London Security plc

Unaudited Interim Statement for
the six months ended 30 June 2013

London Security plc is a leader in Europe's fire security industry. Each year we provide fire protection for over **170,000** customers through our local presence in the **United Kingdom, Belgium, the Netherlands, Austria and Luxembourg.**

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

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

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

In this report

Chairman's statement

Financial highlights

Revenue	Operating profit
£47.8 million	**£9.0 million**
2012: £47.6 million	2012: £9.8 million

Trading and prospects

The financial highlights illustrate that the Group's revenue increased by £0.2 million (0.4%) to £47.8 million and operating profit decreased by £0.8 million (8.2%) to £9.0 million. This decline in profit arises from two main sources. Firstly, 2011 and 2012's figures benefited from legislative changes concerning PFOS foam extinguishers which resulted in higher than normal sales in those periods. This ceased in the second quarter of 2012. Secondly, the Group has been successful in replacing lost customers with new customers but generally at lower margins. However, the movement in the Sterling to Euro average exchange rate (1.21 to 1.18) has increased like for like revenue by £1.0 million and operating profit by £0.2 million.

The profit before income tax in 2012 of £15.5 million included £5.9 million from the sale of land in Elland, West Yorkshire. Adjusting for this item, profit before income tax would have been £9.6 million.

The Group's borrowings were refinanced in May 2013 and the Group has a new £20 million facility until 2018. This will be repaid at the rate of £2 million per year over five years with a £10 million repayment at maturity. The multi-currency loan will be denominated £6 million in Sterling and £14 million in Euros. The Group has entered into interest rate agreements fixing LIBOR to 1.04% and EURIBOR to 0.85% plus a margin of between 0.6% and 1.5% to take advantage of the low market interest rates prevailing at the time. The agreements took effect from May 2013 and remain in effect until the loans are repaid in 2018.

In the six months to the end of June the Group has acquired a total of five well established businesses in the UK and Austria at a cost of £3.3 million (2012: eight businesses at a cost of £1.2 million). In July three further acquisitions were made in the UK at a cost of £1.7 million. The integration of these businesses into the Group has, so far, been successful and results are in line with expectations. It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board.

Economic growth in the Group's market has been depressed. Despite signs of a slow recovery, our market reflects reduced customer confidence and consequent reluctance to invest in our products. However, as a leading provider in this market with a well-diversified and loyal customer base, the Board believes we are in a strong position to face further challenges in 2013.

Dividends

A final dividend in respect of 2012 of £0.38 per ordinary share was paid to shareholders on 8 July 2013.

J.G. Murray
Chairman
30 September 2013

Consolidated income statement

for the six months ended 30 June 2013

	Note	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Revenue		**47,782**	47,647	94,128
Cost of sales		**(9,280)**	(9,090)	(18,164)
Gross profit		**38,502**	38,557	75,964
Distribution costs		**(18,196)**	(18,091)	(35,268)
Administrative expenses		**(11,346)**	(10,685)	(21,267)
Operating profit		**8,960**	9,781	19,429
EBITDA*		**10,842**	11,629	23,041
Depreciation and amortisation		**(1,882)**	(1,848)	(3,612)
Operating profit		**8,960**	9,781	19,429
Profit on the disposal of fixed assets	3	**–**	5,928	5,928
Finance income		**73**	372	721
Finance costs		**(242)**	(566)	(965)
Finance costs – net		**(169)**	(194)	(244)
Profit before income tax		**8,791**	15,515	25,113
Income tax expense		**(2,842)**	(3,174)	(6,115)
Profit for the period attributable to equity shareholders of the Company		**5,949**	12,341	18,998
Earnings per share				
Basic and diluted	4	**48.5p**	100.6p	154.9p
Dividends				
Dividends paid per share		**Nil**	25.0p	54.0p

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

The above are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the six months ended 30 June 2013

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Profit for the financial period	**5,949**	12,341	18,998
Other comprehensive income/(expense):			
– currency translation differences on foreign operation consolidation, net of tax	**1,001**	(718)	(507)
– actuarial loss recognised in pension scheme	**—**	—	(491)
– movement on deferred tax relating to pension scheme	**—**	—	180
– net pension asset not recognised due to uncertainty over future recoverability	**—**	—	(573)
Other comprehensive income/(expense) for the period, net of tax	**1,001**	(718)	(1,391)
Total comprehensive income for the period	**6,950**	11,623	17,607

Consolidated statement of changes in equity

for the six months ended 30 June 2013

	Share capital £'000	Share premium £'000	Capital redemption £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	123	344	1	2,033	5,889	57,648	66,038
Comprehensive income for the period							
Profit for the period	—	—	—	—	—	12,341	12,341
Exchange adjustments	—	—	—	—	(718)	—	(718)
Total comprehensive income for the period	—	—	—	—	(718)	12,341	11,623
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(3,065)	(3,065)
– purchase of own shares	—	—	—	—	—	(5)	(5)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(3,070)	(3,070)
At 30 June 2012	123	344	1	2,033	5,171	66,919	74,591
Comprehensive income for the period							
Profit for the period	—	—	—	—	—	6,657	6,657
Exchange adjustments	—	—	—	—	211	—	211
Actuarial loss on pension scheme	—	—	—	—	—	(491)	(491)
Movement on deferred tax relating to pension scheme	—	—	—	—	—	180	180
Net pension asset not recognised due to uncertainty over future recoverability	—	—	—	—	—	(573)	(573)
Total comprehensive income for the period	—	—	—	—	211	5,773	5,984
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(3,556)	(3,556)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(3,556)	(3,556)
At 31 December 2012	123	344	1	2,033	5,382	69,136	77,019
Comprehensive income for the period							
Profit for the period	—	—	—	—	—	5,949	5,949
Exchange adjustments	—	—	—	—	1,001	—	1,001
Total comprehensive income for the period	—	—	—	—	1,001	5,949	6,950
At 30 June 2013	**123**	**344**	**1**	**2,033**	**6,383**	**75,085**	**83,969**

Consolidated statement of financial position

for the six months ended 30 June 2013

	Unaudited as at 30 June 2013 £'000	Unaudited as at 30 June 2012 £'000	Audited as at 31 December 2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	**9,947**	7,997	9,511
Intangible assets	**57,539**	53,374	54,455
Deferred income tax asset	**509**	498	488
	67,995	61,869	64,454
Current assets			
Inventories	**9,637**	8,656	9,123
Trade and other receivables	**21,497**	22,088	18,512
Cash and cash equivalents	**24,645**	18,706	17,861
	55,779	49,450	45,496
Total assets	**123,774**	111,319	109,950
Liabilities			
Current liabilities			
Trade and other payables	**(17,606)**	(16,057)	(15,767)
Income tax liabilities	**(631)**	(520)	(65)
Borrowings	**(1,968)**	(18,367)	(15,060)
Derivative financial instruments	**—**	(150)	(99)
Provision for liabilities and charges	**(4)**	(231)	(4)
	(20,209)	(35,325)	(30,995)
Non-current liabilities			
Trade and other payables	**(494)**	(505)	(427)
Borrowings	**(17,373)**	—	—
Derivative financial instruments	**(99)**	—	—
Deferred income tax liabilities	**(394)**	(254)	(333)
Retirement benefit obligations	**(1,236)**	(644)	(1,176)
	(19,596)	(1,403)	(1,936)
Total liabilities	**(39,805)**	(36,728)	(32,931)
Net assets	**83,969**	74,591	77,019
Shareholders' equity			
Ordinary shares	**123**	123	123
Share premium	**344**	344	344
Capital redemption reserve	**1**	1	1
Merger reserve	**2,033**	2,033	2,033
Other reserves	**6,383**	5,171	5,382
Retained earnings	**75,085**	66,919	69,136
Total shareholders' equity	**83,969**	74,591	77,019

Consolidated statement of cash flow

for the six months ended 30 June 2013

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Cash flows from operating activities			
Cash generated from operations	**10,455**	10,637	20,621
Interest paid	**(212)**	(229)	(419)
Income tax paid	**(3,195)**	(4,000)	(7,051)
Net cash generated from operating activities	**7,048**	6,408	13,151
Cash flows from investing activities			
Acquisition of subsidiary undertakings	**(3,095)**	(276)	(1,226)
Purchases of property, plant and equipment	**(1,212)**	(2,968)	(5,402)
Proceeds from sale of intangible assets	**—**	—	1
Proceeds from sale of property, plant and equipment	**156**	3,901	7,146
Purchases of intangible assets	**(482)**	(624)	(1,162)
Interest received	**43**	89	217
Net cash (used in)/generated from investing activities	**(4,590)**	122	(426)
Cash flows from financing activities			
Repayments of borrowings	**(13,718)**	(7,265)	(10,658)
New borrowings	**17,373**	—	—
Purchase of own shares	**—**	(5)	(5)
Dividends paid to Company's shareholders	**—**	(3,065)	(6,621)
Net cash generated from/(used in) financing activities	**3,655**	(10,335)	(17,284)
Effects of exchange rates on cash and cash equivalents	**671**	(532)	(623)
Net increase/(decrease) in cash in the period	**6,784**	(4,337)	(5,182)
Cash and cash equivalents at beginning of the period	**17,861**	23,043	23,043
Cash and cash equivalents at end of the period	**24,645**	18,706	17,861

Notes to the financial statements

for the six months ended 30 June 2013

1 Nature of information

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditor and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2013 has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2012, except for the following change.

Standard effective from 1 Jan 2013 that would be expected to impact the Group:

> IAS 19 revised, which contains the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit obligation.

Comparative figures for the year ended 31 December 2012 have been extracted from the statutory accounts for the year ended 31 December 2012 which have been delivered to the Registrar of Companies. The Independent Auditor's Report on those accounts was unqualified and did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

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

3 Profit on the disposal of fixed assets

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

4 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £5,949,000 (2012: £12,341,000) and on 12,261,477 (2012: 12,261,496) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

For diluted earnings per ordinary share, the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. There was no difference in the weighted average number of shares used for the calculation of basic and diluted earnings per share as there are no potentially dilutive shares outstanding.

	Unaudited six months ended 30 June 2013 £'000	Unaudited six months ended 30 June 2012 £'000	Audited year ended 31 December 2012 £'000
Profit on ordinary activities after taxation	**5,949**	12,341	18,998
Basic earnings per ordinary share	**48.5p**	100.6p	154.9p

5 Actuarial valuation of the pension scheme

As permitted under IAS 19 the Group has not prepared an actuarial valuation of the pension scheme assets and liabilities for the Interim Statement 2013. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2013.

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