

A leader in Europe's
fire security industry.

London Security plc

Unaudited Interim Statement for the six months ended 30 June 2017



Chairman's statement

J.G. Murray, Chairman

Financial highlights

- Revenue £60.6m (2016: £56.3m)
- Operating profit £9.5m (2016: £9.3m)
- Earnings per share 51.5p (2016: 49.6p)

Trading

The financial highlights illustrate that the Group's revenue increased by £4.3 million (7.6%) to £60.6 million. However, these results are impacted by the movement in the Euro to Sterling average exchange rate over the period, which has decreased from 1.28 to 1.16. This movement in exchange rates had a positive effect of £4.5 million on reported turnover. If the 2017 results had been translated at 2016 rates, revenue would have been £56.1 million instead of £60.6 million, an adjusted decrease of 0.4%. The revenue movement can be attributed to business acquisitions, fluctuations in service patterns and increased competition in our core market.

Operating profit increased by £0.2 million (2.2%) to £9.5 million. Adjusting for the change in exchange rates on the same basis as above, operating profit would have been £8.7 million instead of £9.5 million (an adjusted decrease of 6.5%). Operating profit as a percentage of turnover has fallen from 16.5% to 15.7% as costs including amortisation of service contracts and brands have increased.

Acquisitions

In the six months to the end of June, the Group has acquired a total of six well established businesses at a cost of £1.1 million (2016: seven businesses 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.

Financing

In May 2013 the Group entered into a new £19.7 million facility until 2018. This facility reaches maturity in May 2018 and the outstanding portion of this facility, £11.9 million, is therefore disclosed as short-term borrowings in this Interim Statement. Negotiations are in progress and your Board is confident of renewing this facility prior to maturity in 2018.

Prospects

The fire security market is experiencing increased competition and downward pressure on prices. Our strategy is to continue to concentrate on the highest levels of customer service to mitigate this. We do not expect the economic environment to get any easier in 2017. Nonetheless your Group remains in a strong position and will continue to focus on meeting the needs of our customers and our shareholders.

Dividends

A final dividend in respect of 2016 of £0.40 per ordinary share was paid to shareholders on 5 July 2017.

J.G. Murray

Chairman

19 September 2017

Consolidated income statement

for the six months ended 30 June 2017

	Note	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Revenue		60,631	56,295	114,845
Cost of sales		(12,213)	(12,053)	(23,638)
Gross profit		48,418	44,242	91,207
Distribution costs		(23,682)	(20,765)	(42,191)
Administrative expenses		(15,250)	(14,152)	(28,154)
Operating profit		9,486	9,325	20,862
EBITDA*		12,382	11,926	26,321
Depreciation and amortisation		(2,896)	(2,601)	(5,459)
Operating profit		9,486	9,325	20,862
Finance income		87	19	176
Finance costs		(187)	(258)	(433)
Finance costs – net		(100)	(239)	(257)
Profit before income tax		9,386	9,086	20,605
Income tax expense		(3,068)	(2,999)	(6,822)
Profit for the period attributable to equity shareholders of the Company		6,318	6,087	13,783
Earnings per share				
Basic and diluted	3	51.5p	49.6p	112.4p
Dividends				
Dividends paid per share		Nil	Nil	80.0p

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

The above are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Profit for the financial period	6,318	6,087	13,783
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
– currency translation differences on foreign operation consolidation, net of tax	836	3,503	4,441
– actuarial gain recognised in the Nu-Swift pension scheme	–	–	263
– movement on deferred tax relating to the Nu-Swift pension scheme	–	–	(92)
– actuarial loss recognised in the Ansul pension scheme	–	–	(200)
– movement on deferred tax relating to the Ansul pension scheme	–	–	61
Other comprehensive income for the period, net of tax	836	3,503	4,473
Total comprehensive income for the period	7,154	9,590	18,256

Consolidated statement of changes in equity

for the six months ended 30 June 2017

	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 2016	123	344	1	2,033	2,590	82,932	88,023
Comprehensive income for the period:							
– profit for the period	–	–	–	–	–	6,087	6,087
– exchange adjustments	–	–	–	–	3,503	–	3,503
Total comprehensive income for the period	–	–	–	–	3,503	6,087	9,590
At 30 June 2016	123	344	1	2,033	6,093	89,019	97,613
Comprehensive income for the period:							
– profit for the period	–	–	–	–	–	7,696	7,696
– exchange adjustments	–	–	–	–	938	–	938
– actuarial loss on pension schemes	–	–	–	–	–	63	63
– movement on deferred tax relating to pension schemes	–	–	–	–	–	(31)	(31)
Total comprehensive income for the period	–	–	–	–	938	7,728	8,666
Contributions by and distributions to owners of the Company:							
– dividends	–	–	–	–	–	(9,726)	(9,726)
Total contributions by and distributions to owners of the Company	–	–	–	–	–	(9,726)	(9,726)
At 31 December 2016	123	344	1	2,033	7,031	87,021	96,553
Comprehensive income for the period:							
– profit for the period	–	–	–	–	–	6,318	6,318
– exchange adjustments	–	–	–	–	836	–	836
Total comprehensive income for the period	–	–	–	–	836	6,318	7,154
At 30 June 2017	123	344	1	2,033	7,867	93,339	103,707

Consolidated statement of financial position

as at 30 June 2017

	Unaudited as at 30 June 2017 £'000	Unaudited as at 30 June 2016 £'000	Audited as at 31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	11,301	10,596	10,937
Intangible assets	62,625	62,358	62,749
Deferred tax asset	948	787	919
Retirement benefit surplus	3,574	3,196	3,574
	78,448	76,937	78,179
Current assets			
Inventories	12,408	11,166	11,095
Trade and other receivables	23,687	23,707	23,138
Cash and cash equivalents	27,542	25,997	22,602
	63,637	60,870	56,835
Total assets	142,085	137,807	135,014
Liabilities			
Current liabilities			
Trade and other payables	(20,557)	(21,168)	(19,344)
Income tax liabilities	(633)	(839)	(1,180)
Borrowings	(11,940)	(1,836)	(1,870)
Derivative financial instruments	(115)	—	—
Provision for liabilities and charges	(35)	(35)	(35)
	(33,280)	(23,878)	(22,429)
Non-current liabilities			
Trade and other payables	(960)	(803)	(957)
Borrowings	—	(11,519)	(10,789)
Derivative financial instruments	—	(244)	(172)
Deferred income tax liabilities	(1,633)	(1,649)	(1,705)
Retirement benefit obligations	(2,339)	(1,909)	(2,279)
Provision for liabilities and charges	(168)	(192)	(130)
	(5,098)	(16,316)	(16,032)
Total liabilities	(38,378)	(40,194)	(38,461)
Net assets	103,707	97,613	96,553
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	7,867	6,093	7,031
Retained earnings	93,339	89,019	87,021
Total shareholders' equity	103,707	97,613	96,553

Consolidated statement of cash flow

for the six months ended 30 June 2017

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Cash flows from operating activities			
Cash generated from operations	12,673	14,436	26,059
Interest paid	(187)	(204)	(408)
Income tax paid	(4,310)	(4,391)	(7,213)
Net cash generated from operating activities	8,176	9,841	18,438
Cash flows from investing activities			
Acquisition of subsidiary undertakings	(785)	(1,324)	(2,222)
Purchases of property, plant and equipment	(1,590)	(1,333)	(2,774)
Proceeds from sale of property, plant and equipment	162	168	323
Purchases of intangible assets	(659)	(2,024)	(1,662)
Interest received	30	19	43
Net cash used in investing activities	(2,842)	(4,494)	(6,292)
Cash flows from financing activities			
Repayments of borrowings	(850)	(869)	(1,819)
Dividends paid to Company's shareholders	—	—	(9,726)
Net cash used in financing activities	(850)	(869)	(11,545)
Effects of exchange rates on cash and cash equivalents	456	1,783	2,265
Net increase in cash in the period	4,940	6,261	2,866
Cash and cash equivalents at the beginning of the period	22,602	19,736	19,736
Cash and cash equivalents at the end of the period	27,542	25,997	22,602

Notes to the financial statements

for the six months ended 30 June 2017

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 2017 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 2016. The principal risks and uncertainties as disclosed in the year end accounts are considered to be consistent with those that are still applicable now.

Comparative figures for the year ended 31 December 2016 have been extracted from the statutory accounts for the year ended 31 December 2016, 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 or any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

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

3 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £6,318,000 (2016: £6,087,000) and on 12,261,477 (2016: 12,261,477) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

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

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited year ended 31 December 2016 £'000
Profit on ordinary activities after taxation	6,318	6,087	13,783
Basic earnings per ordinary share	51.5p	49.6p	112.4p

4 Actuarial valuation of the pension scheme

As permitted under IAS 19 the Group has not prepared an actuarial valuation of the pension scheme assets and liabilities for the Interim Statement 2017. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2017.

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