

**A leader
in Europe's
fire security
industry.**



London Security plc

Unaudited Interim Statement for
the six months ended 30 June 2020

Chairman's statement

J.G. Murray, Chairman

FINANCIAL HIGHLIGHTS

- Revenue £67.2m (2019: £71.7m)
- Operating profit £7.6m (2019: £10.5m)
- Earnings per share 39.9p (2019: 57.9p)

Trading

The financial highlights illustrate that the Group's revenue decreased by £4.5 million (6.3%) to £67.2 million.

Operating profit decreased by £2.9 million (27.6%) to £7.6 million.

The period under review reflects the impact from the coronavirus outbreak, which has significantly impacted all the countries in which we operate. Although there has been some return to normality in our business, some customers remain closed and there are still restrictions on our operations. We must be prepared for further disruption should a second wave materialise in any of the countries in which we operate.

Acquisitions

In the six months to the end of June, the Group has made no 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.

Cash and financing

The Group's cash balance as at 30 June 2020 was £34.4 million. This is an increase of £7.3 million on the 31 December 2019 balance of £27.1 million.

In May 2018 the Group entered into a new five year multi-currency facility until 2023 comprising £3.15 million and €8.40 million. To limit our exposure to increasing interest rates these loans are subject to interest rate caps of 1.5% LIBOR on the Sterling loan and 0.25% EURIBOR on the Euro loan.

Prospects

As the situation continues, cash management will be a key consideration; the London Security Group has a healthy balance sheet, strong cash reserves and a track record for good cash generation. Debt recovery remains consistent with previous years and staff costs will be controlled using the furlough process where applicable. The Board therefore considers that its strong balance sheet and material net cash position mean that it is well placed to navigate through the impact of the coronavirus outbreak.

Dividends

A final dividend in respect of 2019 of £0.20 per ordinary share was paid to shareholders on 10 July 2020.

J.G. Murray
Chairman

15 September 2020

Consolidated income statement

for the six months ended 30 June 2020

	Note	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Revenue		67,164	71,737	146,920
Cost of sales		(16,452)	(17,932)	(36,293)
Gross profit		50,712	53,805	110,627
Distribution costs		(26,310)	(26,253)	(54,140)
Administrative expenses		(16,768)	(17,025)	(32,333)
Operating profit		7,634	10,527	24,154
EBITDA*		11,951	14,474	32,503
Depreciation and amortisation		(4,317)	(3,947)	(8,349)
Operating profit		7,634	10,527	24,154
Finance income		21	23	142
Finance costs		(96)	(121)	(254)
Finance costs – net		(75)	(98)	(112)
Profit before income tax		7,559	10,429	24,042
Income tax expense		(2,602)	(3,237)	(7,229)
Profit for the period		4,957	7,192	16,813
Profit is attributable to				
Equity shareholders of the Company		4,895	7,103	16,653
Non-controlling interest		62	89	160
		4,957	7,192	16,813
Earnings per share				
Basic and diluted	3	39.9p	57.9p	135.8p
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 2020

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Profit for the financial period	4,957	7,192	16,813
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	3,196	47	(2,389)
– actuarial gain recognised in the Nu-Swift pension scheme	–	–	414
– movement on deferred tax relating to the Nu-Swift pension scheme	–	–	(145)
– actuarial loss recognised in the Ansul pension scheme	–	–	(412)
– movement on deferred tax relating to the Ansul pension scheme	–	–	103
Other comprehensive income for the period, net of tax	3,196	47	(2,429)
Total comprehensive income for the period	8,153	7,239	14,384

Consolidated statement of changes in equity

for the six months ended 30 June 2020

	Share capital £'000	Share premium £'000	Capital redemption £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2019	123	344	1	2,033	8,831	100,078	302	111,712
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	7,103	89	7,192
– exchange adjustments	–	–	–	–	47	–	–	47
Total comprehensive income for the period	–	–	–	–	47	7,103	89	7,239
Distribution to non-controlling interest	–	–	–	–	–	–	(23)	(23)
At 30 June 2019	123	344	1	2,033	8,878	107,181	368	118,928
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	9,550	71	9,621
– exchange adjustments	–	–	–	–	(2,436)	–	–	(2,436)
– actuarial gain on pension schemes	–	–	–	–	–	2	–	2
– movement on deferred tax relating to pension schemes	–	–	–	–	–	(42)	–	(42)
Total comprehensive income for the period	–	–	–	–	(2,436)	9,510	71	7,145
Contributions by and distributions to owners of the Company:								
– dividends	–	–	–	–	–	(9,809)	–	(9,809)
Distribution to non-controlling interest	–	–	–	–	–	–	(90)	(90)
At 31 December 2019	123	344	1	2,033	6,442	106,882	349	116,174
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	4,895	62	4,957
– exchange adjustments	–	–	–	–	3,196	–	–	3,196
Total comprehensive income for the period	–	–	–	–	3,196	4,895	62	8,153
Distribution to non-controlling interest	–	–	–	–	–	–	(159)	(159)
At 30 June 2020	123	344	1	2,033	9,638	111,777	252	124,168

Consolidated statement of financial position

as at 30 June 2020

	Unaudited as at 30 June 2020 £'000	Unaudited as at 30 June 2019 £'000	Audited as at 31 December 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	13,308	12,921	12,164
Right-of-use assets	2,382	2,752	2,360
Intangible assets	67,502	67,548	67,504
Deferred tax asset	779	807	683
Retirement benefit surplus	4,959	4,430	4,959
	88,930	88,458	87,670
Current assets			
Inventories	15,182	14,613	13,434
Trade and other receivables	32,499	29,129	27,822
Cash and cash equivalents	34,422	28,869	27,143
	82,103	72,611	68,399
Total assets	171,033	161,069	156,069
Liabilities			
Current liabilities			
Trade and other payables	(29,119)	(23,808)	(23,158)
Income tax liabilities	(2,311)	(1,145)	(987)
Borrowings	(2,139)	(2,125)	(2,048)
Lease liabilities	(1,169)	(1,239)	(1,134)
Provision for liabilities and charges	—	(5)	—
	(34,738)	(28,322)	(27,327)
Non-current liabilities			
Trade and other payables	(1,275)	(1,026)	(850)
Borrowings	(4,270)	(6,379)	(5,122)
Lease liabilities	(1,209)	(1,535)	(1,256)
Derivative financial instruments	(43)	(54)	(47)
Deferred income tax liabilities	(2,873)	(2,756)	(2,909)
Retirement benefit obligations	(2,282)	(1,880)	(2,215)
Provision for liabilities and charges	(175)	(189)	(169)
	(12,127)	(13,819)	(12,568)
Total liabilities	(46,865)	(42,141)	(39,895)
Net assets	124,168	118,928	116,174
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	9,638	8,878	6,442
Retained earnings	111,777	107,181	106,882
Equity attributable to owners of the Parent Company	123,916	118,560	115,825
Non-controlling interest	252	368	349
Total equity	124,168	118,928	116,174

Consolidated statement of cash flow

for the six months ended 30 June 2020

	Unaudited six months ended 30 June 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Cash flows from operating activities			
Cash generated from operations	12,319	13,953	32,363
Interest paid	(66)	(74)	(160)
Income tax paid	(2,323)	(4,414)	(7,639)
Net cash generated from operating activities	9,930	9,465	24,564
Cash flows from investing activities			
Acquisition of subsidiary undertakings	—	(1,007)	(2,264)
Purchases of property, plant and equipment	(2,344)	(2,536)	(3,974)
Proceeds from sale of property, plant and equipment	137	109	329
Purchases of intangible assets	(969)	(2,001)	(2,068)
Interest received	17	23	27
Net cash used in investing activities	(3,159)	(5,412)	(7,950)
Cash flows from financing activities			
Repayments of borrowings	(1,015)	(1,040)	(2,091)
Payment of lease liabilities	(987)	(831)	(1,750)
Dividends paid to Company's shareholders	—	—	(9,809)
Distribution to non-controlling interest	(159)	(23)	(113)
Net cash used in financing activities	(2,161)	(1,894)	(13,763)
Effects of exchange rates on cash and cash equivalents	2,669	600	(1,818)
Net increase in cash in the period	7,279	2,759	1,033
Cash and cash equivalents at the beginning of the period	27,143	26,110	26,110
Cash and cash equivalents at the end of the period	34,422	28,869	27,143

Notes to the financial statements

for the six months ended 30 June 2020

1 Nature of information

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditors 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 2020 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 2019. 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 2019 have been extracted from the statutory accounts for the year ended 31 December 2019, which have been delivered to the Registrar of Companies. The Independent Auditors' 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 £4,895,000 (2019: £7,103,000) and on 12,261,477 (2019: 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 2020 £'000	Unaudited six months ended 30 June 2019 £'000	Audited year ended 31 December 2019 £'000
Profit on ordinary activities after taxation	4,895	7,103	16,653
Basic earnings per ordinary share	39.9p	57.9p	135.8p

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 2020. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2020.

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Jean-Jacques Murray
Vice Chairman

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Managing Director

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Senior Independent Non-Executive Director

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Jean-Pierre Murray
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Marie-Claire Leon
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