

LONDON SECURITY PLC

ANNUAL REPORT AND ACCOUNTS 2008



London Security plc is a leader in Europe's fire security industry. Each year, we provide fire protection for over 173,000 customers through our local presence in the United Kingdom, Belgium, Holland and Austria.

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

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

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

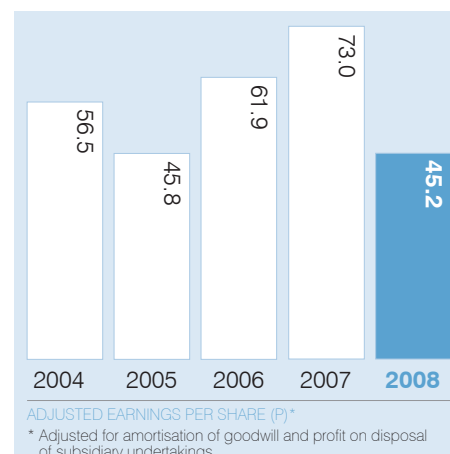
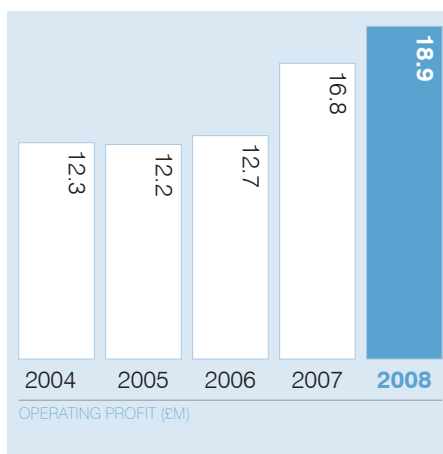
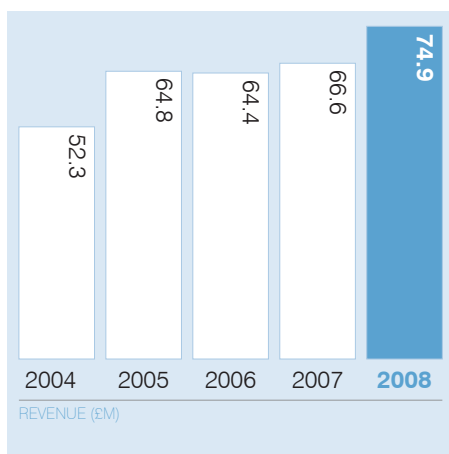
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EUROPEAN GROUP BRANDS

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.



FINANCIAL HIGHLIGHTS



REVENUE

£74.9 million

(2007: £66.6 million)

EBITDA*

£21.6 million

(2007: £18.8 million)

OPERATING PROFIT

£18.9 million

(2007: £16.8 million)

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

FINANCIAL HIGHLIGHTS

Financial highlights of the audited results for the year ended 31 December 2008 compared with the year ended 31 December 2007 are as follows:

- revenue of £74.9 million (2007: £66.6 million);
- operating profit before depreciation of £21.6 million (2007: £18.8 million); and
- operating profit of £18.9 million (2007: £16.8 million).

TRADING REVIEW

A detailed Operational Review is set out in a separate section.

The financial highlights illustrate that, in 2008, the Group's revenue increased by 12.4% to £74.9 million and operating profit increased by 12% to £18.9 million. However, these results partially reflect the movement in the Sterling to Euro exchange rate, which has declined from 1.46 to 1.26. If the 2008 results from the European subsidiaries had been

translated at 2007 rates then revenue would have increased by 1.5% to £67.6 million and operating profit would have decreased by 0.6% to £16.7 million compared to 2007.

In mainland Europe, the Group has continued to build upon its strong position in servicing fire extinguishers and hose reels and growing our new activities through our multi-service strategy offering customers a complete range of services around the first intervention on fires and first-aid. This strategy has enabled the Group's evolution from solely an extinguisher supplier to the customers' safety partner. In addition, the Group has made a significant acquisition in Belgium.

In the UK, the profit decrease reflects a reduction in the number of extinguisher units serviced. This has been partially offset by stable revenue in our alarms business, which generated increased operating profit in 2008. Management continues to invest in training of the field force and identifying cost efficiencies.

ACQUISITIONS

In September 2008, the Group acquired the contracts and use of the brand name Somati FIE NV, in Belgium. This business unit has added £2.3 million to revenue since acquisition. In the UK we have acquired contracts to service fire equipment from acquisitions. No fixed overhead was added as a result of these UK acquisitions.

It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board.

A strategy was implemented in 2006 to replace the cold-calling field sales force with an acquisition team. This has started to escalate and is proving successful in growing the business for the future.

MANAGEMENT AND STAFF

2008 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 first interim dividend in respect of 2008 of £0.57 per ordinary share was paid to shareholders on 25 April 2008. A second interim dividend of £0.73 per ordinary share was paid on 22 May 2008 to shareholders on the register at 30 April 2008.

The Board is not recommending the payment of a final dividend in respect of 2008.

Dividend policy continues to be reviewed regularly by the Board.

FINANCING

In order to pay the interim dividends, referred to above, the Group arranged an additional £15 million of bank loans with Lloyds TSB Bank plc.

In order to finance the acquisition of Somati FIE NV's assets, customer list and brand name, referred to in the acquisitions section, the Group arranged £3 million of bank loans with Lloyds TSB Bank plc.

FUTURE PROSPECTS

The outlook for 2009 is for a downturn in revenue and profitability due to world economic conditions. Despite this, our Group is in a strong position to deal with the recession.

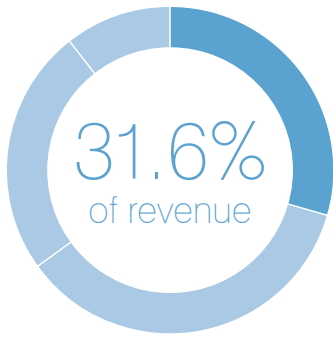
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 10 June 2009 at 11 am. You will find enclosed a form of proxy for use at that Meeting which you are requested to complete and return in accordance with the instructions on the form. I shall, along with your Directors, look forward to meeting you at that time.

J.G. MURRAY

Chairman

29 April 2009



UK REVENUE

£23.7 million

MARKET POSITION

2nd

GROUP REVENUE

31.6%

UK

After the focus of preparing the business for the future in 2007, the business set about consolidating its position during 2008. The initiatives implemented in 2007 continued to run in 2008 and proved to be as effective for market penetration and revenue generation.

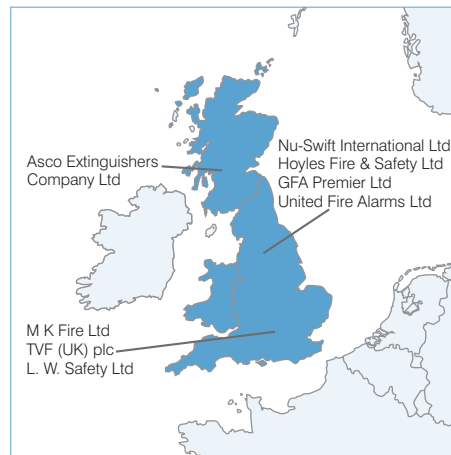
Streamlining of operational activities in the extinguisher businesses, begun in 2007, was completed in the first quarter of 2008.

Investment in training of the operational field force continued to be a focus throughout the year, with the introduction of new servicing initiatives commencing at the end of 2008 to help our customers comply with the needs of The Regulatory Reform (Fire Safety) Order 2005. This should provide growth during 2009.

The acquisitions team have continued to bring in contracts to expand the business and this will continue to form a major part of the growth strategy.

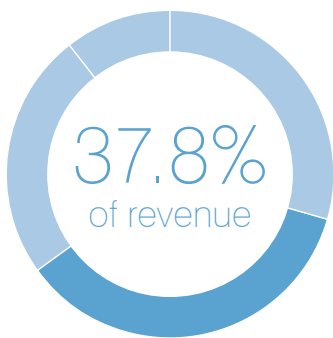
The alarm service activity within the fire protection business introduced some of the working practices of the extinguisher business, with training being the fundamental cornerstone. This too has shown good rates of return in 2008 and further development will see this push into 2009.

The alarm installation activity within the fire protection business moved further into the more profitable area of system modifications and extensions, which has continued to give good rates of return.



UK GROUP BRANDS





BELGIUM REVENUE

£28.3 million

MARKET POSITION

1st

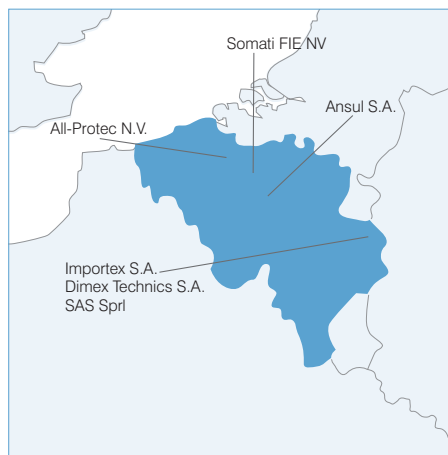
GROUP REVENUE

37.8%

BELGIUM

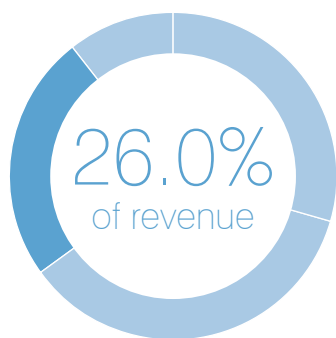
The Belgian operations have achieved a healthy increase in operating profit due to the consistently high performance of our sales and service teams. At a Group level, these results have been enhanced by a favourable exchange rate impact and the contribution from the acquisition of Somati's extinguisher trade and assets, which have been transferred into a new company, Somati FIE NV. This company has already contributed positively to 2008's operating profit before exceptional costs incurred as a result of the acquisition. The units acquired have grown the Belgian pool. We further expect this company to become a substantial part of the Belgian operating profit in the coming years.

Additional diversification of our activities in Belgium will contribute towards further organic growth.



BELGIAN GROUP BRANDS





HOLLAND REVENUE

£19.5 million

MARKET POSITION

2nd

GROUP REVENUE

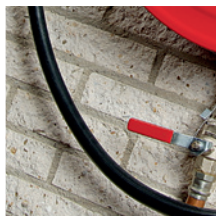
26.0%

HOLLAND

The Group's businesses in the Netherlands continue to perform at a consistently high level.

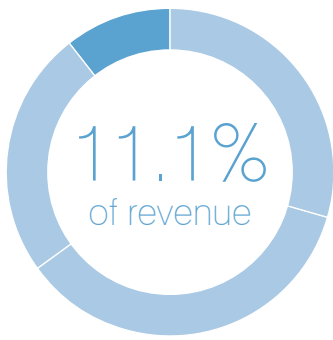
The core business of both Ansul and Nu-Swift is the service and sale of fire equipment. Revenue has risen in this activity again, in part due to an improving sales force and acquisitions. The extinguisher system business is now a substantial part of the Ansul business in terms of sales and profit.

Customer satisfaction measurements reflect the appreciation of our services and of our customer approach. The future profitable growth of the companies lies in the strong combination of existing extinguisher activities and the new fire safety related activities.



HOLLAND GROUP BRANDS





AUSTRIA REVENUE

£3.4 million

MARKET POSITION

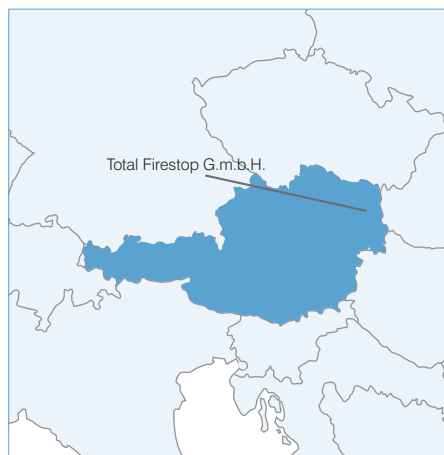
1st

GROUP REVENUE

11.1%

AUSTRIA

The performance in Austria in 2008 showed a substantial improvement compared to prior years. This was achieved through a series of training and employee development programmes, which resulted in a low attrition rate and also a high degree of motivation among employees. The high number of working days and the excellent performance of the work force, combined with the maintenance of the low-cost structure, were the main factors for the improvement of the 2008 results. This was further supported by a number of marketing initiatives which addressed the quality of work and a better adherence to the manufacturer's service guidelines.



AUSTRIA GROUP BRANDS



FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Revenue increased by 12.4% to £74.9 million. The increase in revenue of £8.3 million includes £2.3 million as a result of the Somati FIE NV acquisition in September 2008. These results also reflect the movement in the Sterling to Euro exchange rate which has declined from 1.46 to 1.26. If the 2008 results from the European subsidiaries had been translated at 2007 rates, revenue would have increased by 1.5% to £67.6 million compared to 2007.

Operating profit increased by 12% to £18.9 million. Again, if the 2008 results from the European subsidiaries had been translated at 2007 rates, operating profit would have decreased by 0.6% to £16.7 million.

Finance costs have increased from £4.7 million to £11.0 million as a result of exchange losses on foreign currency loans of £7.7 million (2007: loss of £2.1 million) and an increase in borrowings. The effects of adverse exchange movements on translation of foreign currency loans will be offset in the future by a positive effect of translating income streams from Europe into Sterling.

BALANCE SHEET/CASH FLOW

Increases in tangible and intangible fixed assets largely reflect the acquisition of Somati FIE NV in the third quarter of the year.

Net borrowings have increased from £32.4 million to £53.7 million, the movement can be analysed as follows:

	£million
Opening borrowings	32.4
New borrowings to finance the dividend distribution	15.0
New borrowings to finance acquisitions	3.0
Loans repaid	(4.3)
Exchange rate impact	7.6
Closing borrowings	53.7

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.

Regarding the translation exposure, the Group's borrowings of £54.0 million are split between Euro and Sterling according to the forecast income streams.

Regarding the interest risk, the Group's borrowings (£43.5 million denominated in Euros and £10.5 million denominated in Sterling) are subject to floating rates based on EURIBOR and LIBOR plus a margin of between 0.6% and 1.5%.

In 2006 and 2008 interest rate caps were taken out for the full amount of the Group's borrowings to minimise the impact of any large increases in EURIBOR and LIBOR and to take advantage of low market interest rates prevailing at the time. The effect of these caps is to limit the Group's exposure to EURIBOR to a maximum of 4.25% to 5.25% and LIBOR to a maximum of 5.5% to 6.25%. The caps remain in place until the loans are repaid in June 2013.

In 2009 the Group will implement a net investment hedge to hedge foreign exposure risk. The objective of the hedge is to remove the exchange movement volatility on London Security's foreign operations and foreign borrowings. The effective hedging relationship will allow London Security to book

SUMMARY OF RESULTS

	2008 £'000	2007 £'000
Revenue	74,892	66,605
Operating profit	18,877	16,793
Profit on ordinary activities before taxation	9,540	17,212

the exchange rate movements in borrowings and investments through reserves. The net investment hedge is expected to be perfectly effective as:

- the borrowings are in the same currency as the investment; and
- the borrowings have a carrying value lower than the net investment in the foreign operations.

SEGMENTAL REPORTING

The Directors have considered the requirements of IAS 14 "Segment reporting". The Group's companies in different European countries operate under similar economic and political conditions with no 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. Accordingly, the Directors have concluded that under IAS 14 the Group operates in a single geographical segment. It is, however, regarded as helpful to shareholders to provide some commentary on

the performance in each of the countries where the Group is represented in Europe and this is provided in the Operational Review.

KEY RISKS AND UNCERTAINTIES

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

In addition, acquisition is important to the Group and a principal risk is the identification of suitable acquisitions that meet the investment case and the integration of those acquisitions into the Group. This risk is mitigated by formal review by the Board prior to an offer being made. Following acquisition, the integration team implements the integration plan and monitor performance against that plan.

J-C. PILLOIS

Finance Director
29 April 2009

⁽¹⁾ Operating cash flow before defined benefit scheme contributions.

⁽²⁾ Operating assets are net assets employed excluding pension liabilities, loans, deferred tax, corporation tax balances, goodwill and cash.

⁽³⁾ Interest charge is stated excluding any exchange differences.

KEY PERFORMANCE INDICATORS ("KPIs")

The KPIs are as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
The average revenue per employee	£90,668	£92,507
Operating cash flow ⁽¹⁾ as a percentage of operating assets ⁽²⁾ employed	57.5%	145.8%
Operating profit divided by interest charge ⁽³⁾	11.2	8.4
Net debt	£42.8 million	£20.6 million

DIRECTORS AND COMPANY ADVISERS

EXECUTIVE DIRECTORS

Jacques Gaston Murray (89) 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 (42) 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.

Jean-Christophe Pillois (52) Finance Director

Jean-Christophe Pillois trained as the equivalent of a chartered accountant with Price Waterhouse in France and joined the Nu-Swift Group in December 1983. He is an Executive Director of Andrews Sykes.

Emmanuel Sebag (40) Senior Operations Director

Emmanuel Sebag acts as Jacques Gaston Murray's assistant and is ultimately responsible for the Fire Group's operations and for identifying and negotiating acquisitions for the Group. He is a Non-Executive Director of Andrews Sykes.

Xavier Mignolet (44) Operations Director

Xavier Mignolet joined the Group in 1995 and is a Director of Ansul S.A. and Importex S.A. and other subsidiary companies in Belgium. He is responsible for the Group's operations on a day-to-day basis. He is a Non-Executive Director of Andrews Sykes.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Henry Shouler (71) 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 (73)
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 (40) 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.

**Randall King (61)
Non-Executive Director**
Randall King is a consultant helping clients reduce costs and speed up schedules. He is a Non-Executive Director of Andrews Sykes.

**Marie-Claire Leon (45)
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 Secretary and Registered Office Richard Pollard

Wistons Lane
Elland
West Yorkshire HX5 9DS

Registered Number
53417

Independent Auditors PricewaterhouseCoopers LLP

Benson House
33 Wellington Street
Leeds LS1 4JP

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

Bankers
Lloyds TSB Bank plc
Dexia Bank N.V.

Solicitors Salans

Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

**Stockbrokers and
Nominated Advisers**
Brewin Dolphin Limited
34 Lisbon Street
Leeds LS1 4LX

REPORT OF THE DIRECTORS

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2008 of £5.6 million (2007: £13.2 million). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2008 (2007: £Nil).

A first interim dividend in respect of 2008 of £0.57 per ordinary share was paid to shareholders on 25 April 2008. A second interim dividend of £0.73 per ordinary share was paid on 22 May 2008.

In order to pay the interim dividends referred to above, the Group arranged an additional £15 million of bank loans with Lloyds Bank plc.

RESEARCH AND DEVELOPMENT

The Group continues to maintain its involvement in research and development activities, thus ensuring that the existing products and production facilities take advantage of the latest technological advances in the field.

BUSINESS REVIEW AND FUTURE PROSPECTS

The information that fulfils the requirements of the Business Review (as required by Section 417 of the Companies Act 2006), which is incorporated in this Report of the Directors by reference, including the review of the Group's business and future prospects, is included in the Chairman's Statement, Operational Review and the Financial Review on pages 2 to 9. Key performance indicators are shown on page 9.

DIRECTORS

The Directors of the Parent Company who served during the whole of the year ended 31 December 2008, and up to the date of signing the Group and Parent Company financial statements, except where stated, were:

Executive Directors

J.G. Murray, J-J. Murray, J-C. Pillois, E. Sebag and X. Mignolet.

Non-Executive Directors

M. Gailer, M-C. Leon and H. Shouler were Directors through the whole of the year ended 31 December 2008.

On 29 February 2008, R. King was appointed as a Non-Executive Director and J. Simmonds resigned as a Non-Executive Director. On 14 August 2008, J-P. Murray was appointed as a Non-Executive Director.

J.G. Murray, M. Gailer and E. Sebag retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. J-P. Murray, having been appointed since the last Annual General Meeting, offers himself 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 10.

DIRECTORS' INTERESTS

No Director in office at 31 December 2008 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

SUBSTANTIAL SHAREHOLDINGS

At 29 April 2009, the Parent Company had been notified of the following interests of 3% or more in the share capital of the Parent Company:

	Number of shares	Percentage of share capital
EOI Fire SARL	9,861,954	80.21%
Tristar Fire Corp.	2,256,033	18.35%

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

REPORT OF THE DIRECTORS CONTINUED

DIRECTORS' SHARE OPTIONS

The Directors held the following options to subscribe for ordinary shares at 31 December 2008 under the Group's Inland Revenue unapproved share option scheme:

	Number of ordinary shares at 31 December 2008	Dates normally exercisable	Exercise price (£)
X. Mignolet	30,000	14/01/06 – 14/01/13	11.50

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. The Group has achieved its objective of obtaining ISO 14001 accreditation throughout the majority of the Group.

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 2008 Group average creditor days were 74 days (2007: 51 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 (2007: £Nil) and made charitable donations of £2,409 (2007: £2,626). These donations were made to Overgate Hospice, a charity local to the Parent Company's offices.

PURCHASE OF OWN SHARES AND AUTHORITIES TO ISSUE SHARES

As at 30 April 2008 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 10 is to be proposed at the Annual General Meeting to extend this authority until the 2010 Annual General Meeting.

The special business to be proposed at the 2009 Annual General Meeting also includes, at resolution 9, 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 £6,147 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, being an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares.

PARENT COMPANY BALANCE SHEET

The Parent Company Balance Sheet on page 41 shows an equity shareholders' deficit of £6.5 million. This has been caused by exchange rate fluctuations of £8.8 million in the carrying value of Euro denominated loans when converted to Sterling. The majority of the borrowings are maintained in Euros as these will be repaid from Euro income streams from which the majority of the Group's profits are generated.

In such circumstances, the Directors are required, under the provisions of Section 142 of the Companies Act 1985, to convene an Extraordinary General Meeting to consider whether any, and if so what, measures should be taken to deal with the situation. To save costs, we propose to consider this matter at the Company's Annual General Meeting as resolution 8.

The Directors propose to rectify this deficit by paying dividends to the Parent Company from its subsidiary companies.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). In preparing the Group financial statements, the Directors have also elected to comply with IFRS issued by the International Accounting Standards Board ("IASB"). The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company and the Group and of the profit or loss of the Parent Company and Group for that period.

In preparing those 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;
- state that the Group financial statements comply with IFRS as adopted by the European Union and IFRS issued by IASB and that the Parent Company financial statements comply with UK GAAP; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary. This statement should cover both the Parent Company and the Group as a whole.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed in the Directors and Company Advisers section, confirm that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors are responsible for the maintenance and integrity of the Group website, www.londonsecurity.org. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS

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 PricewaterhouseCoopers LLP as auditors of the Parent Company and authorising the Directors to set their remuneration.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting is set out on pages 46 and 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 8 June 2009. 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
29 April 2009

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 £885,000 (2007: £647,000). This includes an amount paid to the highest paid Director of £296,000 (2007: £180,000).

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999. The total costs amounted to £1,760,000 (2007: £1,600,000) for the year ended 31 December 2008 as per the Services Agreement.

None of the Directors participate in Group pension arrangements.

On behalf of the Board

H. SHOULER

Chairman of the remuneration committee

29 April 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON SECURITY PLC

We have audited the Group financial statements of London Security plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Parent Company financial statements of London Security plc for the year ended 31 December 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Group financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement, Financial Review and Operational Review that is cross referred from the Business Review section of the Report of the Directors.

In addition, we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Operational Review, the Financial Review, the Report of the Directors, the Directors' Remuneration Report and the other items listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Group financial statements and part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors

Leeds

29 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Revenue	5	74,892	66,605
Cost of sales		(12,618)	(11,351)
Gross profit		62,274	55,254
Distribution costs		(27,051)	(22,453)
Administrative expenses		(16,346)	(16,008)
EBITDA*		21,592	18,785
Depreciation and amortisation		(2,715)	(1,992)
Operating profit		18,877	16,793
Profit on disposal of subsidiary undertakings	7	—	4,216
Finance income		1,679	952
Finance costs		(3,362)	(2,652)
Exchange loss on foreign currency		(7,654)	(2,097)
Finance costs – net	8	(9,337)	(3,797)
Profit before income tax	9	9,540	17,212
Income tax expense	10	(3,983)	(4,017)
Profit for the year attributable to equity shareholders of the Company		5,557	13,195
Earnings per share			
Basic and diluted	11	45.2p	107.3p
Dividends			
Dividends paid per share	12	130.0p	50.0p

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Profit for the financial year		5,557	13,195
Currency translation differences on foreign currency net investments	25	4,053	1,328
Actuarial (loss)/gain recognised in pension scheme	22	(708)	1,473
Movement on deferred tax relating to pension scheme	20	(36)	(988)
Net income recognised directly in equity		3,309	1,813
Total recognised income for the year attributable to equity shareholders of the Company		8,866	15,008

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	9,787	7,863
Intangible assets	14	53,210	47,236
Deferred tax asset	20	743	743
		63,740	55,842
Current assets			
Inventories	16	8,545	5,687
Trade and other receivables	17	20,820	14,358
Cash and cash equivalents	18	10,875	11,807
		40,240	31,852
Total assets		103,980	87,694
Liabilities			
Current liabilities			
Trade and other payables	19	(17,148)	(14,475)
Income tax liabilities		(1,548)	(1,891)
Borrowings	21	(7,488)	(5,388)
Provision for liabilities and charges	23	—	(49)
		(26,184)	(21,803)
Non-current liabilities			
Trade and other payables		—	(43)
Borrowings	21	(46,241)	(27,022)
Derivative financial instruments	15	(212)	(19)
Deferred tax liabilities	20	(41)	(100)
Retirement benefit obligations	22	(742)	(949)
Provision for liabilities and charges	23	(46)	(130)
		(47,282)	(28,263)
Total liabilities		(73,466)	(50,066)
Net assets		30,514	37,628
Shareholders' equity			
Ordinary shares	24	123	123
Merger reserve	25	2,033	2,033
Other reserves	25	5,124	1,071
Retained earnings	25	23,234	34,401
Total shareholders' equity	25	30,514	37,628

The financial statements on pages 19 to 39 were approved by the Board of Directors on 29 April 2009 and were signed on its behalf by:

J.G. MURRAY

Chairman
29 April 2009

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operations	26	15,552	19,328
Interest paid		(2,687)	(2,033)
Income tax paid		(4,826)	(4,556)
Net cash generated from operating activities		8,039	12,739
Cash flows from investing activities			
Acquisition of subsidiary undertakings		(222)	(231)
Net proceeds from sale of subsidiary undertakings	7	—	4,587
Purchases of property, plant and equipment		(2,923)	(2,707)
Proceeds from sale of property, plant and equipment		426	401
Purchases of intangible assets		(5,156)	(578)
Proceeds from sale of intangible assets		31	18
Interest received		1,188	278
Net cash (used in)/generated from investing activities		(6,656)	1,768
Cash flows from financing activities			
Purchase of own shares		—	(97)
Repayments of borrowings		(4,535)	(5,133)
New long-term loans		18,200	—
Dividends paid to Company's shareholders		(15,980)	(6,146)
Net cash used in financing activities		(2,315)	(11,376)
Net (decrease)/increase in cash in the year		(932)	3,131
Cash and cash equivalents at beginning of the year		11,807	8,676
Cash and cash equivalents at the end of the year		10,875	11,807

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 GENERAL INFORMATION

London Security plc (the "Parent Company") is a leader in the European fire security industry, providing fire protection for over 173,000 customers through a local presence in the United Kingdom, Belgium, Holland and Austria.

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

The Parent Company has its primary listing on the Alternative Investment Market ("AIM") 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 European Union, IFRIC interpretations and with those parts of the Companies Act 1985 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.

Accounting developments

Impact of new IFRS, adopted for 2008

Standards and interpretations adopted in the year had no significant impact on the financial statements.

Standards, amendments and interpretations that are not yet effective and have not been early adopted

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 or later periods, but which the Group and the Company have not early adopted:

- IFRS 8 "Operating segments";
- IAS 23 (Revised) "Borrowing costs";
- IFRS 3 (Revised) "Business combinations";
- IAS 32 (Amendments) "Financial instruments: presentation" and IAS 1 "Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation";
- Amendment to IAS 39 "Eligible hedged items";
- IAS 27 (Revised) "Consolidation and separate financial statements";
- IFRS 2 "Share-based payments" on "Vesting conditions and cancellations" effective 1 January 2009; and
- IAS 1 (Revised) "Presentation of financial statements", a revised presentation which requires separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income and is effective for annual periods on or after 1 January 2009".

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

Interpretations that are not yet effective and have not been early adopted, which are not expected to have an impact

The following interpretations and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") and will become effective for future financial reporting periods but are not relevant for the Group's operations:

- IFRIC 12 "Service concessions arrangements";
- IFRIC 13 "Customer loyalty programmes"; and
- IFRIC 15 "Agreements for the construction of real estate".

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, plus costs directly attributable to the acquisition. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Directors are of the opinion that there is one business segment, being the provision and maintenance of fire protection equipment, and that the Group operates in one geographical market, being Europe.

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (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 Recognised Income and Expense.

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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 and machinery	10 – 33%
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 balance sheet 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 proceeds with carrying amount. These are included in the Income Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets

(a) Goodwill

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

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

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

(b) Other trademarks and licences

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

(c) Computer software

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

(d) Service contracts

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

Derivative financial instruments and hedging activities

The Group's borrowings of £54.0 million (£43.5 million denominated in Euros and £10.5 million denominated in Sterling) are subject to floating rates based on LIBOR and EURIBOR plus a margin of between 0.6% and 1.5%. The Group uses financial derivatives to cap the total exposure to LIBOR to a maximum of 5.5% and EURIBOR to a maximum of 4.25%. The caps took effect from September 2006 and continue until the loans are repaid in June 2013.

Except for the designation of foreign currency borrowings as a hedge against net investment in foreign operations, from 1 January 2009, the Group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The Group does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes.

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

Inventories

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

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured less 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 balance sheet 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 balance sheet.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Trade payables

Trade payables are recognised at fair value.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Debt finance costs are amortised over the life of the debt agreement.

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 balance sheet 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 balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, 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 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 balance sheet 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 pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet 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 Income Statement. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Recognised Income and Expense. Net defined benefit pension scheme deficits are presented separately on the balance sheet within non-current liabilities before tax relief. The attributable deferred tax asset is included within deferred tax and is subject to the recognition criteria as set out in the accounting policy on deferred taxation.

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

Provisions

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

Provisions are measured at fair value.

Exceptional items

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue recognition

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

(a) Outright sale of equipment

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

(b) Installation and service

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

(c) Maintenance

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

(d) Equipment leases

Revenue from the equipment leased to customers under an operating lease is recognised over the term of the lease on a pro rata basis.

(e) Interest income

Interest income on any short-term deposit is recognised in the Income Statement as it accrues.

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 foreign currency translation exposure and interest rates to be the only potential financial risks. Risk management is carried out under treasury policies and guidelines authorised and reviewed by the Board of Directors.

(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.

(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 expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by using interest rate caps. The effect of these caps is to limit the Group's exposure to EURIBOR to a maximum of 4.25% and LIBOR to a maximum of 5.5%. The caps took effect from September 2006 and provide interest rate cover until the loans are repaid in June 2013.

(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.

	2008 £'000	2007 £'000
Total capital		
Total borrowings	53,729	32,410
Less, cash and cash equivalents	(10,875)	(11,807)
Net debt	42,854	20,603
Total equity	30,514	37,628
Total capital	73,368	58,231

Fair value estimation

The fair value of interest rate caps is calculated as the present value of the estimated future cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Estimated impairment of goodwill

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

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2009 and agreed business plans for the two years ending 31 December 2011. Subsequent cash flows are extrapolated using an estimated growth rate of 1%. The cash flows have then been discounted using the LIBOR rate plus 1.25%. The value-in-use calculations did not indicate impairment in any goodwill. If the LIBOR rate had been 5% higher there would still have been no impairment in any goodwill.

(b) Pension scheme assumptions and mortality tables

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

Prior to the effect of deferred tax, the impact of a 0.5% increase in the inflation rate would be to increase the pension deficit by £167,000, a decrease of 0.5% in the inflation rate would be to decrease the deficit by £161,000. The impact of a 0.5% increase in the discount rate would be to decrease the pension deficit by £561,000, a decrease of 0.5% in the discount rate would be to increase the deficit by £624,000.

5 REVENUE

The Directors are of the opinion that there is one business segment, being the provision and maintenance of fire protection equipment, and that the Group operates in one geographical market, being Europe. Consequently, the results for the year and assets and liabilities relate to the one business segment and one geographical area.

Revenue may be analysed geographically by origin, as follows:

	2008 £'000	2007 £'000
United Kingdom	23,684	24,494
Belgium	28,304	21,305
Holland	19,460	15,836
Austria	3,444	2,370
Switzerland	—	2,600
	74,892	66,605

6 EMPLOYEE BENEFIT EXPENSE

	2008 £'000	2007 £'000
Wages and salaries	24,204	22,905
Social security costs	4,698	3,967
Other pensions costs (note 22)	1,030	370
	29,932	27,242
Number of employees	826	720

Directors' remuneration is reported within the Directors' Remuneration Report on page 14 under the heading "Directors' Remuneration".

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

	2008 Number	2007 Number
Production	57	57
Administration and management	769	663
Total	826	720

7 PROFIT ON DISPOSAL OF FIXED ASSET INVESTMENT

On 31 December 2007, the Group completed its disposal of its investments in Feuerloscher Nu-Swift (Schweiz) AG., Maclin S.A., Othmar Hug Feuerschutz G.m.b.H. and Total TF AG. for a consideration of £5,991,000 realising a profit on disposal of £4,216,000 after costs of £55,000 and goodwill of £299,000. There was cash of £1,404,000 in the investments at the date of disposal. The disposal was approved by shareholders on 1 November 2007.

8 FINANCE INCOME AND COSTS

	2008 £'000	2007 £'000
Finance income		
Bank interest receivable	(1,188)	(278)
Expected return on pension scheme assets	(491)	(674)
Total finance income	(1,679)	(952)
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	2,633	1,998
Amortisation of finance arrangement costs	55	35
Fair value of derivative financial instruments	193	(121)
Exchange loss on foreign currency balances	—	11
Interest on pension scheme liabilities	481	729
Total finance costs	3,362	2,652
Exchange loss on foreign currency loans	7,654	2,097
Net finance costs	9,337	3,797

9 PROFIT BEFORE INCOME TAX

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

	2008 £'000	2007 £'000
Depreciation of property, plant and equipment	2,114	1,773
Amortisation on intangible fixed assets	601	219
Profit on disposal of property, plant and equipment	(152)	(25)
Loss on disposal of intangible assets	—	32
Hire charges under operating leases:		
– land and buildings	44	—
– other	138	71

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

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

	2008 £'000	2007 £'000
Audit services		
Fees payable to the Parent Company's auditors for the audit of Group's annual accounts	16	18
Fees payable to the Parent Company's auditors and its network firms for other services:		
– the audit of the Parent Company's subsidiaries pursuant to legislation	180	167
Services relating to taxation:		
– compliance services	13	13
– advisory services	60	98
All other services	22	32
	291	328

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

10 INCOME TAX EXPENSE

	2008 £'000	2007 £'000
United Kingdom		
Corporation tax	(539)	105
Adjustment in respect of prior periods	(21)	290
	(560)	395
Foreign tax		
Corporation taxes	4,602	3,955
Total current tax	4,042	4,350
Deferred tax		
Original and reversal of timing differences		
Representing:		
United Kingdom	89	(378)
Foreign tax	(148)	45
Total deferred tax	(59)	(333)
Total tax charge	3,983	4,017

The tax for the year is higher (2007: lower) than the standard rate of corporation tax in the United Kingdom 28.5% (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	9,540	17,212
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28.5% (2007: 30%)	2,719	5,164
Effects of:		
Expenses not deductible for tax purposes	1,594	637
Income not subject to tax	—	(11)
Adjustment in respect of ACT claim settlement	(550)	—
Deferred tax relating to pension contributions	(287)	(511)
Gain on sale of subsidiary not taxable	—	(754)
Overseas tax in excess of UK standard	495	(217)
Prior year under/(over) provision	(21)	(290)
Impact of change in tax rate	33	—
Total tax charge	3,983	4,017

The Group expects to pay similar levels of taxation going forward.

11 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £5,557,000 (2007: £13,195,000) and on 12,294,798 (2007: 12,295,811) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The only potential ordinary shares in the Group are in respect of the unapproved share option scheme (see note 24). The revised weighted average number of shares is 12,296,487 (2007: 12,297,500). After taking into account the effect of dilutive securities, the basic EPS and adjusted EPS figures are unaltered.

	2008		2007	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	5,557	45.2	13,195	107.3
Eliminate effect of:				
Profit on disposal of subsidiary undertakings	—	—	(4,216)	(34.3)
Adjusted profit for the period	5,557	45.2	8,979	73.0

12 DIVIDENDS PER SHARE

	2008 £'000	2007 £'000
Equity – ordinary shares		
Interim paid £1.30 (2007: £0.50) per share	15,890	6,146
	15,890	6,146

The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2008 (2007: £Nil).

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2007	5,578	12,835	6,616	3,305	28,334
Additions	216	397	1,757	337	2,707
On acquisition of subsidiary undertakings	—	—	3	1	4
Disposals	—	(244)	(1,357)	(133)	(1,734)
On disposal of subsidiary undertakings	—	—	(361)	(207)	(568)
Exchange adjustment	417	1,128	354	301	2,200
At 1 January 2008	6,211	14,116	7,012	3,604	30,943
Additions	52	495	2,078	298	2,923
On acquisition of subsidiary undertakings	—	1	4	—	5
Disposals	—	(219)	(1,761)	(96)	(2,076)
Exchange adjustment	1,491	3,922	1,251	679	7,343
At 31 December 2008	7,754	18,315	8,584	4,485	39,138
Accumulated depreciation					
At 1 January 2007	3,374	11,804	3,332	2,771	21,281
Disposals	—	(204)	(1,036)	(118)	(1,358)
On disposal of subsidiary undertakings	—	—	(309)	(181)	(490)
Charge for the year	114	338	1,076	245	1,773
Exchange adjustment	326	1,138	202	208	1,874
At 1 January 2008	3,814	13,076	3,265	2,925	23,080
Disposals	—	(184)	(1,530)	(88)	(1,802)
Charge for the year	151	408	1,290	265	2,114
Exchange adjustment	1,173	3,676	551	559	5,959
At 31 December 2008	5,138	16,976	3,576	3,661	29,351
Net book amount					
At 31 December 2008	2,616	1,339	5,008	824	9,787
At 31 December 2007	2,397	1,040	3,747	679	7,863
At 31 December 2006	2,204	1,031	3,284	534	7,053

Plant and machinery includes fire extinguishers leased to customers under operating lease contracts with a cost of £10,320,000 (2007: £7,778,000) and a net book value of £798,000 (2007: £561,000).

Depreciation and profit/loss on disposal have been charged to the Income Statement through administrative expenses, except for depreciation on fire extinguishers leased to customers which has been charged through cost of sales.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

14 INTANGIBLE ASSETS

	Goodwill £'000	Contracts £'000	Software £'000	Other £'000	Total £'000
Cost					
At 1 January 2007	62,221	572	396	611	63,800
Additions	—	518	8	52	578
On acquisitions of subsidiary undertakings	—	231	—	—	231
Disposals	—	—	(110)	(36)	(146)
On disposal of subsidiary undertakings	(502)	—	—	—	(502)
Exchange differences	114	58	15	60	247
At 1 January 2008	61,833	1,379	309	687	64,208
Additions	—	4,119	230	807	5,156
On acquisitions of subsidiary undertakings	—	230	—	—	230
Disposals	—	—	(28)	(5)	(33)
Exchange differences	155	996	49	381	1,581
At 31 December 2008	61,988	6,724	560	1,870	71,142
Accumulated amortisation					
At 1 January 2007	16,074	341	327	233	16,975
Disposals	—	—	(96)	—	(96)
On disposal of subsidiary undertakings	(203)	—	—	—	(203)
Charge for the year	—	95	38	86	219
Exchange differences	—	35	15	27	77
At 1 January 2008	15,871	471	284	346	16,972
Disposals	—	—	(2)	—	(2)
Charge for the year	—	389	76	136	601
Exchange differences	—	192	33	136	361
At 31 December 2008	15,871	1,052	391	618	17,932
Net book amount					
At 31 December 2008	46,117	5,672	169	1,252	53,210
At 31 December 2007	45,962	908	25	341	47,236
At 31 December 2006	46,147	231	69	378	46,825

Additions on acquisition relate to the acquisition of the entire share capital of 1st Quote, a company incorporated in Scotland. It was acquired by a Group subsidiary for a cash consideration of £222,000.

Amortisation has been charged to the Income Statement through administrative expenses.

Impairment tests for goodwill

The carrying amount of goodwill has been allocated to all trading subsidiary companies (see note 30) with the exception of Hoyles Fire & Safety Limited, Nu-Swift Engineering Limited, Nu-Swift Brandbeveiliging B.V. and Nu-Swift International Limited.

The recoverable amount of goodwill is 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 2009 and agreed business plans for the two years ending 31 December 2011. Subsequent cash flows are extrapolated using an estimated growth rate of 1%. The cash flows have then been discounted using a pre-tax rate based on LIBOR plus 1.25% for the year ended 31 December 2008. The value-in-use calculations did not indicate impairment in any goodwill.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate cap	—	212	—	19

The Group has taken out an interest rate cap to limit the exposure to LIBOR to 5.5% to 6.25% and to EURIBOR to 4.25% to 5.25%. The caps took effect from September 2006 until the loans are repaid in 2013. The cap premium is payable on a quarterly basis and the liability represents the net of the cap value and the outstanding premium.

16 INVENTORIES

	2008 £'000	2007 £'000
Raw materials and consumables	4,054	2,725
Work in progress	415	182
Finished goods	4,076	2,780
	8,545	5,687

The cost of inventories recognised as expense and included in cost of sales amounted to £12,201,000 (2007: £11,351,000). £Nil (2007: £Nil) of previous inventory write downs have been reversed.

17 TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade receivables	17,611	13,426
Less: provision for impairment of receivables	(1,056)	(1,031)
Trade receivables – net	16,555	12,395
Amounts owed by related undertakings	382	548
Other receivables	1,828	421
Prepayments and accrued income	1,617	961
Taxation recoverable	438	33
	20,820	14,358

As of 31 December 2008, trade receivables of £10,560,560 (2007: £6,441,000) were fully performing. Trade receivables which are less than three months past due are not considered impaired.

As of 31 December 2008, trade receivables of £5,951,056 (2007: £5,315,000) 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:

	2008 £'000	2007 £'000
Up to three months	5,555	4,515
Three to six months	396	800
	5,951	5,315

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

17 TRADE AND OTHER RECEIVABLES CONTINUED

As of 31 December 2008, trade receivables of £2,145,000 (2007: £1,491,000) were impaired and provided for. The amount of the provision was £1,056,000 (2007: £1,031,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2008 £'000	2007 £'000
Up to three months	260	209
Three to six months	795	790
Six months or greater	1,090	492
	2,145	1,491

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

	2008 £'000	2007 £'000
Sterling	6,392	6,094
Euro	14,428	8,264
Total	20,820	14,358

These are detailed as Sterling equivalent.

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

	2008 £'000	2007 £'000
At 1 January	1,031	1,184
Provision for receivables' impairment	675	271
Receivables written off in the year as uncollectable	(520)	(192)
Unused amounts reversed	(130)	(232)
At 31 December	1,056	1,031

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.

18 CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand	10,875	11,807

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

19 TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Current		
Trade payables	2,485	1,648
Amounts owed to related undertakings	—	402
Other payables	2,320	3,390
Other taxation and social security	6,603	4,066
Accruals	2,788	2,695
Deferred income	2,952	2,274
	17,148	14,475
Non-current		
Deferred consideration	—	43

20 DEFERRED INCOME TAX

	Amount provided/(recognised)		Amount unprovided/(unrecognised)	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Deferred tax asset				
Pension deficit	234	270	—	—
Accelerated capital allowances	496	317	—	—
Short-term timing differences	13	156	—	—
Losses	—	—	3,084	2,337
	743	743	3,084	2,337
Deferred tax liabilities				
Short-term timing differences	(41)	(100)	—	—
Capital gains on revaluation	—	—	(98)	(105)
	(41)	(100)	(98)	(105)
Net deferred tax asset	702	643	2,986	2,232
		£'000		
At 1 January 2008		643		
Exchange differences		(36)		
Amount credited to the Income Statement		131		
Amount charged to the Consolidated Statement of Recognised Income and Expense		(36)		
At 31 December 2008		702		

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 28%.

No provision has been made for deferred tax on gains recognised on revaluing property or on the sale of property where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. No deferred tax assets have been recognised as it is not considered to be more likely than not that they will be recovered. At present, it is not envisaged that any tax for the above such matters will become payable or recoverable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

21 BORROWINGS

	2008 £'000	2007 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
In one to two years	8,090	5,388
Between two and five years	38,151	21,634
	46,241	27,022
Current (one year or less or on demand)		
Bank borrowings	7,488	5,388
	7,488	5,388
Total borrowings	53,729	32,410

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 6.0% (2007: 5.8%) per annum. Bank loans and overdrafts are stated net of unamortised finance arrangement costs of £286,000 (2007: £88,000) of which £217,000 (2007: £53,000) is to be amortised after more than one year.

The Directors consider that the fair value of the bank loans are not materially different from their book values. The estimated fair value of the interest rate caps has been included in the balance sheet as disclosed in note 15.

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 2008 £'000	Weighted average interest rate 2008	Total 2007 £'000	Weighted average interest rate 2007
Sterling	10,513	5.5%	8,811	6.6%
Euro	43,502	6.2%	23,687	5.6%
	54,015	6.0%	32,498	5.8%

Borrowing facilities

At 31 December 2008 the Group had an undrawn committed borrowing facility of £1.8 million (2007: £5 million), which expires in more than one year.

22 RETIREMENT BENEFIT OBLIGATIONS

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

Nu-Swift International Limited operates a funded defined benefit pension scheme, which was closed to new entrants with effect from 1 December 2002, and to further accrual on 30 June 2007 providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested with Legal and General Investment Management. The total pension cost of the Group is determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 December 2006. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensions. It was assumed that the investment returns would be 5.5% per annum and that present and future pensions would increase at the rate of 3% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,915,000 and that the actuarial value of those assets represented 96.3% of the benefits that had accrued to members.

In addition there is a defined contribution stakeholder pension scheme in operation within the United Kingdom, as well as a defined contribution pension scheme for two United Kingdom Executives.

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

22 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

In respect of the Nu-Swift International and Ansul schemes (the "Schemes"), the valuations used for IAS 19 in order to assess the liabilities of the Schemes are based on actuarial valuations at 31 December 2006 and 31 December 2007 respectively. The results of these valuations have been projected to 31 December 2008 and then recalculated using the assumptions set out below. The Schemes' assets are stated at their market value at 31 December 2008.

Expected contributions to retirement benefit obligations for the year ending 31 December 2009 are £408,000.

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

	2008	2007	2006
Discount rate	5.50% – 6.00%	5.50% – 5.90%	4.25% – 5.10%
Inflation rate	2.00% – 3.40%	2.00% – 3.40%	2.00% – 3.00%
Salary increase rate	0.00%	3.00%	3.00% – 4.00%
Increases for pensions in payment	3.00%	3.00%	2.70%
Revaluation of deferred pensions	3.00%	3.40%	3.00%

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

	2008	2007
Male	20.3	20.9
Female	23.1	23.7

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

	2008	2007
Male	21.1	21.3
Female	23.9	24.1

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

	Long-term return expected at 31 December 2008	Value at 31 December 2008 £'000	Percentage of scheme assets 2008	Long-term return expected at 31 December 2007	Value at 31 December 2007 £'000	Percentage of scheme assets 2007
Equities	6.75%	2,193	24%	7.50%	2,925	34%
Assets with guaranteed interest with insurer	4.00%	1,222	13%	4.00%	935	11%
Bonds	5.05%	5,574	61%	5.30%	4,696	54%
Cash	3.70%	148	2%	5.50%	77	1%
		9,137			8,633	
Present value of the Schemes' liabilities		(9,879)			(9,582)	
Deficit in the Schemes		(742)			(949)	
Related deferred tax asset		234			270	
Net pension deficit		(508)			(679)	

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

22 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The following disclosures relate to the Schemes:

Analysis of the amount recognised in the Income Statement are as follows:

	2008 £'000	2007 £'000
Current service cost	—	220
Total operating charge	—	220

Movement in the defined benefit obligation over the year is as follows:

	2008 £'000	2007 £'000
Start of the year	(9,582)	(15,397)
Current service cost	—	(220)
Interest cost	(481)	(729)
Actuarial gains	207	2,384
Curtailments	—	164
Exchange movement	(390)	—
Settlements	—	3,787
Benefits paid	367	429
End of the year	(9,879)	(9,582)

Movement in the fair value of the plan assets over the year is as follows:

	2008 £'000	2007 £'000
Start of the year	8,633	11,264
Expected return on plan assets	491	674
Actuarial losses	(915)	(911)
Employer contributions	1,008	1,273
Benefits paid	(367)	(429)
Exchange movements	287	—
Settlements	—	(3,238)
End of the year	9,137	8,633

The history of the plan is as follows:

	2008 £'000	2007 £'000
Present value of plan liabilities	(9,879)	(9,582)
Fair value of plan assets	9,137	8,633
Retirement benefit obligation	(742)	(949)
Experience gain on defined benefit obligation	207	2,384
Experience loss on plan assets	(915)	(911)
Net actuarial (loss)/gain recognised in the year	(708)	1,473

22 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Analysis of the amount recognised in the Consolidated Statement of Recognised Income and Expense:

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(708)	1,473
Changes in assumptions underlying the present value of the scheme liabilities	—	—
Actuarial (loss)/gain recognised in the Consolidated Statement of Recognised Income and Expense	(708)	1,473

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the United Kingdom amounted to £169,000 in the year ended 31 December 2008 (2007: £95,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,030,000 for the year ended 31 December 2008 (2007: £767,000) and was wholly recognised in administrative expenses.

23 PROVISIONS FOR LIABILITIES AND CHARGES

	Current		Non-current		
	Grant provision £'000	Onerous leases £'000	Total £'000	Other provision £'000	Total £'000
At 1 January 2008	42	7	49	130	179
Amount charged to the Income Statement	(42)	—	(42)	—	(42)
Amount utilised in the year	—	(7)	(7)	(84)	(91)
Provision at 31 December 2008	—	—	—	46	46

Other provision – non-current

The other provision relates to after sales costs. The provision is expected to be fully utilised in the next two years and has not been discounted as the Directors consider the difference not to be material.

24 CALLED UP SHARE CAPITAL

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,294,798	123	12,294,798	123

Certain Senior Executives hold options to subscribe for shares in the Company under the unapproved share option scheme. The share options are exercisable three years after the date of grant, subject to EBITDA exceeding £13,694,000 in the preceding year's financial statements. The share price at date of grant and the exercise price was £11.50.

The only outstanding options at 31 December 2008 are those under the unapproved share option scheme granted to employees as follows:

Date granted	At 1 January 2008	Cancelled in the year	At 31 December 2008	Exercise price (£)	Dates normally exercisable
14/01/03	55,500	(25,500)	30,000	11.50	14/01/2006 – 14/01/2013

The mid-market price of the Company's shares at 31 December 2008 was £8.50 and the range during the year was £11.85 to £8.50.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

25 STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	123	2,033	(257)	26,964	28,863
Exchange adjustments	—	—	1,328	—	1,328
Actuarial gain on pension scheme	—	—	—	1,473	1,473
Movement on deferred tax relating to pension asset	—	—	—	(988)	(988)
Purchase of own shares	—	—	—	(97)	(97)
Retained profit for the year	—	—	—	7,049	7,049
At 1 January 2008	123	2,033	1,071	34,401	37,628
Exchange adjustments	—	—	4,053	—	4,053
Actuarial gain on pension scheme	—	—	—	(708)	(708)
Movement on deferred tax relating to pension asset	—	—	—	(36)	(36)
Retained loss for the year	—	—	—	(10,423)	(10,423)
At 31 December 2008	123	2,033	5,124	23,234	30,514

The merger reserve is not a distributable reserve.

The other reserve relates entirely to the effects of changes in foreign currency exchange rates.

26 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2008 £'000	2007 £'000
Operating profit	18,877	16,793
Amortisation of intangible assets	601	219
Depreciation of property, plant and equipment	2,114	1,773
Profit on disposal of property, plant and equipment	(152)	(47)
Exchange differences	1,449	821
Difference between pension charge and cash contributions	(904)	(1,767)
(Increase) in trade and other receivables	(6,032)	(1,064)
Increase in trade and other payables	2,587	4,209
Decrease in provisions	(133)	(288)
Increase in inventories	(2,855)	(1,321)
Cash generated from operations	15,552	19,328
	2008 £'000	2007 £'000
Net book value	274	354
Profit on disposal of property, plant and equipment	152	47
Proceeds	426	401

27 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2008 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2008 £'000
Cash in hand and at bank	11,807	(932)	—	10,875
Debt due within one year	(5,388)	(2,045)	(55)	(7,488)
Debt due after one year	(27,022)	(19,219)	—	(46,241)
Total	(20,603)	(22,196)	(55)	(42,854)

Reconciliation of decrease in cash to movement in net debt

	2008 £'000	2007 £'000
(Decrease)/increase in cash	(932)	3,131
(Increase)/decrease in debt	(21,264)	3,071
Change in net debt from cash flows	(22,196)	6,202
Non-cash changes	(55)	(35)
Net debt at 1 January	(20,603)	(26,770)
Net debt at 31 December	(42,854)	(20,603)

Non-cash changes relate to the amortisation of finance arrangement costs.

28 ACQUISITIONS

On 1 May 2008 the Group purchased the entire issued share capital of 1st Quote, a company incorporated and which operates in Scotland. The book and provisional fair value of the net assets acquired were as follows:

	Book and provisional fair values £'000
Tangible fixed assets	5
Stock	3
Debtors	25
Creditors	(41)
Fair value of net assets acquired	(8)
Intangible assets	230
Consideration	222

Satisfied by:

	Provisional consideration £'000
Cash	197
Deferred consideration	25
	222

The Directors do not consider the acquisition of 1st Quote to be material to the Group or to have had a material impact on the results of the Group for the year ended 31 December 2008 given the proximity of the acquisition to the year end.

In addition, the Group acquired contracts from a number of companies and businesses in Europe and the UK for a total consideration of £4,119,000. The Directors considered that the consideration equated to the fair value of the contracts acquired and have recognised an intangible asset accordingly.

Due to the integration of the companies and businesses acquired during the year into the existing businesses and operations, the Directors are unable to determine the contribution of the acquisitions to the revenue and net profit of the Group for the year ended 31 December 2008 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2008 would have been had the acquisitions taken place on 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

29 COMMITMENTS AND CONTINGENT LIABILITIES

The Group leases various properties under non-cancellable operating lease agreements. The lease agreements are between one and nine 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 9.

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

	2008 £'000	2007 £'000
Within one year	242	12
Between two and five years inclusive	653	977
More than five years	648	—
	1,543	989

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2008 (2007: £Nil).

30 GROUP UNDERTAKINGS

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

	Activity	Country of registration or incorporation and operation
All-Protec N.V.	Fire protection	Belgium
Ansul B.V.	Fire protection	Holland
Ansul S.A.	Fire protection	Belgium
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Dimex Technics S.A.	Fire protection	Belgium
Fire Protection Holdings Limited	Sub-holding	England
GFA Premier Limited	Fire protection	England
Hoyles Fire & Safety Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Importex S.A.	Fire protection	Belgium
L. W. Safety Limited	Fire protection	England
M K Fire Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	Holland
Nu-Swift International Limited	Fire protection	England
Nu-Swift Limited	Sub-holding	England
SAS Sprl	Fire protection	Belgium
Somati FIE N.V.	Fire Protection	Belgium
Toldwell Limited	Sub-holding	England
Total Firestop G.m.b.H.	Fire protection	Austria
TVF (UK) Limited	Fire protection	England
United Fire Alarms Limited	Alarms	England
L&P Fire Limited	Fire protection	England
Triangle Fire Limited	Fire protection	England
1st Quote Limited	Fire protection	Scotland

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

31 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.

32 RELATED PARTY TRANSACTIONS

During the year the Group incurred costs amounting to £1,760,000 (2007: £1,600,000) in respect of the Executive Directors including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report.

Balances disclosed in notes 17 and 19 as being due from and to related undertakings are with companies controlled by J.G. Murray.

The Group incurred £403,000 (2007: £237,000) of expenditure on behalf of J.G. Murray during the year, which has since been settled.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LONDON SECURITY PLC

We have audited the Parent Company financial statements of London Security plc for the year ended 31 December 2008 which comprise the Parent Company Balance Sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of London Security plc for the year ended 31 December 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Parent Company financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement, Financial Review and Operational Review that is cross referred from the Business Review section of the Report of the Directors.

In addition, we report to you if, in our opinion, the Parent Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the Chairman's Statement, the Operational Review, the Financial Review, the Report of the Directors, the Directors' Remuneration Report and the other items listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Parent Company financial statements and of whether the accounting policies are appropriate to the Parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

OPINION

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2008;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Parent Company financial statements.

PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors

Leeds

29 April 2009

PARENT COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	2	662	713
Investments	3	54,890	53,929
		55,552	54,642
Current assets			
Debtors	4	3,499	2,323
Cash at bank and in hand		1,012	2,370
		4,511	4,693
Creditors: amounts falling due within one year			
Finance debt	5	(4,823)	(3,905)
Creditors	6	(24,992)	(23,782)
		(29,815)	(27,687)
Net current liabilities		(25,304)	(22,994)
Total assets less current liabilities		30,248	31,648
Creditors: amounts falling due after more than one year			
Finance debt	5	(36,797)	(24,823)
Net assets		(6,549)	6,825
Capital and reserves			
Called up share capital	8	123	123
Profit and loss account	9	(6,672)	6,702
Equity shareholders' (deficit)/funds	10	(6,549)	6,825

The financial statements on pages 42 to 45 were approved by the Board of Directors on 29 April 2009 and were signed on its behalf by:

J.G. MURRAY

Chairman
29 April 2009

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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 1985 and applicable accounting standards in the United Kingdom. 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

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 cash flow statement of London Security plc. Consequently, the Parent Company is exempt under the terms of FRS 1 (revised) "Cash flow statements" from publishing a cash flow statement.

Dividend distribution

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

2 TANGIBLE ASSETS

	Share in aircraft £'000
Cost	
At 1 January and 31 December 2008	1,019
Depreciation	
At 1 January 2008	306
Charge for the year	51
At 31 December 2008	357
Net book amount	
At 31 December 2008	662
At 31 December 2007	713

3 INVESTMENTS

	Shares in subsidiary undertakings £'000	Long-term loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2008	35,956	17,973	53,929
Reduction in long-term loans provided to subsidiary undertakings	—	961	961
At 31 December 2008	35,956	18,934	54,890

A schedule of subsidiary undertakings, all of which are wholly owned subsidiary undertakings of the Parent Company, is included in note 30 to the Group financial statements.

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

4 DEBTORS

	2008 £'000	2007 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	1,860	1,560
Amounts owed by related undertakings	349	517
Other debtors	895	246
Taxation recoverable	395	—
	3,499	2,323

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

5 FINANCE DEBT

	2008 £'000	2007 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
In one to two years	5,567	7,810
Between two and five years	31,230	17,013
	36,797	24,823
Current (amounts falling due within one year or on demand)		
Bank borrowings	4,823	3,905
Total borrowings	41,620	28,728

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 6.0% (2007: 5.8%) per annum. Bank loans and overdrafts are stated net of unamortised finance arrangement costs of £286,000 (2007: £88,000) of which £217,000 (2007: £53,000) 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.

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

	Total 2008 £'000	Weighted average interest rate 2008	Total 2007 £'000	Weighted average interest rate 2007
Currency				
Sterling	9,290	5.7%	6,162	6.6%
Euro	32,340	6.1%	22,566	5.6%
	41,620	6.0%	28,728	5.8%

Borrowing facilities

The Company has undrawn committed borrowing facilities of £1.8 million (2007: £5 million).

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Amounts owed to subsidiary undertakings	24,341	23,298
Other creditors	118	194
Accruals	533	290
	24,992	23,782

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

7 DEFERRED TAX

	Amount recognised		Amount unrecognised	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
The deferred tax asset comprises:				
Losses	—	—	(2,865)	(2,337)
Deferred tax asset	—	—	(2,865)	(2,337)

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 30% for any reversal expected to occur by 31 March 2008 and at a rate of 28% where the reversal is expected to occur after 1 April 2008.

8 CALLED UP SHARE CAPITAL

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,294,798	123	12,294,798	123

Certain senior Executives hold options to subscribe for shares in the Company under the unapproved share option scheme. The share options are exercisable three years after the date of grant, subject to EBITDA exceeding £13,694,000 in the preceding year's financial statements. The share price at date of grant and the exercise price was £11.50.

The only outstanding options at 31 December 2008 are those under the unapproved share option scheme granted to employees as follows:

Date granted	At 1 January 2008	Cancelled in the year	At 31 December 2008	Exercise price (£)	Dates normally exercisable
14/01/03	55,500	(25,500)	30,000	11.50	14/01/2006 – 14/01/2013

The mid-market price of the Company's shares at 31 December 2008 was £8.50 and the range during the year was £8.50 to £11.85.

9 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2008	6,702
Loss sustained for the year	(13,374)
At 31 December 2008	(6,672)

London Security plc has not presented its own profit and loss account as the Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985. The profit for the financial year of the Parent Company included within the consolidated profit for the year attributable to the equity shareholders is £2,606,000 (2007: £6,817,000).

The Parent Company had no employees during the year (2007: Nil).

The remuneration paid to the Parent Company auditors in respect of the audit of Group and Parent Company financial statements for the year ended 31 December 2008 is set out in note 9 to the Group financial statements.

10 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	2,606	6,817
Dividends	(15,980)	(6,146)
	(13,374)	671
Purchase of own shares	—	(97)
Net (reduction)/increase in equity shareholders' funds	(13,374)	574
Opening equity shareholders' funds	6,825	6,251
Closing equity shareholders' (deficit)/funds	(6,549)	6,825

11 COMMITMENTS AND CONTINGENT LIABILITIES

The Parent Company had no financial or other commitments at 31 December 2008 (2007: £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 2008 this guarantee amounted to £12,074,000 (2007: £3,682,000). 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.

13 RELATED PARTY TRANSACTIONS

During the year the Parent Company incurred costs amounting to £1,760,000 (2007: £1,600,000) in respect of the Executive Directors, including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report. The balances disclosed in note 4 as being due from related undertakings are with companies controlled by J.G. Murray.

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

The Group incurred £403,000 (2007: £237,000) of expenditure on behalf of J.G. Murray during the year, which has since been settled.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc ("the Company") will be held at 10 Bruton Street, 5th Floor, London W1J 6TX on 10 June 2009 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 2008 and the Reports of the Directors and auditors and the 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 M. Gailer 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 elect J-P. Murray as a Director, who was appointed on 14 August 2008.
6. That PricewaterhouseCoopers LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
7. That the Directors be generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) 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.
8. To consider whether any, and if so what, steps should be taken to deal with a serious loss of capital as defined in Section 142 of the Companies Act 1985.

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

9. That, subject to the passing of resolution numbered 7 above, the Directors be and are empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company for cash pursuant to the authority conferred by the resolution numbered 7 above as if Section 89(1) 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 £6,147 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.
10. That the Company be and is generally and unconditionally authorised for the purposes of Section 166 of the Act to make one or more market purchases (as defined in Section 163 (3) of the Act) on the London Stock Exchange of ordinary shares of 1 pence each in the capital of the Company ("ordinary shares") provided that:
 - (i) the maximum aggregate number of ordinary shares authorised to be purchased is 500,000 shares;
 - (ii) the minimum price which may be paid for such shares is 1 pence per share;
 - (iii) the maximum price (exclusive of expenses) which may be paid for such shares is not more than 5% above the average of the middle market quotations for the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase of the ordinary shares is contracted to take place;
 - (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is the earlier); and
 - (v) the Company may make a contract to purchase its own shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board

R. POLLARD
Secretary
29 April 2009

REGISTERED OFFICE
Wistons Lane
Elland
West Yorkshire
HX5 9DS

NOTES

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

Appointment of proxy using hard copy proxy form

5. The notes to the form of proxy explain how to direct your proxy, how to vote on each resolution or withhold their vote. To appoint a proxy using the form of proxy, the form must be:
 - (a) completed and signed;
 - (b) sent or delivered to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - (c) received by Capita Registrars no later than 48 hours before the time of the Meeting.

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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

Termination of proxy appointments

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

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

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

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

Issued shares and total voting rights

9. As at 7 am on 29 April 2009, the Company's issued share capital comprised 12,294,798 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general Meeting of the Company and, therefore, the total number of voting rights in the Company as at 7 am on 29 April 2009 is 12,294,798.

Documents on display

10. The register of Directors' interests will be available for inspection at the registered office of the Company from 29 April 2009 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

Melissa House
Unit 1.1
Festival Court
Brand Place
Glasgow G51 3DR
Tel: 0141 427 1144
Fax: 0141 427 6644
E-mail: customer.service@asco.uk.com
Website: www.asco.uk.com

GFA Premier Limited

Wistons Lane
Elland
West Yorkshire HX5 9DS
Tel: 01422 377521
Fax: 01422 377524
E-mail: customer.service@gfapremier.co.uk

Hoyles Fire & Safety Limited

Wistons Lane
Elland
West Yorkshire HX5 9DS
Tel: 01422 314351
Fax: 01422 314311
E-mail: 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 314350
Fax: 01422 314311
E-mail: customer.service@lwsafety.co.uk
Website: www.lwsafety.co.uk

M K Fire Limited

56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH
Tel: 01494 769744
Fax: 01494 465378
E-mail: customer.service@mkfire.co.uk
Website: www.mkfire.co.uk

Nu-Swift International Limited

Wistons Lane
Elland
West Yorkshire HX5 9DS
Tel: 01422 372852
Fax: 01422 379569
E-mail: customer.service@nuswift.co.uk
Website: www.nu-swift.co.uk

TVF (UK) Limited

56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH
Tel: 01494 450641
Fax: 01494 465378
E-mail: customer.service@tvfplc.co.uk
Website: www.tvfplc.co.uk

United Fire Alarms Limited

Wistons Lane
Elland
West Yorkshire HX5 9DS
Tel: 0845 6015836
Fax: 0845 6015837
E-mail: customer.service@utdfa.co.uk
Website: www.unitedfirealarms.co.uk

BELGIUM

All-Protec N.V.

Bogaertstraat 16
9910 Knesslare
Tel: 00 32 9375 2044
Fax: 00 32 9374 6895
E-mail: info@all-protec.be

Ansul S.A.

Industrialaan 35
B-1702 Groot-Bijgaarden
Tel: 00 32 2467 7211
Fax: 00 32 2466 4456
E-mail: mail@ansul.be
Website: www.ansul.be

Dimex Technics S.A.

42 rue de l'église
4710 Lontzen Herbesthal
Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
E-mail: info@dimex-technics.be

Importex S.A.

42 rue de l'église
4710 Lontzen Herbesthal
Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
E-mail: info@importex.be

SAS Sprl

42 rue de l'église
4710 Lontzen Herbesthal
Tel: 00 32 8788 0242
Fax: 00 32 8788 3766
E-mail: info@dimex-technics.be

Somati FIE N.V.

Industrielaan 19a
9320 Erembodegem
Tel: 00 32 5385 2222
Fax: 00 32 5385 2221
E-mail: info@somatiFIE.be

HOLLAND

Ansul B.V.

Platinastraat 15 NL 8211
AR Lelystad
Tel: 00 31 320 240864
Fax: 00 31 320 247707
E-mail: info@ansul.nl

Nu-Swift Brandbeveiliging B.V.

Ringoven 45
6826 TP Arnhem
Tel: 00 31 263 630330
Fax: 00 31 263 640828
E-mail: info@nu-swift.nl

AUSTRIA

Total Firestop G.m.b.H.

Percostrasse 15
1220 Wien
Tel: 00 431 259 36310
Fax: 00 431 259 363118
E-mail: info@total.at

LONDON SECURITY PLC

Wistons Lane

Elland

West Yorkshire

HX5 9DS

Website: www.londonsecurity.org