

London Security plc

Unaudited Interim Statement for
the six months ended 30 June 2012



Corporate statement

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, 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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Chairman's statement

Financial highlights:

Revenue

£47.6 million

2011: £47.9 million

Operating profit

£9.8 million

2011: £9.9 million

Profit before income tax

£15.5 million

2011: £9.7 million

Trading and prospects

The financial highlights illustrate that the Group's revenue decreased by £0.3 million (0.6%) to £47.6 million and operating profit decreased by £0.1 million (1%) to £9.8 million. The movement in the Sterling to Euro average exchange rate (1.14 to 1.21) has decreased like for like revenue by £2.3 million and operating profit by £0.5 million. These results reflect a consolidation of the strong growth experienced in 2011 in our core market, entry into fixed suppression systems and greater investment in customer retention. The profit before income tax of £15.5 million includes £5.9 million which is discussed further below. Adjusting for this item profit before income tax would be £9.6 million, a decrease of £0.1 million on 2011.

During the period under review the Group sold part of its Elland, West Yorkshire site. The sale realised £7.2 million and the profit on sale was £5.9 million. A new factory and office building at Elland is under construction and is expected to be operational later this year. The cost of this building and associated new equipment is expected to be £3.4 million.

The Group's borrowings are due for repayment by June 2013 and are therefore disclosed as current liabilities. Negotiations are taking place with several interested financial institutions with the purpose of refinancing these borrowings. Your Directors are confident of successfully concluding these negotiations early in 2013.

In the six months to the end of June the Group has acquired a total of eight small well established businesses in the UK, the Netherlands and Austria at a cost of £1.2 million (2011: ten businesses at a cost of £2 million). In July three further acquisitions were

made at a cost of £1.7 million in the Netherlands and Luxembourg. 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.

Trading prospects for the second half of 2012 will continue to be challenging but, with the effect of past and potential acquisitions and our multi-service offering, we are in a strong position to face the challenges that will invariably present. In 2011 the Group benefitted from certain legislative changes which will not be repeated in 2012. Despite this, and the depreciation of the Euro against the reporting currency of Sterling, the Group is likely to report a similar level of operating profit in 2012.

Dividends

An interim dividend in respect of 2012 of £0.25 per ordinary share was paid to shareholders on 22 June 2012.

J.G. Murray

Chairman

28 September 2012

Consolidated income statement

for the six months ended 30 June 2012

	Note	Unaudited six months ended 30 June 2012 £'000	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Revenue		47,647	47,900	96,267
Cost of sales		(8,856)	(9,762)	(19,481)
Gross profit		38,791	38,138	76,786
Distribution costs		(18,426)	(17,861)	(35,474)
Administrative expenses		(10,584)	(10,402)	(20,554)
Operating profit		9,781	9,875	20,758
EBITDA*		11,629	11,723	24,549
Depreciation and amortisation		(1,848)	(1,848)	(3,791)
Operating profit		9,781	9,875	20,758
Profit on the disposal of fixed assets	3	5,921	—	—
Finance income		379	319	855
Finance costs		(566)	(523)	(1,286)
Finance costs – net		(187)	(204)	(431)
Profit before income tax		15,515	9,671	20,327
Income tax expense		(3,174)	(3,067)	(6,199)
Profit for the period attributable to equity shareholders of the Company		12,341	6,604	14,128
Earnings per share				
Basic and diluted	4	100.6p	53.8p	115.2p
Dividends				
Dividends paid per share		25.0p	24.0p	24.0p

* 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 2012

	Unaudited six months ended 30 June 2012 £'000	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Profit for the financial period	12,341	6,604	14,128
Other comprehensive (expense)/income:			
– currency translation differences on foreign operation consolidation, net of tax	(718)	472	(421)
– actuarial gain recognised in pension scheme	—	—	(68)
– movement on deferred tax relating to pension scheme	—	—	16
– net pension asset not recognised due to uncertainty over future recoverability	—	—	(568)
Other comprehensive (expense)/income for the period, net of tax	(718)	472	(1,041)
Total comprehensive income for the period	11,623	7,076	13,087

Consolidated statement of changes in equity

for the six months ended 30 June 2012

	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 2011	123	—	—	2,033	6,310	47,567	56,033
Comprehensive income for the period							
Profit for the period	—	—	—	—	—	6,604	6,604
Exchange adjustments	—	—	—	—	472	—	472
Total comprehensive income for the period	—	—	—	—	472	6,604	7,076
Contributions by and distributions to owners of the Company:							
– issue of shares	—	344	—	—	—	—	344
– dividends	—	—	—	—	—	(2,944)	(2,944)
– purchase of own shares	—	—	1	—	—	(454)	(453)
Total contributions by and distributions to owners of the Company	—	344	1	—	—	(3,398)	(3,053)
At 30 June 2011	123	344	1	2,033	6,782	50,773	60,056
Comprehensive income for the period							
Profit for the period	—	—	—	—	—	7,524	7,524
Exchange adjustments	—	—	—	—	(893)	—	(893)
Actuarial loss on pension scheme	—	—	—	—	—	(68)	(68)
Movement on deferred tax relating to pension scheme	—	—	—	—	—	16	16
Net pension asset not recognised due to uncertainty over future recoverability	—	—	—	—	—	(568)	(568)
Total comprehensive income for the period	—	—	—	—	(893)	6,904	6,011
Contributions by and distributions to owners of the Company:							
– purchase of own shares	—	—	—	—	—	(29)	(29)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(29)	(29)
At 31 December 2011	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

Consolidated statement of financial position

for the six months ended 30 June 2012

	Unaudited as at 30 June 2012 £'000	Unaudited as at 30 June 2011 £'000	Audited as at 31 December 2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	7,997	8,195	7,389
Intangible assets	53,374	53,711	53,454
Deferred income tax asset	498	623	500
	61,869	62,529	61,343
Current assets			
Inventories	8,656	8,794	8,329
Trade and other receivables	22,088	19,245	18,373
Cash and cash equivalents	18,706	20,267	23,043
	49,450	48,306	49,745
Total assets	111,319	110,835	111,088
Liabilities			
Current liabilities			
Trade and other payables	(16,057)	(16,998)	(15,919)
Income tax liabilities	(520)	(339)	(1,004)
Borrowings	(18,367)	(7,487)	(7,030)
Derivative financial instruments	(150)	—	—
Provision for liabilities and charges	(231)	(4)	(109)
	(35,325)	(24,828)	(24,062)
Non-current liabilities			
Trade and other payables	(505)	(536)	(526)
Borrowings	—	(24,396)	(19,329)
Derivative financial instruments	—	(17)	(103)
Deferred income tax liabilities	(254)	(330)	(359)
Retirement benefit obligations	(644)	(672)	(671)
	(1,403)	(25,951)	(20,988)
Total liabilities	(36,728)	(50,779)	(45,050)
Net assets	74,591	60,056	66,038
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	5,171	6,782	5,889
Retained earnings	66,919	50,773	57,648
Total shareholders' equity	74,591	60,056	66,038

Consolidated statement of cash flow

for the six months ended 30 June 2012

	Unaudited six months ended 30 June 2012 £'000	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Cash flows from operating activities			
Cash generated from operations	10,637	11,010	22,887
Interest paid	(229)	(323)	(626)
Income tax paid	(4,000)	(3,674)	(6,027)
Net cash generated from operating activities	6,408	7,013	16,234
Cash flows from investing activities			
Acquisition of subsidiary undertakings	(276)	(948)	(1,390)
Purchases of property, plant and equipment	(2,968)	(1,382)	(2,332)
Proceeds from sale of property, plant and equipment	3,901	142	300
Purchases of intangible assets	(624)	(1,065)	(1,653)
Interest received	89	106	266
Net cash used in investing activities	122	(3,147)	(4,809)
Cash flows from financing activities			
Repayments of borrowings	(7,265)	(3,703)	(7,252)
Purchase of own shares	(5)	(453)	(482)
Issue of shares	—	344	344
Dividends paid to Company's shareholders	(3,065)	(2,944)	(2,944)
Net cash used in financing activities	(10,335)	(6,756)	(10,334)
Effects of exchange rates on cash and cash equivalents	(532)	871	(334)
Net (decrease)/increase in cash in the period	(4,337)	(2,019)	757
Cash and cash equivalents at beginning of the period	23,043	22,286	22,286
Cash and cash equivalents at end of the period	18,706	20,267	23,043

Notes to the financial statements

for the six months ended 30 June 2012

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 2012 is unaudited and has been prepared on the basis of the recognition and measurement requirements of adopted International Financial Reporting Standards ("IFRS") as at 30 June 2012 that are effective as at 31 December 2011 and the accounting policies set out in the Group's Annual Report and Accounts 2011. Comparative figures for the year ended 31 December 2011 have been extracted from the statutory accounts for the year ended 31 December 2011 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 £12,341,000 (2011: £6,604,000) and on 12,261,496 (2011: 12,268,014) 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 2012 £'000	Unaudited six months ended 30 June 2011 £'000	Audited year ended 31 December 2011 £'000
Profit on ordinary activities after taxation	12,341	6,604	14,128
Basic earnings per ordinary share	100.6p	53.8p	115.2p

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 2012. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2012.

Directors and company advisers

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Jean-Jacques Murray
Vice Chairman

Xavier Mignolet
Operations Director

Emmanuel Sebag
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Jean-Pierre Murray
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