in cash in the year</b>		<b>413</b>	<b>2,704</b>
Cash and cash equivalents at beginning of the year		20,565	17,861
<b>Cash and cash equivalents at end of the year</b>	16	<b>20,978</b>	<b>20,565</b>

# Notes to the financial statements

for the year ended 31 December 2014

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## 1 General information

London Security plc (the “Parent Company”) is a leader in the European fire security industry, providing fire protection for our 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 2014. These are considered either not relevant or to 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 2015, but the Group has not adopted them early. These are considered either not relevant or are not expected to have a material impact on the Group.

### Consolidation

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

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

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

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

### Segment reporting

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

# Notes to the financial statements continued

for the year ended 31 December 2014

## 2 Summary of significant accounting policies continued

### 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.

### 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.

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## 2 Summary of significant accounting policies continued

### Intangible assets continued

#### (b) Approval costs

Approval costs are shown at historical cost, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate their cost over their estimated useful lives (ten to 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 (three to five 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 (five to ten years) based on information available to the Directors on average attrition rates.

### Derivative financial instruments and hedging activities

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. The fair value at the Balance Sheet date is calculated based on observable interest rates (level 2 inputs).

### Inventories

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

### Trade receivables

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

### Cash and cash equivalents

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

### Share capital

Ordinary shares are classified as equity.

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

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

### Trade payables

Trade payables are recognised at fair value.

### Borrowings

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

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

### Current and deferred income tax

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

# Notes to the financial statements continued

for the year ended 31 December 2014

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## 2 Summary of significant accounting policies continued

### Current and deferred income tax continued

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 and surplus 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 deficit and surplus are presented separately on the Statement of Financial Position within non-current liabilities and non-current assets respectively before tax relief. The attributable deferred tax asset and liability 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 an 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.

### 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.

## 2 Summary of significant accounting policies continued

### Revenue recognition continued

#### (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 £36.9 million (2013: £36.9 million) are included within distribution costs.

### Leases

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

### Dividend distribution

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

## 3 Financial risk management

### Financial risk factors

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

#### (a) Foreign exchange risk

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

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

31 December 2014	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	6,265	14,713	20,978
Trade and other receivables	4,802	14,771	19,573
Bank loans	(5,015)	(10,445)	(15,460)
Trade and other payables	(4,401)	(13,831)	(18,232)
Income tax liabilities	(193)	(1,196)	(1,389)
<b>Balance sheet exposure</b>	<b>1,458</b>	<b>4,012</b>	<b>5,470</b>

# Notes to the financial statements continued

for the year ended 31 December 2014

## 3 Financial risk management continued

### Financial risk factors continued

#### (a) Foreign exchange risk continued

31 December 2013	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	5,040	15,525	20,565
Trade and other receivables	5,064	16,089	21,153
Bank loans	(5,590)	(12,549)	(18,139)
Trade and other payables	(4,456)	(12,536)	(16,992)
Income tax liabilities	(186)	(680)	(866)
Balance sheet exposure	(128)	5,849	5,721

A 5% weakening of the Euro against Sterling at 31 December 2014 would have decreased equity and profit or loss by £178,000 (2013: decrease £272,000). 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 2014 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 0.84% and LIBOR to 1.05%. The agreements took effect from May 2013 and provide interest rate cover until the loans are repaid in May 2018.

#### (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	2014 £'000	2013 £'000
Total borrowings	15,460	18,139
Less: cash and cash equivalents	(20,978)	(20,565)
Net funds	(5,518)	(2,426)
Total equity	85,416	82,811
Total capital	79,898	80,385

## 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 values 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.



#### 4 Critical accounting estimates and judgements continued

##### Fair value estimation continued

###### (a) Estimated impairment of goodwill

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

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2015 and are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows are then discounted. 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. The effect of varying these assumptions is discussed in the relevant pension note.

###### (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

	2014 £'000	2013 £'000
Wages and salaries	34,535	33,315
Social security costs	7,254	7,212
Other pensions costs (note 20)	1,313	1,151
	43,102	41,678
Number of employees	1,015	971

Directors' remuneration is reported within audited sections of the Directors' Remuneration Report on page 11 under the heading "Directors' remuneration (audited)".

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

	2014 Number	2013 Number
Production	48	49
Administration and management	967	922
Total	1,015	971

# Notes to the financial statements continued

for the year ended 31 December 2014

## 6 Finance income and costs

	2014 £'000	2013 £'000
<b>Finance income</b>		
Bank interest receivable	(68)	(96)
Expected return on pension scheme assets (note 20)	(120)	(90)
Fair value of derivative financial instruments	—	(191)
<b>Total finance income</b>	<b>(188)</b>	<b>(377)</b>
<b>Finance costs</b>		
Bank loans, overdrafts and other loans repayable within five years	374	353
Amortisation of loan arrangement fees	97	65
Fair value of derivative financial instruments	320	—
Exchange loss on foreign currency balances	—	21
Interest on pension scheme liabilities (note 20)	41	36
<b>Total finance costs</b>	<b>832</b>	<b>475</b>
<b>Net finance costs</b>	<b>644</b>	<b>98</b>

## 7 Profit before income tax

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

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	2,043	2,084
Amortisation of intangible fixed assets	2,214	2,021
Profit on disposal of plant and equipment	(51)	(103)
Hire charges under operating leases:		
– land and buildings	415	423
– other	1,108	1,150

## 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:

	2014 £'000	2013 £'000
<b>Audit services</b>		
Fees payable to the Parent Company's auditor for the audit of Group's annual accounts	18	17
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	167	167
Services relating to taxation:		
– compliance services	8	8
– advisory services	—	—
	<b>193</b>	<b>192</b>

## 8 Income tax expense

	2014 £'000	2013 £'000
<b>United Kingdom</b>		
Corporation tax	268	336
Adjustment in respect of prior periods	(22)	—
	<b>246</b>	336
<b>Foreign tax</b>		
Corporation taxes	5,996	5,615
Total current tax	<b>6,242</b>	5,951
<b>Deferred tax</b>		
Original and reversal of timing differences representing:		
– United Kingdom tax	185	88
– foreign tax	(65)	109
Total deferred tax (note 18)	<b>120</b>	197
Total tax charge	<b>6,362</b>	6,148

The tax for the year is higher (2013: higher) than the standard rate of corporation tax in the United Kingdom of 21.50% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	19,037	19,856
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 21.50% (2013: 23.25%)	4,093	4,616
Effects of:		
– expenses not deductible for tax purposes	113	164
– overseas tax in excess of UK standard	2,178	1,368
– prior year over provision	(22)	—
Total tax charge	<b>6,362</b>	6,148

A reduction in the UK's main rate of corporation tax from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The Group expects to pay similar levels of taxation going forward as most of the expense is incurred in overseas jurisdictions which are not affected by these reductions.

## 9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £12,675,000 (2013: £13,708,000) and on 12,261,477 (2013: 12,261,477) 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.

	2014		2013	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	12,675	103.4	13,708	111.8

# Notes to the financial statements continued

for the year ended 31 December 2014

## 10 Dividends per share

	2014 £'000	2013 £'000
Equity – ordinary shares		
Final paid £0.31 (2013: £0.38) per share	<b>3,801</b>	4,659
Interim paid £0.31 (2013: £0.38) per share	<b>3,801</b>	4,660
	<b>7,602</b>	9,319

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2014 of £0.31 per ordinary share (2013: £0.31).

## 11 Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Extinguisher rental units £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>						
At 1 January 2013	9,333	2,893	9,625	7,322	3,398	32,571
Additions	10	220	297	1,661	349	2,537
On acquisitions of subsidiary undertakings	—	13	—	10	39	62
Disposals	—	(10)	(104)	(1,421)	(150)	(1,685)
Exchange adjustment	139	129	231	307	276	1,082
At 1 January 2014	9,482	3,245	10,049	7,879	3,912	34,567
Additions	52	88	262	1,577	324	2,303
On acquisitions of subsidiary undertakings	9	8	—	115	5	137
Disposals	—	(4)	(90)	(1,125)	(97)	(1,316)
Exchange adjustment	(426)	(197)	(694)	(490)	(230)	(2,037)
<b>At 31 December 2014</b>	<b>9,117</b>	<b>3,140</b>	<b>9,527</b>	<b>7,956</b>	<b>3,914</b>	<b>33,654</b>
<b>Accumulated depreciation</b>						
At 1 January 2013	4,938	2,363	9,041	3,888	2,830	23,060
Disposals	—	(7)	(87)	(1,270)	(149)	(1,513)
Charge for the year	211	128	274	1,233	238	2,084
Exchange adjustment	113	122	219	239	270	963
At 1 January 2014	5,262	2,606	9,447	4,090	3,189	24,594
Disposals	—	(4)	(77)	(946)	(98)	(1,125)
Charge for the year	156	131	255	1,238	263	2,043
Exchange adjustment	(338)	(170)	(657)	(248)	(192)	(1,605)
<b>At 31 December 2014</b>	<b>5,080</b>	<b>2,563</b>	<b>8,968</b>	<b>4,134</b>	<b>3,162</b>	<b>23,907</b>
<b>Net book amount</b>						
<b>At 31 December 2014</b>	<b>4,037</b>	<b>577</b>	<b>559</b>	<b>3,822</b>	<b>752</b>	<b>9,747</b>
At 31 December 2013	4,220	639	602	3,789	723	9,973
At 31 December 2012	4,395	530	584	3,434	568	9,511

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

## 12 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Approval costs £'000	Total £'000
<b>Cost</b>					
At 1 January 2013	62,007	12,051	558	1,823	76,439
Additions	—	2,112	461	2	2,575
On acquisitions of subsidiary undertakings	843	2,419	—	—	3,262
Disposals	—	(31)	(1)	(4)	(36)
Exchange differences	476	128	104	45	753
At 1 January 2014	63,326	16,679	1,122	1,866	82,993
Additions	430	2,884	161	124	3,599
On acquisitions of subsidiary undertakings	928	1,734	—	—	2,662
Disposals	—	—	(181)	(69)	(250)
Exchange differences	(1,562)	(891)	(74)	(132)	(2,659)
<b>At 31 December 2014</b>	<b>63,122</b>	<b>20,406</b>	<b>1,028</b>	<b>1,789</b>	<b>86,345</b>
<b>Accumulated amortisation</b>					
At 1 January 2013	15,229	5,248	367	1,140	21,984
Disposals	—	(2)	(1)	—	(3)
Charge for the year	—	1,817	94	110	2,021
Exchange differences	477	57	105	27	666
At 1 January 2014	15,706	7,120	565	1,277	24,668
Disposals	—	—	(143)	—	(143)
Charge for the year	—	1,972	126	116	2,214
Exchange differences	(1,366)	(296)	(37)	(95)	(1,794)
<b>At 31 December 2014</b>	<b>14,340</b>	<b>8,796</b>	<b>511</b>	<b>1,298</b>	<b>24,945</b>
<b>Net book amount</b>					
<b>At 31 December 2014</b>	<b>48,782</b>	<b>11,610</b>	<b>517</b>	<b>491</b>	<b>61,400</b>
At 31 December 2013	47,620	9,559	557	589	58,325
At 31 December 2012	46,778	6,803	191	683	54,455

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

### Impairment tests for goodwill and service contracts

The recoverable amount of goodwill and service contracts 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 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 9.5% 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 or service contracts. The value of goodwill is split into seven CGUs to assess indicators of impairment. Of the total goodwill £38,504,000 relates to Ansul S.A. and Ansul B.V., £7,017,000 relates to TVF (UK) Limited and the balance relates to the remaining CGUs which are individually considered insignificant. Of the total service contracts acquired £1,938,000 relates to PMP Manus G.m.b.H., £1,229,000 relates to the Pyrotec businesses and the balance relates to other Group companies which are individually considered insignificant.

# Notes to the financial statements continued

for the year ended 31 December 2014

## 13 Derivative financial instruments

	2014		2013	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	227	92	—

The Group has entered into interest rate agreements fixing LIBOR to 1.05% and EURIBOR to 0.84%. The agreements took effect from May 2013 and remain in effect until the loans are repaid in 2018. 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. The fair value at the year end is calculated based on observable interest rates (level 2 inputs).

## 14 Inventories

	2014 £'000	2013 £'000
Raw materials and consumables	4,514	4,160
Work in progress	277	426
Finished goods	4,703	4,240
	<b>9,494</b>	<b>8,826</b>

The cost of inventories recognised as expense and included in cost of sales amounted to £17,798,000 (2013: £19,133,000). No (2013: £Nil) previous inventory write downs have been reversed.

## 15 Trade and other receivables

	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	18,999	20,317
Less: provision for impairment of receivables	(1,446)	(1,378)
Trade receivables – net	17,553	18,939
Amounts owed by related undertakings	30	31
Other receivables	670	505
Prepayments and accrued income	1,111	988
Taxation recoverable	209	690
	<b>19,573</b>	<b>21,153</b>

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

As of 31 December 2014, trade receivables of £11,153,000 (2013: £11,430,000) were fully performing.

As of 31 December 2014, trade receivables of £4,499,000 (2013: £4,883,000) 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:

	2014 £'000	2013 £'000
Up to three months	3,888	4,499
Three to six months	611	384
	<b>4,499</b>	<b>4,883</b>

As of 31 December 2014, trade receivables of £3,342,000 (2013: £4,004,000) were impaired and provided for. The amount of the provision was £1,446,000 (2013: £1,378,000). It was assessed that a portion of the receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2014 £'000	2013 £'000
Up to three months	1,131	1,844
Three to six months	843	713
Six months or greater	1,368	1,447
	<b>3,342</b>	<b>4,004</b>

## 15 Trade and other receivables continued

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

	2014 £'000	2013 £'000
Sterling	4,802	5,064
Euro	14,771	16,089
Total	19,573	21,153

These are detailed as Sterling equivalent.

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

	2014 £'000	2013 £'000
At 1 January	1,378	1,118
Provision for receivables' impairment	739	910
Receivables written off in the year as uncollectable	(222)	(351)
Unused amounts reversed	(449)	(299)
At 31 December	1,446	1,378

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

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

There is no impairment of other receivables.

The Group does not hold any collateral as security.

## 16 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand	20,978	20,565

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

## 17 Trade and other payables

	2014 £'000	2013 £'000
<b>Current</b>		
Trade payables	2,629	2,926
Other payables	2,845	2,316
Other taxation and social security	7,973	7,831
Accruals	2,282	1,495
Deferred income	2,503	2,424
	18,232	16,992
	2014 £'000	2013 £'000
<b>Non-current (one to two years)</b>		
Other payables	739	509

# Notes to the financial statements continued

for the year ended 31 December 2014

## 18 Deferred income tax

	Amount (provided)/recognised		Amount (unprovided)/unrecognised	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Deferred tax asset</b>				
Pension deficit	626	571	—	—
Decelerated capital allowances	127	61	—	—
Unrecoverable losses	—	—	1,142	1,142
	<b>753</b>	<b>632</b>	<b>1,142</b>	<b>1,142</b>
<b>Deferred tax liabilities</b>				
Pension surplus	(1,149)	(485)	—	—
Short-term timing differences	(552)	(506)	—	—
	<b>(1,701)</b>	<b>(991)</b>	<b>—</b>	<b>—</b>
<b>Net deferred tax (liability)/asset</b>	<b>(948)</b>	<b>(359)</b>	<b>1,142</b>	<b>1,142</b>
				£'000
At 1 January 2014				(359)
Exchange differences				(20)
Amount charged to the Consolidated Income Statement (note 8)				(120)
Amount charged to the Consolidated Statement of Comprehensive Income				(449)
<b>At 31 December 2014</b>				<b>(948)</b>

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, applicable to the jurisdiction in which the asset/liability is recognised.

## 19 Borrowings

	2014 £'000	2013 £'000
<b>Non-current (more than one year but less than five years)</b>		
Bank borrowings:		
– in one to two years	1,782	1,886
– between two and five years	11,896	14,375
	<b>13,678</b>	<b>16,261</b>
<b>Current (one year or less or on demand)</b>		
Bank borrowings	1,782	1,878
Total borrowings	<b>15,460</b>	<b>18,139</b>

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.65% (2013: 2.39%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £325,000 (2013: £422,000) of which £227,000 (2013: £325,000) is to be amortised after more than one year.

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.



## 19 Borrowings continued

Financial maturity analysis	2014 £'000	2013 £'000
Bank borrowings:		
– within one year	2,198	2,357
– in one to two years	2,158	2,314
– between two and five years	12,370	15,271
	<b>16,726</b>	19,942

The estimated fair value of the interest rate agreement has been included in the Statement of Financial Position as disclosed in note 13.

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

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

Currency	Total 2014 £'000	Weighted average interest rate 2014	Total 2013 £'000	Weighted average interest rate 2013
Sterling	5,015	2.62%	5,590	1.68%
Euro	10,445	2.67%	12,549	2.62%
	<b>15,460</b>	<b>2.65%</b>	18,139	2.39%

### Borrowing facilities

In May 2013 the Group entered into a new £19.7 million facility until 2018. Half of this loan will be repaid evenly over five years with the balance at maturity. The multi-currency loan was denominated £6 million in Sterling and €16 million in Euros.

## 20 Retirement benefit obligations

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

### Nu-Swift International Pension Scheme

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 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 results of this valuation have been projected to 31 December 2014 and then recalculated using the assumptions set out below which result in a net surplus position of £3,283,000 (2013: £2,424,000). The scheme's assets are stated at their market value at 31 December 2014.

At 31 December 2014 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out of £3,283,000 (2013: net surplus £2,424,000). The surplus is recognised as it is confirmed that the Group does have an unconditional right to a refund of surplus contributions once all pensions have been applied and the scheme winds up. On this basis no liability for minimum funding requirements has been recognised.

As agreed with the trustees the minimum contributions to retirement benefit obligations for the year ending 31 December 2015 will be £612,000.

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

	2014	2013	2012
Discount rate	3.40%	4.40%	4.30%
Inflation rate	2.10% – 3.10%	2.50% – 3.50%	2.00% – 3.00%
Salary increase rate	n/a	n/a	n/a
Increases for pensions in payment	3.00%	3.40%	2.90%
Revaluation of deferred pensions	2.10%	2.50%	2.00%

# Notes to the financial statements continued

for the year ended 31 December 2014

## 20 Retirement benefit obligations continued

### Nu-Swift International Pension Scheme continued

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:

	2014	2013
Male	21.3	21.3
Female	23.7	23.1

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:

	2014	2013
Male	22.6	22.7
Female	25.2	23.8

The assets in the scheme were:

	Value at 31 December 2014 £'000	Percentage of scheme assets 2014	Value at 31 December 2013 £'000	Percentage of scheme assets 2013
Equities	4,238	28.17%	4,085	31.81%
Bonds	10,478	69.65%	8,495	66.16%
Cash	328	2.18%	260	2.03%
	15,044		12,840	
Present value of the scheme's liabilities	(11,761)		(10,416)	
Surplus in the Nu-Swift Scheme recognised in the Statement of Financial Position	3,283		2,424	
Related deferred tax liability	(1,149)		(485)	

### Analysis of the amount recognised in the Income Statement

	2014 £'000	2013 £'000
Interest credit	(120)	(90)
Total operating credit	(120)	(90)

### Movement in the defined benefit obligation over the year

	2014 £'000	2013 £'000
Start of the year	(10,416)	(10,522)
Interest cost	(446)	(441)
Actuarial losses arising from changes in financial assumptions	(1,263)	(79)
Actuarial gains arising from changes in demographic assumptions	(180)	97
Other experience items	—	—
Benefits paid	544	529
End of the year	(11,761)	(10,416)

## 20 Retirement benefit obligations continued

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

	2014 £'000	2013 £'000
Start of the year	12,840	12,316
Interest income	566	531
Return on assets (excluding amount included in net interest expense)	1,570	(90)
Employer contributions	612	612
Benefits paid	(544)	(529)
End of the year	15,044	12,840

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

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	127	(72)
Surplus recognised	—	1,794
Gain recognised in the Consolidated Statement of Comprehensive Income	127	1,722

### Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% decrease in the inflation rate would be to decrease the pension surplus by £59,000; an increase of 0.1% in the inflation rate would increase the surplus by £57,000. The impact of a 0.1% increase in the discount rate would be to increase the pension surplus by £165,000; a decrease of 0.1% in the discount rate would be to decrease the surplus by £169,000.

### Ansul Pension Scheme

Ansul S.A. operates a number of funded pension schemes, the majority of which are prescribed by the Belgian 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 2013. The scheme's assets are stated at their market value at 31 December 2014.

Expected contributions to retirement benefit obligations for the year ending 31 December 2015 are £124,000. There are no minimum contribution requirements for this scheme.

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

	2014	2013	2012
Discount rate	1.85%	3.25%	3.25%
Inflation rate	2.00%	2.00%	2.00%
Salary increase rate	1.00%	1.00%	1.00%

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:

	2014	2013
Male	21.9	21.9
Female	25.3	25.3

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:

	2014	2013
Male	22.0	22.0
Female	25.4	25.4

# Notes to the financial statements continued

for the year ended 31 December 2014

## 20 Retirement benefit obligations continued

### Ansul Pension Scheme continued

The assets in the scheme were:

	Value at 31 December 2014 £'000	Percentage of scheme assets 2014	Value at 31 December 2013 £'000	Percentage of scheme assets 2013
Assets with guaranteed interest with insurer	1,305	100%	1,238	100%
Present value of the schemes' liabilities	(3,148)		(2,916)	
Deficit in the Ansul Scheme recognised in the Statement of Financial Position	(1,843)		(1,678)	
Related deferred tax asset	626		571	

### Analysis of the amount recognised in the Income Statement

	2014 £'000	2013 £'000
Current service charge	59	64
Interest charge	41	36
Total operating charge	100	100

### Movement in the defined benefit obligation over the year

	2014 £'000	2013 £'000
Start of the year	(2,916)	(2,348)
Current service cost	(191)	(170)
Interest cost	(82)	(78)
Actuarial losses arising from changes in financial assumptions	(1,236)	(298)
Actuarial losses arising from changes in demographic assumptions	—	(374)
Other experience items	1,008	296
Benefits paid	50	104
Exchange movement	219	(48)
End of the year	(3,148)	(2,916)

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

	2014 £'000	2013 £'000
Start of the year	1,238	1,172
Expected return on plan assets	41	42
Actuarial gain/(loss)	13	(5)
Employer contributions	132	106
Benefits paid	(26)	(104)
Exchange movements	(93)	27
End of the year	1,305	1,238

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

	2014 £'000	2013 £'000
Actual return less expected return on pension scheme assets	(191)	(381)
Actuarial loss recognised in the Consolidated Statement of Comprehensive Income	(191)	(381)

## 20 Retirement benefit obligations *continued*

### Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% increase in the inflation rate would be to increase the pension deficit by £34,000; a decrease of 0.1% in the inflation rate would decrease the deficit by £31,000. The impact of a 0.1% increase in the discount rate would be to decrease the pension deficit by £45,000; a decrease of 0.1% in the discount rate would be to increase the deficit by £51,000.

### UK Stakeholder Scheme

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £233,000 in the year ended 31 December 2014 (2013: £194,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,312,636 for the year ended 31 December 2014 (2013: £1,145,000) and were wholly recognised in administrative expenses.

## 21 Provisions for liabilities and charges

	Non-current		Total £'000
	Rectification provision £'000	Environmental provision £'000	
At 1 January 2014	4	—	4
Amount provided in the year	—	217	217
<b>Provision at 31 December 2014</b>	<b>4</b>	<b>217</b>	<b>221</b>

The rectification provision relates to after sales costs. The environmental provision relates to costs associated with soil contamination. The cost of the decontamination is expected to be spread over a number of years and the provision is based on quotes received from contractors.

## 22 Called up share capital

	2014 Number	2014 £'000	2013 Number	2013 £'000
<b>Authorised</b>				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	12,261,477	123	12,261,477	123

There are no outstanding options at 31 December 2014.

The mid-market price of the Company's shares at 31 December 2014 was £23.35 and the range during the year was £19.12 to £25.00.

### Share premium account

At 1 January 2014 and <b>31 December 2014</b>	£'000
	<b>344</b>

### Capital redemption reserve

At 1 January 2014 and <b>31 December 2014</b>	£'000
	<b>1</b>

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

# Notes to the financial statements continued

for the year ended 31 December 2014

## 23 Reconciliation of operating profit to cash generated from operations

	2014 £'000	2013 £'000
Operating profit	19,681	19,954
Depreciation of property, plant and equipment	2,043	2,084
Amortisation of intangible assets	2,214	2,021
Profit on disposal of property, plant and equipment	(51)	(103)
Loss on disposal of intangible assets	107	—
Exchange differences	(586)	341
Difference between pension charge and cash contributions	(553)	(548)
Decrease/(increase) in trade and other receivables	1,631	(1,715)
Increase in trade and other payables	176	242
Increase in provisions	217	—
(Increase)/decrease in inventories	(541)	637
Cash generated from operations	24,338	22,913

## Disposal of assets

	2014 £'000	2013 £'000
Net book value	191	172
Profit on disposal of property, plant and equipment	51	103
Proceeds	242	275

## 24 Reconciliation of movement in net (debt)/funds

	At 1 January 2014 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2014 £'000
Cash in hand and at bank	20,565	1,514	(1,101)	20,978
Debt due within one year	(1,878)	—	96	(1,782)
Debt due after one year	(16,261)	1,855	728	(13,678)
Total	2,426	3,369	(277)	5,518

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

	2014 £'000	2013 £'000
Increase in cash	1,514	2,418
Decrease/(increase) in debt	1,855	(3,501)
Change in net debt from cash flows	3,369	(1,083)
Non-cash changes	(277)	708
Net debt at 1 January	2,426	2,801
Net funds at 31 December	5,518	2,426

Non-cash changes relate to foreign exchange movements, amortisation of finance arrangement costs and the movement between current and non-current debt in the year.

## 25 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 7.

## 25 Commitments and contingent liabilities continued

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

	2014 £'000	2013 £'000
Within one year	1,533	1,465
Between two and five years inclusive	1,253	2,107
	<b>2,786</b>	<b>3,572</b>

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2014 (2013: £Nil).

## 26 Acquisitions

On 1 July 2014 the Group purchased the entire issued share capital of Tunbridge Wells Fire Protection Limited, a company incorporated in and which operates in England. On 9 December 2014 the Group purchased the entire share capital of Pyrotec Fire Protection Limited, Pyrotec Fire Detection Limited and Luke and Rutland Limited, companies incorporated in and which operate in England. The book and provisional fair value of the net assets acquired were as follows:

	Tunbridge Book and provisional fair values £'000	Pyrotec Book and provisional fair values £'000
Property, plant and equipment	3	134
Goodwill	—	81
Service contracts	504	1,230
Inventories	2	125
Receivables	38	492
Payables	(53)	(619)
Fair value of net assets acquired	494	1,443
Goodwill	—	847
Consideration	494	2,290

Satisfied by:

	Provisional consideration £'000	Provisional consideration £'000
Cash	344	1,820
Deferred consideration	150	470
	<b>494</b>	<b>2,290</b>

The revenue and net profit of Tunbridge Wells Fire Protection Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2014 was £151,000 and £95,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £302,000 and £190,000 had the acquisition taken place on 1 January 2014.

There was minimal activity between the date of acquisition and 31 December 2014. However, in a full year the revenue and profit of the Pyrotec businesses would have been expected to be £3,345,000 and £290,000 had the acquisition taken place on 1 January 2014.

In addition, the Group acquired contracts from a number of companies and businesses for a total consideration of £2,884,000. 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 these 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 2014 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2014 would have been had the acquisitions taken place on 1 January 2014.

# Notes to the financial statements continued

for the year ended 31 December 2014

## 27 Group undertakings

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

	Activity	Country of registration or incorporation and operation
Alarm Masters S.A.	Fire protection	Belgium
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
Dimex Technics S.A.	Fire protection	Belgium
Fire Protection Holdings Limited	Sub-holding	England
GC Fire Protection Limited	Fire protection	England
GFA Premier Limited	Fire protection	England
Hoyles Fire & Safety Limited	Fire protection	England
Importex S.A.	Fire protection	Belgium
Le Chimiste Sprl	Fire protection	Belgium
L. W. Safety Limited	Fire protection	England
Noris Feuerschutzgerate G.m.b.H.	Fire protection	Austria
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	The Netherlands
Nu-Swift International Limited	Fire protection	England
LS UK Fire Group Limited (formerly Nu-Swift Limited)	Sub-holding	England
PMP Manus G.m.b.H.	Fire protection	Austria
Prevent Brandbeveiliging B.V.	Fire protection	The Netherlands
Pyrotec Fire Detection Limited	Fire protection	England
Pyrotec Fire Protection Limited	Fire protection	England
Somati FIE N.V.	Fire protection	Belgium
Total Firestop G.m.b.H.	Fire protection	Austria
Tunbridge Wells Fire Protection Limited	Fire protection	England
TVF (UK) Limited	Fire protection	England

With the exception of the Parent Company's 100% interest in Fire Protection Holdings Limited, the shares in the remaining Group undertakings are held by subsidiary undertakings. The Group has taken advantage of Section 410 of the Companies Act 2006 to disclose only its principal subsidiaries in the financial statements. All of these entities have been included within the consolidation.



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### **28 Ultimate parent undertaking and controlling party**

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

### **29 Related party transactions**

During the year the Group incurred costs amounting to £1,874,000 (2013: £2,054,000) 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 (2013: £210,000) in relation to the Service Agreement by Andrews Sykes.

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

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £430,354 (2013: £349,787).

The Group incurred £188,000 (2013: £515,000) of expenditure on behalf of J.G. Murray during the year. This was reimbursed in the year.

### **30 Post balance sheet events**

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,278,427 (2013: £250,100).

# Parent company balance sheet

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	2	356	408
Investments	3	49,804	58,756
		<b>50,160</b>	59,164
<b>Current assets</b>			
Debtors	4	14,560	7,293
Cash at bank and in hand		1,307	1,321
		<b>15,867</b>	8,614
<b>Creditors: amounts falling due within one year</b>			
Finance debt	5	(575)	(575)
Creditors	6	(9,978)	(12,387)
		<b>(10,553)</b>	(12,962)
<b>Net current assets/(liabilities)</b>		<b>5,314</b>	(4,348)
<b>Total assets less current liabilities</b>		<b>55,474</b>	54,816
<b>Creditors: amounts falling due after more than one year</b>			
Finance debt	5	(4,440)	(5,015)
<b>Net assets</b>		<b>51,034</b>	49,801
<b>Capital and reserves</b>			
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	50,566	49,333
<b>Equity shareholders' funds</b>	10	<b>51,034</b>	49,801

The registered number of the Company is 53417.

The notes on pages 41 to 44 are an integral part of these financial statements.

The financial statements on pages 40 to 44 were approved by the Board of Directors on 5 May 2015 and were signed on its behalf by:

**J.G. Murray**  
**Chairman**  
5 May 2015

# Notes to the parent company financial statements

for the year ended 31 December 2014

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## 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 Balance Sheet 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 Balance Sheet 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 Balance Sheet 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 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.

# Notes to the parent company financial statements continued

for the year ended 31 December 2014

## 2 Tangible assets

	Share in aircraft £'000
<b>Cost</b>	
At 1 January and <b>31 December 2014</b>	<b>1,019</b>
<b>Depreciation</b>	
At 1 January 2014	611
Charge for the year	52
<b>At 31 December 2014</b>	<b>663</b>
<b>Net book amount</b>	
<b>At 31 December 2014</b>	<b>356</b>
At 31 December 2013	408

## 3 Investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2014	58,756
Sale of investments to other Group company in the year	(8,952)
<b>At 31 December 2014</b>	<b>49,804</b>

During the year London Security plc sold the entire share capital of TVF (UK) Limited and MK Fire Limited to LS UK Fire Group Limited at cost. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

## 4 Debtors

	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by subsidiary undertakings	<b>14,069</b>	6,846
Taxation recoverable	<b>491</b>	447
	<b>14,560</b>	7,293

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

## 5 Finance debt

	2014 £'000	2013 £'000
<b>Non-current (amounts falling due in more than one year)</b>		
Bank borrowings:		
– in one to two years	<b>575</b>	575
– between two and five years	<b>3,865</b>	4,440
	<b>4,440</b>	5,015
<b>Current (amounts falling due within one year or on demand)</b>		
Bank borrowings	<b>575</b>	575
Total borrowings	<b>5,015</b>	5,590

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.6% (2013: 2.5%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £85,000 (2013: £110,000) of which £60,000 (2013: £85,000) is to be amortised after more than one year.

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

## 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:

Currency	Total 2014 £'000	Weighted average interest rate 2014	Total 2013 £'000	Weighted average interest rate 2013
Sterling	5,015	2.6%	5,590	2.5%
	5,015	2.6%	5,590	2.5%

## 6 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to subsidiary undertakings	9,751	12,165
Other creditors	92	93
Accruals	135	129
	9,978	12,387

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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Losses	—	—	(1,142)	(1,142)
Deferred tax asset	—	—	(1,142)	(1,142)

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 Balance Sheet date, being a rate of 20%.

## 8 Called up share capital

	2014 Number	2014 £'000	2013 Number	2013 £'000
<b>Authorised</b>				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	12,261,477	123	12,261,477	123

There were no outstanding options at 31 December 2014.

The mid-market price of the Company's shares at 31 December 2014 was £23.35 and the range during the year was £19.12 to £25.00.

### Share premium account

	£'000
At 1 January 2014 and 31 December 2014	344

### Capital redemption reserve

	£'000
At 1 January 2014 and 31 December 2014	1

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

# Notes to the parent company financial statements continued

for the year ended 31 December 2014

## 9 Profit and loss account

	£'000
At 1 January 2014	49,333
Profit for the financial year	8,835
Dividends paid	(7,602)
<b>At 31 December 2014</b>	<b>50,566</b>

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 £8,835,000 (2013: £6,950,000).

The Parent Company had no employees during the year (2013: 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 2014 is set out in note 7 to the Group financial statements.

## 10 Reconciliation of movements in equity shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	<b>8,835</b>	6,950
Dividends paid	<b>(7,602)</b>	(9,319)
Net increase/(reduction) in equity shareholders' funds	<b>1,233</b>	(2,369)
Opening equity shareholders' funds	<b>49,801</b>	52,170
Closing equity shareholders' funds	<b>51,034</b>	49,801

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2014 of £0.31 per ordinary share (2013: £0.31).

## 11 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2014 (2013: £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 2014 this guarantee amounted to £10,543,000 (2013: £12,667,000). 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 £863,000 (2013: £818,000) 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 Company recharged and was reimbursed £210,000 (2013: £210,000) in relation to the Service Agreement by Andrews Sykes.

The Company incurred £188,000 (2013: £515,000) 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

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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 17 June 2015 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 2014 and the Reports of the Directors and auditor and the Directors’ Remuneration Report for that period.
2. To re-elect J.G. Murray as a Director, who retires by rotation under article 23.2 of the Company’s articles of association.
3. To re-elect J-P. Murray as a Director, who retires by rotation under article 23.2 of the Company’s articles of association.
4. To re-elect E. Sebag as a Director, who retires by rotation under article 23.2 of the Company’s articles of association.
5. To declare a final dividend in respect of 2014 of £0.31 per ordinary share.
6. That KPMG LLP be re-appointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that its 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.

## Notice of annual general meeting continued

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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.

By order of the Board

**R. Pollard**  
**Company Secretary**  
5 May 2015

**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 Asset Services, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
  - (c) received by Capita Asset Services 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.



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## Notes continued

### Appointment of proxy by joint members

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

### Changing proxy instructions

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

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

### Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, 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 Asset Services 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 5 May 2015, the Company's issued share capital comprised 12,261,477 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 5 May 2015 was 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 6 May 2015 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

### GC Fire Protection Limited

Premier House  
Jubilee Way  
Elland  
West Yorkshire HX5 9DY  
Tel: 0208 391 7310  
Fax: 01422 314 311  
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  
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

### Pyrotec Fire Detection Limited 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

Premier House  
Jubilee Way  
Elland  
West Yorkshire HX5 9DY  
Tel: 01825 767 600  
Email: customer.service@twfpltd.co.uk  
Website: www.twfpltd.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@tvftd.co.uk  
Website: www.tvftd.co.uk

## Belgium

### Alarm Masters S.A.

50, Z.I. Research Park  
B-1731 Zellik  
Tel: 00 32 5237 3409  
Fax: 00 32 5237 4327  
Email: info@alarmmasters.be

### 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

### Security Alarm Service Company Sprl

42 Rue de l'Eglise  
4710 Lontzen Herbesthal  
Tel: 00 32 8788 0242  
Fax: 00 32 8788 3766  
Email: info@securityalarm-service.be  
Website: www.securityalarm-service.be

## Somati FIE N.V.

Industrielaan 19a  
9320 Erembodegem  
Tel: 00 32 5385 2222  
Fax: 00 32 5385 2221  
Email: info@somatifie.be  
Website: www.somatifie.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

### Incorporating Couwenberg

**Noodverlichting**  
Petunialaan 1D  
5582 HA Waalre  
Tel: 0031 40 2220933  
Fax: 0031 40 2213275  
Email: couwenberg.noodverlichting@hetnet.nl  
Website: www.couwenberg.noodverlichting.nl

### NL Brandbeveiliging B.V.

Gaasbeekstraat 6  
5628 WC Eindhoven  
Tel: 00 40 248 2196  
Email: info@nlbrandbeveiliging.nl  
Website: www.nlbrandbeveiliging.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.

Tillmangasse 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

### Noris Feuerschutzgerate G.m.b.H.

Baumkircherstrasse 2  
8020 Graz  
Tel: 00 316 71 18 21  
Website: www.noris.co.at

### PMP Manus G.m.b.H.

Waltendorfer Hauptstrasse 5  
8010 Graz  
Tel: 00 316 46 15 66  
Fax: 00 316 46 60 01  
Email: office@pyrus-pmp.at  
Website: www.pyrus-pmp.at



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