London Security plc

Annual Report and Accounts 2020

A leader in Europe's fire security industry.

London Security plc

Each year we provide fire protection for over 258,000 customers through our local presence in the United Kingdom, Belgium, the Netherlands, Austria, France, Germany, Denmark and Luxembourg.

Customer focus.

We continually strive to offer the highest quality of service and products to our valued customers. We employ the best trained and qualified engineers with quality products that have achieved the highest performance ratings to blue chip companies, governments or private individuals.

Our services and products are commercialised through long-established brands.

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.

Our employees are trained to the most stringent servicing standards and we develop the highest performance-rated fire products. These activities are performed whilst considering the preservation of the environment.

More information at **londonsecurity.org**

Highlights

IN THIS REPORT

OUR EUROPEAN GROUP BRANDS

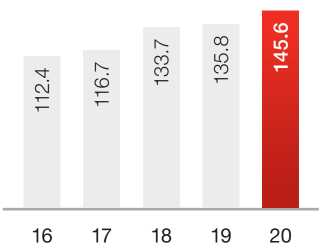
London Security plc continues to deliver industry-leading profit margins since acquiring the Ansul and Nu-Swift businesses. The challenges for the future are to continue to grow through acquisition and organically and to build upon our competitive advantage of being a complete fire protection solution provider.

FINANCIAL HIGHLIGHTS

Earnings per share

145.6p

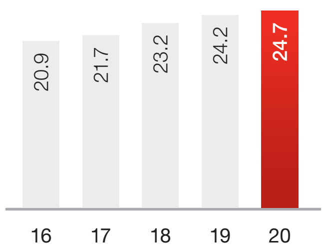
+7.2%



Operating profit

£24.7m

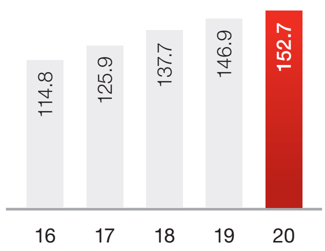
+2.1%



Revenue

£152.7m

+3.9%



Chairman's statement

J.G. Murray, Chairman

FINANCIAL HIGHLIGHTS

Financial highlights of the audited results for the year ended 31 December 2020 compared with the year ended 31 December 2019 are as follows:

- revenue of £152.7 million (2019: £146.9 million);
- operating profit of £24.7 million (2019: £24.2 million);
- profit for the year of £18.0 million (2019: £16.8 million);
- cash of £37.5 million (2019: £27.1 million);
- earnings per share for the year of £1.46 (2019: £1.36); and
- a dividend per share of £0.60 (2019: £0.80).

Trading review

The financial highlights illustrate that the Group's revenue increased by £5.8 million (3.9%) to £152.7 million and operating profit increased by £0.5 million (2.1%) to £24.7 million. These results reflect:

- the positive impact of acquisitions in 2019 and 2020 in the United Kingdom, Belgium and Germany;
- a good response to the impact of Covid-19. Many of our businesses were severely hampered by Covid-19 particularly in the Spring, but most were able to recover quickly through active management of the situation;
- improved performance from our service business in continental Europe;
- continued improvement from newer service offerings (e.g. emergency lights and passive fire protection); and
- the movement in the Euro to Sterling average exchange rate, which had a favourable effect of £1.1 million on reported revenue and £0.3 million on operating profit. A more detailed review of this year's performance is given in the Financial Review and the Strategic Report.

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 prices where an adequate return is envisaged by the Board. In the year under review the Group acquired one established security business and has grown its presence in Germany and the UK with the acquisition of service contracts from smaller well-established businesses for integration into the Group's existing subsidiaries.

Management and staff

2020 was a year in which the staff were required to operate under challenging conditions, and on behalf of the shareholders, I would like to express thanks and appreciation for their contribution as essential service providers. The Group recognises that we can only achieve our aims with talented and dedicated colleagues who provide outstanding customer service in every area of the business.

Dividends

A final dividend in respect of 2019 of £0.20 per ordinary share was paid to shareholders on 10 July 2020. An interim dividend in respect of 2020 of £0.40 per ordinary share was paid to shareholders on 27 November 2020. The Board is recommending the payment of a final dividend in respect of 2020 of £0.40 per ordinary share to be paid on 9 July 2021 to shareholders on the register on 11 June 2021. The shares will be marked ex-dividend on 10 June 2021.

Covid-19 impact assessment

The Group is responsible for maintaining, manufacturing and supplying fire protection and fire suppression equipment throughout Europe and has been designated as essential contractor status by a number of our clients including care, health, housing and food production services. It was essential that we continued to meet our obligations and continued to operate from our factories and that our field-based service engineers continued to visit our customers' sites for essential responsive and planned maintenance.

Many of the components which we are reliant on are sourced from China and we therefore suffered some delays in the delivery of such components in the first quarter of 2020. The Chinese government's response to the outbreak meant that capacity returned over the course of March 2020. Our strategic stockholding meant our production impact was minimised.

With a return to relative normality on the supply side, we focused on customer demand. By the middle of March, the virus had impacted all our European trading territories. Throughout Europe governments responded to the pandemic by applying severe restrictions on movement and introducing social distancing measures which forced many of our customers to temporarily close. We prepared the business for varying levels of sales declines by temporarily reducing staff levels in some locations. We took advantage of government job retention schemes to finance this approach in order that staff were available to return to work as restrictions were lifted and non-essential businesses reopened. A claim of £1.5 million was made under the UK Coronavirus Job Retention Scheme and £0.4 million under a similar scheme in Austria. In Belgium we took advantage of their temporary unemployment scheme which resulted in employee cost savings in 2020.

During this period of uncertainty we stayed in constant contact with our staff, customers, banks and advisers to ensure clear and concise communication. Our priority was to do all we could to ensure that our offices, depots and services were kept as safe as possible, in order to protect our employees and business partners at all times. Many of our employees and customers are experiencing very difficult circumstances and we continue to support them in many ways. The health and wellbeing of our people is our highest priority. We are thankful and proud of our team members who continue to respond as essential service providers.

During the third and fourth quarters of 2020 the Group traded strongly despite the interruptions caused by varying levels of temporary restrictions imposed by the governments of the countries in which we operate. This reflects the essential nature of the services we provide. Temporary restrictions are still in place across Europe and are subject to change at short notice. However, at the date of this report we have almost a full service force in the field and have experienced a strong start to 2021. The experience of 2020 shows the resilience of our business.

Future 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. The Board therefore considers that the Group is well placed to navigate through the impact of the Covid-19 outbreak and capitalise on the rebound in the economy created by the vaccine programmes as they gain momentum through 2021.

Annual General Meeting

The Annual General Meeting ("AGM") will be held at 2 Jubilee Way, Elland, West Yorkshire HX5 9DY, on 30 June 2021 at 11.30 am. Under the UK government's roadmap it is possible that the prohibition on non-essential travel and public gatherings will have ended and it will be possible for shareholders to attend the AGM in person. However, we strongly encourage shareholders to vote on all resolutions by completing the enclosed form of proxy for use at that Meeting, which you are requested to return in accordance with the instructions on the form.

J.G. Murray
Chairman
11 May 2021

Financial review

IN SUMMARY

- Our acquisitive strategy continues to add to Group profitability.
- The fire security market is experiencing increased competition and downward pressure on prices.
- We will continue to concentrate on the highest levels of customer service to mitigate this.

Consolidated Income Statement

The Group's revenue increased by £5.8 million (3.9%) to £152.7 million. Operating profit increased by £0.5 million (2.1%) to £24.7 million. These results reflect the movement in the Euro to Sterling average exchange rate, which has reduced from 1.14 to 1.13. If the 2020 results from the European subsidiaries had been translated at 2019 rates, revenue would have been £151.6 million instead of £152.7 million, which would represent an increase of 3.2% on the prior year. On the same basis, operating profit would have been £24.4 million instead of £24.7 million, an increase of 0.8% compared to 2019.

Of the increased revenue, £1.1 million results from the favourable movement in exchange rates as described above. £1.5 million was generated by Trium N.V., a new subsidiary acquired by the Group in 2020. In 2019 the Group acquired four new subsidiaries, £2.4 million of revenue was generated in a full year from these businesses. A further £0.8 million of revenue was generated through smaller acquisitions of service contracts and organic growth in our existing businesses. The market for fire protection is mature and highly competitive; as a result there is a downward pressure on prices which is eroding our margins. We will continue to concentrate on the highest levels of customer service to mitigate this.

Net finance costs are unchanged on last year. This is due to a decrease in finance income being matched by a decrease in finance costs. The decrease in finance income reflects a reduction in the return on the surplus in the UK defined benefit scheme. The reduction in finance costs represents reduced interest on loans as the outstanding balance is repaid.

The Group's effective income tax rate of 27% is above the UK corporation tax rate of 19% as most of the expense is incurred in jurisdictions where the rate is higher.

Consolidated Statement of Financial Position

The Group continues to demonstrate consistently profitable performance and strong cash conversion. This is illustrated by a well-capitalised balance sheet with net cash and a strong asset base. The Group ended the year with cash of £37.5 million (2019: £27.1 million).

The Group's borrowings disclosed in these financial statements were refinanced in May 2018 with the Group's existing bankers, Lloyds Bank plc, resulting in a new multi-currency term loan denominated as £3 million in Sterling and €8 million in Euros. The facility is being repaid evenly over five years. The total of loans outstanding at the year end was £5.7 million (2019: £7.2 million).

In May 2020 the trustees of the Nu-Swift International Pension Scheme entered into a bulk purchase annuity contract with Aviva in respect of all benefits in the scheme. At the year end, the retirement benefit net surplus was £445,000 compared with £4,959,000 in the prior year. The surplus has decreased primarily due to the purchase of the buy-in annuity policy, because the premium paid for this policy is larger than the defined benefit obligation relating to the underlying benefits. At the year end, the annuity policy is recorded equal to the present value of the scheme's liabilities excluding the GMP equalisation liability. In line with IAS 19 the Directors have initially recognised the insurance policy at the amount paid and then immediately remeasured the policy and recognised the actuarial loss as a component within Other Comprehensive Income. This transaction was undertaken to remove the future risks inherent with a defined benefit pension scheme.

Treasury management and policy

The Board considers foreign currency translation exposure and interest rates to be the main potential treasury risks. Treasury policies and guidelines are authorised and reviewed by the Board.

To fully address the foreign currency translation exposure, the Group's borrowings, which were refinanced in May 2018, are split between Euro and Sterling according to the forecast income streams. This policy acts as a natural hedge as the effect of an adverse exchange movement on translation of foreign currency loans would be offset by a positive effect of translating income streams from Europe and vice versa.

Regarding the interest risk, the Group has entered into interest rate agreements capping LIBOR at 1.50% and EURIBOR at 0.25% to take advantage of low market interest rates. These agreements remain in place until the loan is repaid in 2023.

Segmental reporting

The chief operating decision maker ("CODM") for the London Security Group has been identified as the executive Board as ultimately this function is responsible for the allocation of resources and assessing the performance of the Group's business units. The internal reporting provided to the CODM is a combination of consolidated financial information and detailed analysis by brand. The management information on which the CODM makes its decisions has been reviewed and is deemed to be the consolidated result for the Group. The Group's companies in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks and the Group's operations are managed on a Pan-European basis with close operational relationships between subsidiary companies. In addition, the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that under IFRS 8 the Group operates in a single geographical and market segment and that there is a single operating segment for which financial information is regularly reviewed by the CODM.

Key risks and uncertainties

The Group's key risks and uncertainties are discussed in the Strategic Report.

Covid-19 impact assessment

Please refer to the Chairman's Statement.

Strategic report

Principal activities

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

Business model

The Group is a leader in Europe's fire security industry. We provide fire protection through our local presence in the United Kingdom, Belgium, the Netherlands, Austria, France, Germany, Denmark and Luxembourg.

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

The Group aims to achieve the highest levels of service and product quality through continued 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. The Group continues to build on its reputation for service excellence and quality to develop a "safety solutions" business with a well-diversified and loyal customer base.

Business review and results

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2020 of £17.9 million (2019: £16.7 million). The Group's results are discussed in detail in the Financial Review. The Group paid dividends in the year of £7.4 million comprising a final dividend in respect of the year ended 31 December 2019 of £0.20 per ordinary share and an interim dividend of £0.40 per ordinary share in respect of the year ended 31 December 2020. The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2020 of £0.40 per ordinary share. The Group ended the year with net assets of £126.1 million (2019: £116.2 million).

Key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that the analysis of revenue, operating profit and earnings per share are the appropriate KPIs for an understanding of the development and performance of the business. The analysis of these KPIs is included in the Chairman's Statement and the Financial Review.

S172 statement

The Board believes that the presence and requirements of a longstanding controlling shareholder help focus the Group's strategy on long-term shareholder value creation. Decisions are taken bearing in mind the effect on long-term growth in revenue, operating profit and earnings per share.

Our employees are vital in delivering the highest levels of service in order to mitigate the downward pressure on prices in our market. We involve and listen to employees to maintain strong employee engagement and retain talented people. We have a number of employee representative groups across Europe to facilitate this. Investment in our workforce through ongoing training is seen as essential to keep up to date with evolving legislation and protect the business from competition.

During the year, the Group has responded to the impact of the Covid-19 pandemic with additional measures:

The Directors have engaged on a regular basis with all staff to keep them up to date with our response to the pandemic and the progress of the business.

The Group has taken precautions to ensure that servicing, manufacturing and office functions can continue in a Covid safe environment through implementing social distancing measures on its premises and providing suitable sanitising products and personal protective equipment to all staff. This has allowed the Group to continue to meet the needs of its customers.

The Directors recognise the need to foster business relationships with suppliers and customers. We aim to have an open, constructive and effective relationship with all suppliers including site visits by our staff to ensure supply chain sustainability, responsible sourcing and supply chain resilience.

The Directors consider the impact of the Group's operations on the environment. In recent years many of our product innovations have been focused on limiting our environmental impact. We have a long list of accreditations, including ISO 9001 and ISO 14001.

The interests of different stakeholders may not always be totally compatible. Therefore, the Group has to weigh up the needs and requirements of all stakeholders and attempt to find the right balance where decisions may affect more than one stakeholder. The Group remains ethical in its dealings with stakeholders and attempts to keep stakeholders informed of relevant business decisions. The likely consequences of all our long term decision making is part of our ongoing management process.

The culture of the business is one of support and inclusiveness with the aim of ensuring our business is sustainable in the long run. We aim to be an equal opportunities employer and deal fairly with all stakeholders. Robust procedures are in place for conflict resolution.

To maintain a reputation for high standards of business conduct our website, www.londonsecurity.org, explains our approach to the ten principles set out in Section 3 of the Quoted Companies Alliance Corporate Governance Code issued in 2018.

To limit the effect of the majority shareholder, the Parent Company and

EOI Fire SARL entered into a relationship agreement dated 10 December 1999 in which EOI Fire SARL provided certain assurances to the Parent Company with regard to its relationship with the Parent Company. The agreement confirms that the business and affairs of the Parent Company shall be managed by the Board in accordance with the Parent Company's Memorandum and articles of association and with applicable laws and all relevant statutory provisions for the benefit of the shareholders as a whole. Any transactions or other relationships between any member of the EOI Fire SARL Group and the Parent Company would be at arm's length and on a normal commercial basis. The Directors declare their interest and take no part in decisions where appropriate.

Board performance

The Board is measured primarily with reference to the Group's financial performance and the suitability of the Group to deliver strong results in the future. In recent years the financial performance of the Group has been strong which has encouraged the Board to believe that its membership is appropriate. The Board also considers that the stability of its membership over recent years has been a major contributor to the Company's success. The Vice Chairman evaluates the Board performance informally on a regular basis and formally at least twice per year.

Principal 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.

Growth through acquisition is an important strategy of the Group. A potential risk is not identifying unsuitable acquisitions that fail to meet the investment case and would be disruptive to integrate into the Group. This risk is mitigated by formal review by the investment committee prior to an offer being made. Following acquisition the integration team implements the integration plan and monitors performance against that plan.

The exit of the UK from the EU has had little impact on the Group's performance. There is no significant trade between the Group's Sterling and Eurozone subsidiaries which would be subject to uncertainty surrounding access to each other's markets. No United Kingdom subsidiaries have customers in the Eurozone and no Eurozone subsidiaries have customers in the United Kingdom. The supply of components is sourced from China and is expected to be unaffected.

Foreign currency and interest rate risks are discussed in the Financial Review.

Covid-19 impact assessment

Please refer to the Chairman's Statement.

Future developments

Competition in our market looks set to continue. However, we continue to believe that the Group's well-established business model and solid financials provide a strong foundation to weather this challenge, and to provide profitable growth and long-term shareholder returns.

Signed on behalf of the Board

J.G. Murray
Chairman
11 May 2021

Directors and Company advisers

EXECUTIVE DIRECTORS

Jacques Gaston Murray 101
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 54
Vice Chairman
Jean-Jacques Murray is the son of Jacques Gaston Murray. He graduated with a BA in Finance from Los Angeles Pepperdine University in 1988 and obtained his master's degree in 1990. His responsibility is the control and strategic direction of the Group. He is the Non-Executive Vice Chairman of Andrews Sykes.

Xavier Mignolet 56
Managing Director
Xavier Mignolet joined the Group in 1995. He graduated with a master's degree in Commercial and Financial Sciences at HEC in Liege in 1987 and started his career in financial audit for PwC in Brussels. He is a Non-Executive Director of Andrews Sykes.

Emmanuel Sebag 52
Executive Director
Emmanuel Sebag has responsibility for the review and supervision of Group operations. He graduated with a master's degree in Industrial Administration from Carnegie-Mellon University in 1991. He is a Non-Executive Director of Andrews Sykes.

NON-EXECUTIVE DIRECTORS

Jean-Pierre Murray 52
Non-Executive Director
Jean-Pierre Murray is the son of Jacques Gaston Murray. He graduated from Los Angeles Pepperdine University in 1990 with a BA in Finance, and gained his master's degree in 1993. He is a Non-Executive Director of Andrews Sykes and a number of private companies.

Marie-Claire Leon 57
Non-Executive Director
Marie-Claire Leon has been responsible for managing various projects around the world with Jacques Gaston Murray. She graduated from California State University in 1988 with a bachelor's degree in Business Administration, with a particular focus on Marketing Management, New Venture and Small Business Management. She is a Non-Executive Director of Andrews Sykes.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Henry Shouler 83
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. The Board believes that Henry continues to act with the utmost independence despite his length of tenure.

The majority of the Board have been actively involved in the fire protection industry for more than 20 years. Financial expertise is provided to the Board by the Company Secretary and external advisers.

If he feels it appropriate, the Senior Non-Executive Director is encouraged to seek external professional advice at the Group's expense.

Corporate governance

The Parent Company's and Group's approach to applying the ten principles set out in Section 3 of QCA Corporate Governance Code is set out in detail on the Group's website, www.londonsecurity.org.

The Board meets on two occasions each year. All Directors receive a pre-meeting briefing package and post-meeting minutes and appropriate attachments. As a number of the Board's Directors are based overseas, it is not appropriate for all Directors to attend all meetings. Where a Director cannot attend, he can give his contributions to an attending Director or the Company Secretary and relay any comments concerning the Board minutes before they are adopted. Should there be anything that requires reconvening the meeting, an all parties telephone Board meeting is convened.

All Directors receive appropriate monthly management information and have the opportunity to discuss this with the Managing Director or any member of his team.

On an annual basis, following the Annual General Meeting, the Board reviews the performance of its two committees.

Board committees

The Board maintains two standing committees comprising Executive and Non-Executive Directors. Both committees have written constitutions and terms of reference.

The remuneration committee comprises H. Shouler and J-J. Murray. The committee is chaired by H. Shouler. The remuneration committee reviews the performance of Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. No Director is permitted to participate in decisions concerning his own remuneration. Details of Directors' remuneration are set out in the Directors' Remuneration Report in the Annual Report.

The audit committee currently comprises H. Shouler and J-J. Murray. H. Shouler is independent of management and EOI Fire SARL. The committee is chaired by H. Shouler. The audit committee is responsible for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. The audit committee considers risk and internal control as a fundamental part of its responsibilities. It meets the auditors to discuss the audit approach and the results of the audit. The audit committee considers the need to introduce an internal audit function each year. After taking into consideration the current size and complexity of the Group, the committee believes that it would not be cost effective to have an internal audit function and the committee feels that sufficient comfort is obtained through the scope and quality of management's ongoing monitoring of risks.

Due to the small size of the Board, the Directors consider that a nomination committee need not be established.

COMPANY INFORMATION

Company advisers

Company Secretary and registered office

Richard Pollard
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Registered number

00053417

Chartered accountants and statutory independent auditor

Grant Thornton UK LLP

No.1 Whitehall Riverside
Leeds LS1 4BN

Registrars

Link Group

Unit 10 Central Square
29 Wellington Street
Leeds
LS1 4DL

Stockbrokers and nominated advisers

WH Ireland Limited

24 Martin Lane
London EC4R 0DR

Report of the Directors

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2020. Future developments in the business and dividends paid and proposed are discussed in the Strategic Report. The Group's financial risk management policy is discussed in the Financial Review.

Directors

The Directors of the Parent Company, all of whom served during the whole of the year ended 31 December 2020, and up to the date of signing the Group and Parent Company financial statements, were:

Executive Directors

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

Non-Executive Directors

M-C. Leon, H. Shouler and J-P Murray.

J-J Murray, X. Mignolet and E. Sebag retire by rotation and, being eligible, offer themselves 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 8.

Directors' liability insurance

The Parent Company has maintained a Directors' qualifying third party indemnity policy throughout the financial year and up to the date of signing the financial statements. Neither the Company's indemnity nor insurance provide cover in the event that a Director is proved to have acted fraudulently or dishonestly. No claims have been made under either the indemnity or insurance policy.

Substantial shareholdings

At 11 May 2021, the Parent Company had been notified of the following interests of 3% or more in its share capital:

	Number of shares	Percentage of share capital
EOI Fire SARL	9,861,954	80.43%
Tristar Fire Corp.	2,256,033	18.40%

Insofar as it is aware, the Parent Company has no institutional shareholders.

J.G. Murray is a Director of London Security plc as well as EOI Fire SARL. J.G. Murray, J-J. Murray, J-P. Murray and M-C. Leon are Directors of London Security plc as well as Tristar Fire Corp.

Corporate culture and ethical values

The Group has a long-established heritage and reputation based on sound ethical values and the Board considers this to be of great ongoing value. Many companies within our market sector envy our reputation and we frequently optimise this commercially and by attracting new staff.

In recent years many of our product innovations have been focused on limiting our environmental impact. We have a long list of accreditations, including ISO 9001 and ISO 14001.

We pride ourselves on providing our staff with a good working environment within a strong ethical culture. The local staff handbooks are regularly reviewed by the senior operations teams and are provided to all staff on commencement of employment and are available at all times via a Company intranet site. The Group has a large number of long-serving staff members, many with 30 years plus service, which is a testament to our working culture.

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.

Employment of disabled persons

The Group is committed to employment policies that follow best practice based on equal opportunities for all employees and offer appropriate training and career development for disabled staff. If members of staff become disabled, the Group continues employment wherever possible and arranges retraining if required.

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 2020 Group average creditor days were 44 days (2019: 35 days). The Parent Company had no trade creditors at either year end.

Stakeholder engagement

Engaging with our stakeholders is key to our success and delivering our strategy. We have various mechanisms that enable the Board and management to understand and consider stakeholder views as part of their decision making. The key stakeholder groups and the ways in which we engage with them are set out below:

Customers – feedback from customers enables us to develop service plans and products that better meet their needs. Our engineers interact with customers on a daily basis. When customers need extra support our customer service team is available to offer assistance.

Suppliers – we work with suppliers worldwide which provide products that support us in delivering high-quality and safe products for our customers. We aim to have an open, constructive and effective relationship with all suppliers including site visits by our staff.

Investors – we maintain regular dialogue with investors to communicate our strategy and performance in order to promote investor confidence and ensure our continued access to capital. We have launched a new website to facilitate distribution of our results and news. There is an AGM open to all investors.

Employees – 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. We involve and listen to employees to maintain strong employee engagement and retain talented people. We consult employees or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests. We have a number of employee representative groups across Europe to facilitate this. We encourage the involvement of our employees in the performance of their Company by linking their remuneration to a series of incentive schemes.

Environment – the Group has a long-established heritage and reputation based on sound ethical values and the Board considers this to be of great ongoing value. In recent years many of our product innovations have been focused on limiting our environmental impact. We have a long list of accreditations, including ISO 9001 and ISO 14001.

Streamlined energy and carbon reporting

The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to require large companies to report information on greenhouse gas emissions in their Directors' Reports. The Directors have concluded that no reporting is required as none of the Group's companies are large companies or are overseas entities not in scope for this reporting and London Security plc itself is a low energy user.

Donations

The Parent Company and the Group made no political donations during the year (2019: £Nil) and made charitable donations of £1,000 (2019: £1,000).

Future developments

Future developments are discussed in the Chairman's Statement and in the Strategic Report.

Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,359,000 (2019: £1,034,000).

Dividends

Dividends are discussed in the Chairman's Statement.

Purchase of own shares and authorities to issue shares

As at 11 May 2021 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 9 is to be proposed at the Annual General Meeting to extend this authority until the 2021 Annual General Meeting.

The special business to be proposed at the 2021 Annual General Meeting also includes, at resolution 8, 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 £6,131, 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 5, an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares.

Report of the Directors continued

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards in conformity with the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent Company's auditor is aware of that information.

Independent auditor

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 Grant Thornton UK LLP as independent auditor 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 64 to 66. A form of proxy is enclosed for you to complete according to the instructions printed on it and send to the postage paid address. All proxies must be received by 11 am on 28 June 2021.

By order of the Board

R. Pollard
Company Secretary
11 May 2021

Directors' remuneration report

Remuneration committee

The remuneration committee comprises H. Shouler and J-J. Murray. The committee is chaired by H. Shouler, who is an Independent Non-Executive Director. 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

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

Directors' emoluments totalled £597,168 (2019: £558,589). This includes an amount paid to the highest paid Director of £408,041 (2019: £377,007).

In compliance with the amendment to AIM Rule 19, the following disclosure in respect of Directors' remuneration is made:

	Emoluments and compensation including any cash or non-cash benefits received	
	2020	2019
J.G. Murray	**£Nil**	£Nil
J-J. Murray	**£125,127**	£117,582
X. Mignolet	**£408,041**	£377,007
E. Sebag	**£Nil**	£Nil
J-P. Murray	**£20,000**	£20,000
M-C. Leon	**£20,000**	£20,000
H. Shouler	**£24,000**	£24,000

None of the Directors participate in Group pension arrangements. The Company paid no contributions to any private pension schemes.

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999 and reviewed annually. The total costs amounted to £747,414 (2019: £783,344) for the year ended 31 December 2020 as per the Services Agreement.

On behalf of the Board

H. Shouler
Chairman of the remuneration committee
11 May 2021

Independent auditor's report

to the members of London Security plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of London Security plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cashflows, parent company balance sheet, parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's forecasts, covenant calculations and sensitivity analysis, covering the period to June 2022. Due to the passage of time since Covid-19 was announced as a pandemic, ongoing expectations of the future impact of this have been factored into management's forecasts;
- Evaluating the key assumptions applied in the forecasts for reasonableness and determining whether they had been applied appropriately. We also considered whether the assumptions are consistent with our understanding of the business and with current lockdown restriction guidance. In doing so we noted that the group, and the markets it operates in, demonstrated resilience during 2020. The group generated £27.2m of cash from operating activities in the year and recorded net funds of £31.8m (£37.5m of cash less £5.7m of bank debt) at 31 December 2020;
- Assessing the reliability of management's forecasting by comparing the accuracy of actual historical financial performance to historic forecast information;
- Evaluating the sensitivity analysis performed on the forecasts by management, including a significant reduction in forecast revenues as the key sensitivity. This significant reduction in revenues does not result in a need for mitigating actions;

Conclusions relating to going concern continued

- Evaluating covenant compliance throughout the going concern period in both the base case and sensitised scenarios;
- Performing a "reverse stress test" analysis on management's forecasts to estimate the reduction in revenues required to eliminate the headroom in the cash flow forecasts, were discretionary dividends to be suspended, and assessing whether such mitigating actions were available should they be required; and
- Assessing the adequacy of the going concern disclosures included within the Financial Statements by management including the Covid-19 impact assessment in the Chairman's statement, the basis of preparation in note 2 to the financial statements and the significant judgement disclosure in note 4 to the financial statements.

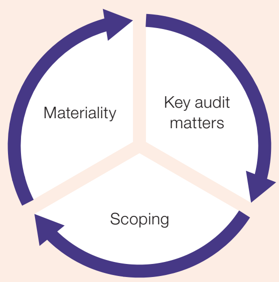
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19. We also assessed and challenged the reasonableness of estimates made by the directors, and the related disclosures, and analysed how those risks might affect the group's and the parent company's financial resources and ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £1,000,000, which represents 4.1% of the group's profit before taxation.

Parent company: £519,000, which represents 1% of the parent company's total assets.

Key audit matters were identified as

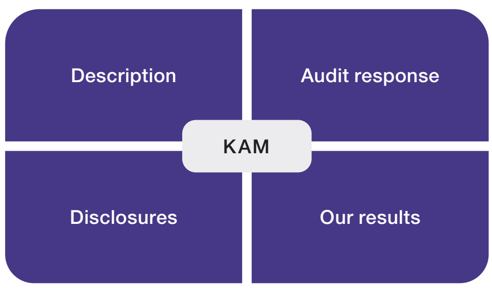
- Revenue recognition – same as previous year
- Valuation of intangible assets – Non-current assets carrying value exceeds fair value – same as previous year

Our auditor's report for the year ended 31 December 2019 included one key audit matter that has not been reported as a key audit matter in our current year report. This change relates to "Valuation of intangible assets – valuation and allocation of intangibles arising on acquisitions" and is due to the one acquisition in the current year not being assessed as sufficiently material to require significant auditor attention.

We performed a combination of full scope audit procedures and specified audit procedures on the financial information of certain Belgian, UK, Dutch and Austrian components. This work was performed by the Group engagement team and component auditors located in Belgium, the Netherlands and Austria. As part of these audit procedures 83% of revenue was subject to testing through either a full scope audit or specified audit procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

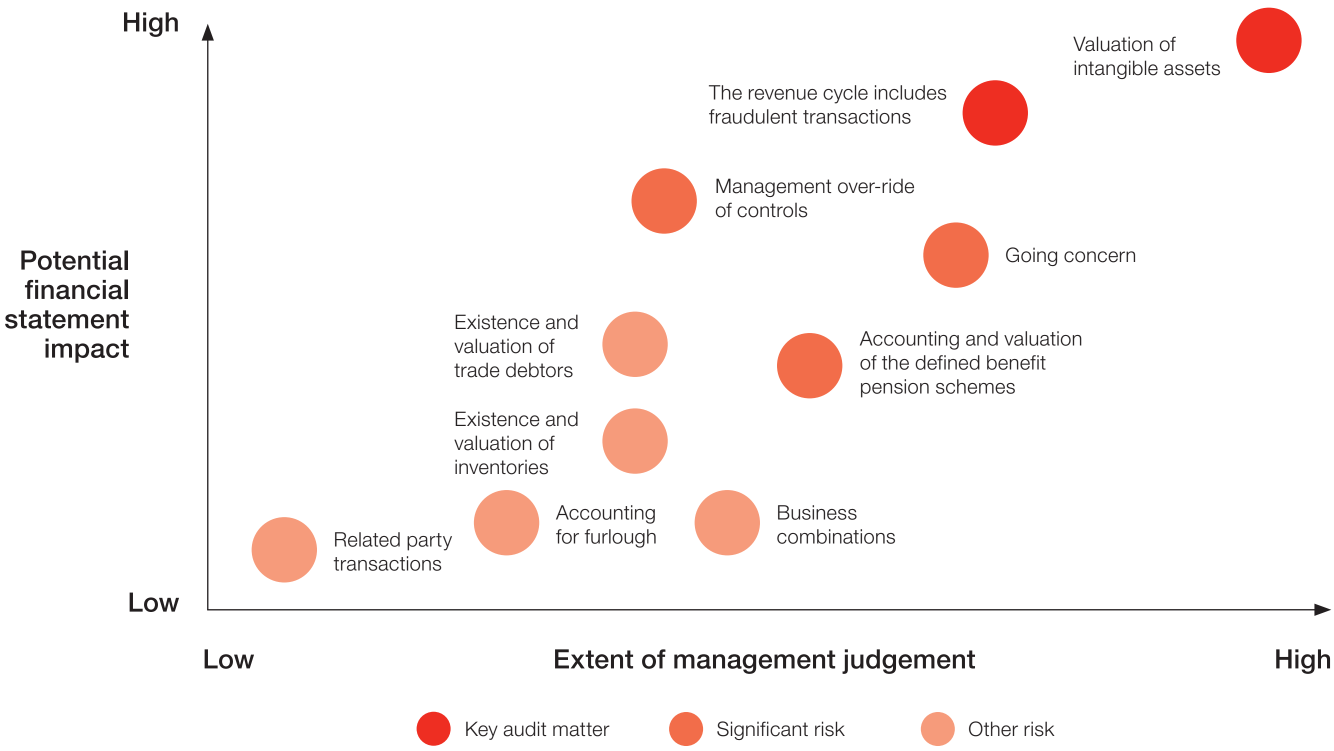


Independent auditor's report continued

to the members of London Security plc

Key audit matters continued

In the graph below, we have presented the key audit matters and other significant risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Improper revenue recognition We identified improper revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. The group has a number of different revenue streams with revenue either being recognised at a point in time or over the period of time that the service is performed. The revenue recorded by the Group is also one of the key determinants of Group underlying profit before tax, which is the primary financial Key Performance Indicator (KPI) for the Group. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. We have assessed this risk to reside primarily within uncollected revenues for point in time revenue. For the point in time revenue (representing £129m of £152m total revenue) there is an increased risk that these revenues did not occur if they have not been paid at the balance sheet date.	In responding to the key audit matter, we performed the following audit procedures: • Documenting our understanding of the systems and controls in place around the recording of revenue, evaluating the design and determining implementation of relevant controls; • Assessing the accounting policies for consistency and appropriateness with the financial reporting framework, including IFRS 15 'Revenue from Contracts with Customers' for all significant revenue streams, and in particular that revenue was recognised at the point where the Group satisfied its related performance obligation to the customer; • Testing samples of revenue transactions through agreement to relevant supporting documentation, such as proof of delivery/proof of service and cash receipt, to confirm that revenue was recognised once the performance obligation had been met; and • Testing a sample of transactions around the year end including any large post year end credit notes raised to check that transactions have been recorded in the correct financial period.
Relevant disclosures in the Annual Report and Accounts 2020 The group's accounting policy on revenue recognition and related disclosures are shown in Note 2, Summary of significant accounting policies.	**Our results** Based on our audit work, we did not identify any material misstatement in the revenue recognised in the year to 31 December 2020.

Key audit matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of intangible assets – Non-current assets carrying value exceeds fair value We identified valuation of intangible assets as one of the most significant assessed risks of material misstatement due to error or fraud arising from potential bias in relation to the key judgements applied by management. The Group held £66.3m of goodwill and other intangible assets held on the balance sheet at 31 December 2020. Management has determined the recoverable amount of goodwill and other intangible assets based on value-in-use calculations for each of the four cash-generating units disclosed in note 13 to the financial statements using discounted cash flows. There are significant judgements involved in these calculations including forecasting the operating cashflows and deriving an appropriate discount rate.	In responding to the key audit matter, we performed the following audit procedures: • Documenting our understanding of the key controls surrounding management's impairment review process, evaluating their design and determining their implementation; • Obtaining management's impairment model and challenging whether the methodology and the conclusions drawn were appropriate and in line with the requirements of IAS 36 'Impairment of assets'; • Evaluating the historical accuracy of forecasts used in the prior year discounted cash flow model compared to the results achieved in the current year; • Challenging the assumptions included within the discounted cash flow model, including gaining an understanding of key factors and judgements applied in determining future growth rates; • Challenging whether the allocation of goodwill to the cash generating units is appropriate; • Utilising auditor valuation specialists to assist in assessing the appropriateness of the discount rate included in management's impairment model; • Performing sensitivity analysis on the assumptions used and their impact on the forecast cash flows and on the carrying value of the intangible assets; and • Assessing the adequacy of the disclosures in the financial statements.
Relevant disclosures in the Annual Report and Accounts 2020 The group's accounting policy on impairment of goodwill is shown in Note 2, Summary of significant accounting policies. In addition, the estimation process applied has been described in Note 4, Significant accounting estimates and judgements. The related disclosures in respect of intangible assets are included in Note 13.	**Our results** Based on our audit work performed we are satisfied that the intangible assets have been accounted for in accordance with IAS 36 'impairment of assets'.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1,000,000 which is 4.1% of profit before tax.	£519,000 which is 1.0% of total assets.

Independent auditor's report continued

to the members of London Security plc

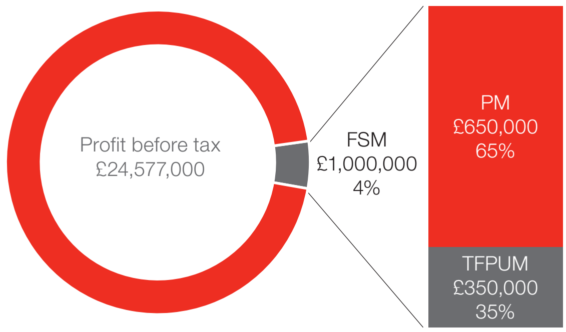
Our application of materiality continued

Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • the selection of an appropriate benchmark; • the selection of an appropriate percentage to apply to that benchmark; and • the consideration of other qualitative factors. We determined that profit before tax was the most appropriate benchmark for the Group as it is a measure against which performance of the Group is assessed both internally and externally and also a generally accepted auditing benchmark for listed companies. This benchmark is consistent with that used in the prior year. Materiality was determined based on 5% of forecast profits. Actual profits were higher than forecast resulting in a materiality that is 4.1% of profit before tax. Materiality for the current year is therefore lower than the level that we determined for the year ended 31 December 2019, despite profit before tax increasing, as the prior year materiality was approximately 5% of profit before tax.	In determining materiality, we made the following significant judgements: • the selection of an appropriate benchmark; • the selection of an appropriate percentage to apply to that benchmark; and • the consideration of other qualitative factors. We determined that total assets was the most appropriate benchmark given the activities of the parent company primarily being a holding company and its major activities relate to fixed assets included in the financial statements. The benchmark used for the year ended 31 December 2020 is the same as the benchmark used for the year ended 31 December 2019, however the materiality is lower due to a reduction in total assets.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£650,000 which is 65% of financial statement materiality.	£337,000 which is 65% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: • Assessment of the strength of the control environment of the group and the entities within is across the UK and Europe • Consideration of control findings and misstatements from the prior year audit • Assessment of the strength of the information systems used for key business processes and reporting	Performance materiality for the parent company has been calculated to be consistent with the Group in line with the significant judgements made for the Group.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£26,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

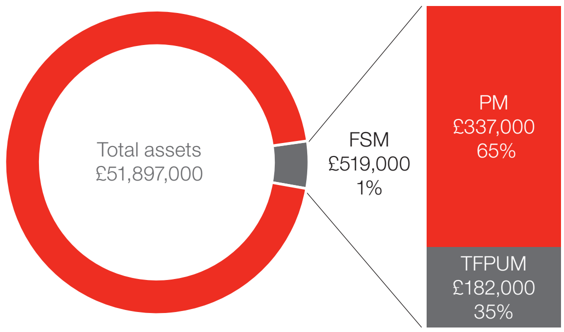
The graph overleaf illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Our application of materiality continued

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Obtaining and documenting an understanding of the design and implementation of controls in place related to significant risks;
- An evaluation of the group's internal control environment including its IT systems and controls;
- Evaluation by the group audit team of UK and overseas components to assess the significance of each component and to determine the planned audit response based on a measure of materiality, including their relative contribution to the group's revenues and profit before taxation;
- Audits were performed on the financial information of four Belgium components and one UK component using component materiality (full scope procedures). These procedures included a combination of test of details and analytical procedures. The components subject to full scope audit procedures cover 36% of the consolidated revenues;
- The audit of the Belgium components was performed by the Belgium component auditor such that we had appropriate direction and involvement in the work of the component auditor throughout the audit. This included briefing the component audit team, directing the risk assessment and fraud discussions, regular communication with the component auditor, attendance at audit close meetings and directly reviewing and evaluating the work performed by the component auditor for the purpose of the group audit;
- For 10 components located in the UK, the Netherlands and Austria we carried out either specified audit procedures or audits of one or more account balances, classes of transactions or disclosures of the component). The procedures for the Netherlands and Austrian components were performed by component auditors. We had appropriate direction and involvement in the work of the component auditor throughout the audit. This included briefing the component audit team, directing the risk assessment and fraud discussions, regular communication with the component auditor, attendance at audit close meetings and directly reviewing and evaluating the work performed by the component auditor for the purpose of the group audit;
- For those components that were not individually significant to the group, we carried out analytical procedures.

Components subject to full scope or specified audit procedures contributed 83% of the consolidated revenues and 94% of consolidated profit before tax.

There have been no changes to the components that were in scope for component audits between the prior year and current year. The component scoping for the Group is substantially unchanged from that in the prior year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued

to the members of London Security plc

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company, and the industry in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (IFRS and Companies Act 2006) and tax compliance legislation. In addition, we concluded that there are other laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements including those laws and regulations relating to health and safety and employment;
- We understood how the parent company and the Group is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through inspection of board minutes.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

- We enquired of management whether there were any known or suspected instances of non-compliance with laws and regulations or fraud that could have a material impact on the financial statements. We corroborated the results of our enquiries to supporting documentation such as board minute reviews and papers provided to the Audit Committee. From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- To assess the potential risks of material misstatement, we obtained an understanding of:
  - the Group's operations, including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement; and
  - the Group's control environment including the adequacy of procedures for authorisation of transactions.

We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.

- Audit procedures performed by the engagement team included:
  - evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - journal entry testing, in particular journals determined to have a large impact on profit or that are indicative of unusual transactions based on our understanding of the business;
  - challenging assumptions and judgements made by management in its significant accounting estimates, including utilising a valuation specialist to assess the suitability of the discount rate used by management in its impairment testing; and
  - identifying and testing related party transactions.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition and areas of significant management judgement and estimation, including those related to potential impairment. These are also reported as key audit matters in the key audit matter section of our report where the matter and the specific procedures we performed in response to the key audit matter are described in more detail;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and their practical experience through training and participation with audit engagements of a similar nature.
- We asked the component auditors to perform procedures to assess whether there was any non-compliance with laws and regulations, in the overseas components, that could have a material impact of the group financial statements.
- We did not identify any material matters relating to non-compliance with laws and regulation.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds, United Kingdom

11 May 2021

Consolidated income statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue		**152,723**	146,920
Cost of sales		**(37,387)**	(36,293)
Gross profit		**115,336**	110,627
Distribution costs		**(56,281)**	(54,140)
Administrative expenses		**(33,027)**	(31,991)
Net impairment losses on financial assets	16	**(1,328)**	(342)
Operating profit	24	**24,700**	24,154
EBITDA*		**33,547**	32,503
Depreciation and amortisation		**(8,847)**	(8,349)
Operating profit	24	**24,700**	24,154
Finance income		**78**	142
Finance costs		**(201)**	(254)
Finance costs – net	6	**(123)**	(112)
Profit before income tax	7	**24,577**	24,042
Income tax expense	8	**(6,536)**	(7,229)
Profit for the year		**18,041**	16,813
Profit is attributable to:			
Equity shareholders of the Company		**17,853**	16,653
Non-controlling interest		**188**	160
		18,041	16,813
Earnings per share			
Basic and diluted	9	**145.6p**	135.8p

* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

The above results are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit for the financial year		**18,041**	16,813
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
– currency translation differences on foreign currency net investments		**2,396**	(2,389)
Items that will not be reclassified subsequently to profit or loss:			
– actuarial (loss)/gain recognised in the Nu-Swift Pension Scheme	21	**(4,554)**	414
– movement on deferred tax relating to the Nu-Swift Pension Scheme surplus	19	**1,594**	(145)
– actuarial loss recognised in the Ansul Pension Scheme	21	**(17)**	(412)
– movement on deferred tax relating to the Ansul Pension Scheme deficit	19	**5**	103
Other comprehensive expense for the year, net of tax		**(576)**	(2,429)
Equity shareholders of the Company		**17,465**	14,224
Non-controlling interest		**188**	160
Total comprehensive income for the year		**17,653**	14,384

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2019	123	344	1	2,033	8,831	100,078	302	111,712
Total comprehensive income for the year								
Profit for the financial year	—	—	—	—	—	16,653	160	16,813
Other comprehensive (expense)/income:								
– exchange adjustments	—	—	—	—	(2,389)	—	—	(2,389)
– actuarial gain on pension schemes	—	—	—	—	—	2	—	2
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(42)	—	(42)
Total comprehensive (expense)/income for the year	—	—	—	—	(2,389)	16,613	160	14,384
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(9,809)	—	(9,809)
Distribution to non-controlling interest	—	—	—	—	—	—	(113)	(113)
At 31 December 2019 and 1 January 2020	123	344	1	2,033	6,442	106,882	349	116,174
Total comprehensive income for the year								
Profit for the financial year	—	—	—	—	—	17,853	188	18,041
Other comprehensive (expense)/income:								
– exchange adjustments	—	—	—	—	2,396	—	—	2,396
– actuarial loss on pension schemes	—	—	—	—	—	(4,571)	—	(4,571)
– net movement on deferred tax relating to pension deficit	—	—	—	—	—	1,599	—	1,599
Total comprehensive (expense)/income for the year	—	—	—	—	2,396	14,881	188	17,465
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(7,356)	—	(7,356)
Distribution to non-controlling interest	—	—	—	—	—	—	(160)	(160)
At 31 December 2020	**123**	**344**	**1**	**2,033**	**8,838**	**114,407**	**377**	**126,123**

The merger reserve is not a distributable reserve. The other reserve relates entirely to the effects of changes in foreign currency exchange rates.

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**13,046**	12,164
Right of use assets	12	**3,254**	2,360
Intangible assets	13	**66,311**	67,504
Deferred tax asset	19	**790**	683
Retirement benefit surplus	21	**445**	4,959
		83,846	87,670
Current assets			
Inventories	15	**14,953**	13,434
Trade and other receivables	16	**33,174**	27,822
Cash and cash equivalents	17	**37,456**	27,143
		85,583	68,399
Total assets		**169,429**	156,069
Liabilities			
Current liabilities			
Trade and other payables	18	**(27,582)**	(23,158)
Income tax liabilities		**(2,074)**	(987)
Borrowings	20	**(2,518)**	(2,048)
Lease liabilities	26	**(1,451)**	(1,134)
Provision	22	**(16)**	—
		(33,641)	(27,327)
Non-current liabilities			
Trade and other payables	18	**(941)**	(850)
Borrowings	20	**(3,170)**	(5,122)
Lease liabilities	26	**(1,851)**	(1,256)
Derivative financial instruments	14	**(36)**	(47)
Deferred tax liabilities	19	**(1,146)**	(2,909)
Retirement benefit obligations	21	**(2,349)**	(2,215)
Provision	22	**(172)**	(169)
		(9,665)	(12,568)
Total liabilities		**(43,306)**	(39,895)
Net assets		**126,123**	116,174
Shareholders' equity			
Ordinary shares	23	**123**	123
Share premium	23	**344**	344
Capital redemption reserve	23	**1**	1
Merger reserve	23	**2,033**	2,033
Other reserves	23	**8,838**	6,442
Retained earnings		**114,407**	106,882
Equity attributable to owners of the Parent Company		**125,746**	115,825
Non-controlling interest	23	**377**	349
Total equity		**126,123**	116,174

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

The financial statements on pages 22 to 57 were approved by the Board of Directors on 11 May 2021 and were signed on its behalf by:

J.G. Murray
Chairman
11 May 2021

Consolidated statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	24	**32,862**	32,363
Interest paid		**(118)**	(160)
Income tax paid		**(5,524)**	(7,639)
Net cash generated from operating activities		**27,220**	24,564
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	27	**(516)**	(2,264)
Purchases of property, plant and equipment		**(5,063)**	(3,974)
Proceeds from the sale of property, plant and equipment		**462**	329
Purchases of intangible assets		**(1,244)**	(2,068)
Interest received		**27**	27
Net cash used in investing activities		**(6,334)**	(7,950)
Cash flows from financing activities			
Repayments of borrowings		**(2,121)**	(2,091)
Payment of lease liabilities		**(2,036)**	(1,750)
Dividends paid to the Company's shareholders		**(7,356)**	(9,809)
Distribution to non-controlling interest		**(160)**	(113)
Net cash used in financing activities		**(11,673)**	(13,763)
Net increase in cash in the year		**9,213**	2,851
Cash and cash equivalents at the beginning of the year		**27,143**	26,110
Effects of exchange rates on cash and cash equivalents		**1,100**	(1,818)
Cash and cash equivalents at the end of the year	17	**37,456**	27,143

The notes on pages 27 to 57 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1 General information

London Security plc (the “Parent Company”) is a leader in the European fire security industry, providing fire protection for our customers through a local presence in the UK, Belgium, the Netherlands, Austria, France, Germany, Denmark and Luxembourg.

The Parent Company is a public limited liability company incorporated and domiciled in the United Kingdom. The registered office is Premier House, 2 Jubilee Way, Elland, West Yorkshire HX5 9DY.

The Parent Company has its primary listing on AIM, part 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 International Accounting Standards in conformity with the Companies Act 2006, IFRIC interpretations and those parts of the Companies Act 2006 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.

The Directors have prepared these financial statements on the fundamental assumption that the Group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements. In determining whether the Group’s accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect future performance. The Chairman’s Statement contains a Covid-19 impact assessment detailing the effect it is having on our business. Following a severe decline in revenue in quarter 2 of 2020 the Group experienced strong demand for its products and services as restrictions were lifted. Although the countries in which the Group operates are subject to different and changing levels of restrictions our business has proved resilient and at the date of this report our engineers are fully engaged. The Board approved a budget for 2021 and forecasts for 2022 (together “the base case budget”) based on the experience gained during the course of 2020 and the reaction of the business to the impact of the pandemic. The Group’s business activities, together with factors likely to affect its future development and performance, are described in the Strategic Report. At 31 December 2020, the Group held cash and cash equivalents of £37.5 million. Total debt at 31 December 2020 was £5.7 million, of which £2.5 million is due for repayment in the year to 31 December 2021.

The base case budget is based on the Directors’ current knowledge of the business, their expectation of the level of restrictions that are likely to remain in force over this period and the anticipated level of work that the engineers could perform in the Countries in which the group operates. The base case budget includes significant cash headroom throughout the period. The Directors have also modelled severe but plausible sensitivities to the base case budget and demonstrated that the group would still expect to have significant cash headroom after applying these sensitivities. To the extent that there is a significant downturn in trading compared with expectations, the Directors are satisfied that mitigating actions could be taken, if necessary, including suspending dividend payments. In addition, whilst the Directors expect the Group’s bankers to be supportive should the Group request loan repayment deferrals or forgiveness of any covenant breaches should the actual impact of Covid-19 be significantly worse than expected, the Directors consider that the Group could repay its external loans should that support not be available.

Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Accounting developments

A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2020. These are considered either not relevant or to have no material impact on the Group.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

Consolidation

Subsidiaries are entities which the Group has power over, exposure or rights to variable returns and an ability to use its power to affect those returns. All subsidiaries share the same reporting date, being 31 December, and the same accounting policies as London Security plc.

Notes to the financial statements continued

for the year ended 31 December 2020

2 Summary of significant accounting policies continued

Consolidation continued

The acquisition method of accounting under IFRS 3 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. The costs directly attributable to the acquisition are expensed, with the exception of those relating to the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IFRS 9.

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.

Consolidated goodwill is presented at cost less any provision for diminution in value.

Segment reporting

An operating segment is a group of assets and operations for which discrete financial information is available that is regularly reviewed by the CODM. Where operating segments share similar economic characteristics and the segments are similar in relation to the nature of products and services, nature of the production processes and type of customers including method of providing the service then they may be deemed to be a single operating unit. The Directors have concluded that there is a single operating segment as defined by IFRS 8, being the provision and maintenance of fire protection and security equipment in Europe. Consequently, the results for the year and assets and liabilities relate to this one segment and one geographical area.

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 have 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 Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(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 Comprehensive Income.

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 other comprehensive income. 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.

2 Summary of significant accounting policies continued

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.

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, machinery and extinguisher rental units	10%–33%
Motor vehicles and share in aircraft	5%–33%
Fixtures, fittings and equipment	10%

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate at each Statement of Financial Position 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 the proceeds with the carrying amount. These are included in the Income Statement.

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 inflows.

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) Approval costs

Approval costs are the expenses incurred in meeting the regulatory requirements measuring the fire rating of our products. Approval costs are shown at historical cost, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate their cost over their estimated useful lives (10 to 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 (three to five years) using the straight line method.

(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 (five to ten years).

Where indicators of impairment are identified a detailed impairment review is carried out for other intangible assets and will be impaired as required.

Notes to the financial statements continued

for the year ended 31 December 2020

2 Summary of significant accounting policies continued

Right of use assets and lease liabilities

The Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The Group applied IFRS 16 using the modified retrospective approach. In line with the simplified approach under IFRS 16 the Group has taken advantage of the practical expedient with right of use asset values being set equal to lease. A review of the Group's operating lease commitments was undertaken and identified that property and motor vehicles were the only high-value items to which the standard applies.

The Group has estimated the incremental borrowing rate at which to discount the future lease liabilities on the multi-currency refinancing which was completed in May 2018 in order to set a different rate for leases denominated in Sterling (2.80%) and Euros (1.55%).

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. Inventory is reviewed annually and a provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial instruments classification and measurement

Financial assets, except for trade receivables, are initially measured at fair value. The Group classifies its financial assets as those to be measured at amortised cost except for derivative financial assets that are at fair value through profit or loss. After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's financial assets include cash and cash equivalents, trade receivables, amounts owed by related undertakings and other receivables. The carrying value of these financial assets is disclosed in note 16 and note 17 to the financial statements.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method except for derivatives, which are carried subsequently at fair value with gains and losses recognised in profit or loss. The Group's financial liabilities include trade payable, other payables, accruals, borrowings and derivative financial liabilities. The carrying value of the financial liabilities is disclosed in note 14, note 18 and note 20 to the financial statements.

The carrying value of assets and liabilities classified at amortised cost approximates to their fair value.

2 Summary of significant accounting policies continued

Trade receivables

The Group has reviewed the composition of its trade receivables and concluded that as the expected term of the receivables is less than one year the receivables do not have a significant financing component. Therefore the Group will initially measure these assets at their transaction price under IFRS 15 and subsequently adjust for any allowance for expected credit loss under IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. Expected loss rates are based on historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward-looking factors affecting the ability of customers to settle the receivables. Consideration is given to the overall economic environment as well as specific indicators that the recovery of a balance may be in doubt.

Derivative financial instruments

Derivative financial instruments are initially measured at cost at the date the contract is entered into and are remeasured at fair value at the Statement of Financial Position date with any valuation adjustment being reflected in the Income Statement. The fair value at the balance sheet date is calculated based on observable interest rates.

Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Financial Position at cost. Cash and cash equivalents include 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 offset and an intention to settle. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

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.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

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 Statement of Financial Position date.

Notes to the financial statements continued

for the year ended 31 December 2020

2 Summary of significant accounting policies continued

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 Statement of Financial Position date in the countries where the Company's subsidiaries 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 net assets approach, 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 of 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 substantively enacted by the Statement of Financial Position 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 post-employment benefit plan other than 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 and surplus recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for 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 Consolidated Income Statement. Actuarial gains and losses are recognised immediately in Consolidated Statement of Comprehensive Income. The reduction in the value of the bulk annuity policy is recognised immediately in the Other Comprehensive Income as an actuarial loss. Net defined benefit pension scheme deficit and surplus are presented separately on the Statement of Financial Position within non-current liabilities and non-current assets respectively before tax relief. The attributable deferred tax asset and liability 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 an employee benefit expense when they are due.

2 Summary of significant accounting policies continued

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue recognition

Revenue is shown net of value-added tax and after eliminating sales within the Group.

When assessing revenue recognition against IFRS 15, the Group assesses the contract against the five steps of IFRS 15:

1. Identify the contract with a customer.

2. Identify the performance obligations.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations.

5. Recognise revenue when/as performance obligations are satisfied.

This process includes the assessment of the performance obligations within the contract and the allocation of contract revenue across these performance obligations once identified. Revenue is recognised either at a point in time or over time, when, or as, the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue is based on their relative stand-alone selling prices and recognised as follows:

(a) Outright sale of equipment

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

(b) Service

Revenue from the servicing of equipment is recognised when the 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) Installation

Revenue from the installation of fire protection equipment is recognised over time as an asset controlled by the customer is created or enhanced by the Group's performance. In such arrangements the Group provides a significant service of integrating goods and services to provide a combined output to the customer. The amount of revenue recognised as the service is performed is based on the assessed value of work completed using the outputs method. Should billings exceed the amount of revenue recognised a contract liability is recognised. Should the amount of revenue recognised exceed billings a contract asset is recognised. There were no contract assets or liabilities at the year end.

Notes to the financial statements continued

for the year ended 31 December 2020

2 Summary of significant accounting policies continued

Revenue recognition continued

(e) Equipment rental

Revenue from the equipment leased to customers under an operating lease is recognised over the term of the lease, typically five years, on a pro rata basis, with the unexpired portion held in deferred income. All contracts are cancellable.

The Group recognises liabilities for consideration received in respect of unsatisfied performance obligations for maintenance and equipment rental revenue and reports these amounts as deferred income in the Statement of Financial Position (see note 18 for opening and closing deferred income balances). For 2020, revenue includes £2,723,000 (2019: £2,672,000) included in the deferred income balance at the beginning of the period. No revenue has been recognised (2019: £Nil) from performance obligations satisfied in previous periods due to a change in transaction price.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the revenue streams previously identified.

2020	Outright sale £'000	Service £'000	Maintenance £'000	Rental £'000	Installation £'000	Total £'000
Timing of recognition:						
At a point in time	**92,706**	**36,563**	**—**	**—**	**—**	**129,269**
Over time	**—**	**—**	**4,122**	**4,322**	**15,010**	**23,454**
Total revenue	**92,706**	**36,563**	**4,122**	**4,322**	**15,010**	**152,723**

2019	Outright sale £'000	Service £'000	Maintenance £'000	Rental £'000	Installation £'000	Total £'000
Timing of recognition:						
At a point in time	89,474	34,233	—	—	—	123,707
Over time	—	—	4,055	4,449	14,709	23,213
Total revenue	89,474	34,233	4,055	4,449	14,709	146,920

During the year management reconsidered the description of certain revenues relating to installations and concluded that it would be more appropriate to describe these revenues as recognised "over time" rather than "at a point in time". This change had no impact on the amount of revenue recognised.

Although the Directors have concluded that there is one geographic segment in which the Group operates, the revenue can be analysed across the following countries:

	2020 £'000	2019 £'000
United Kingdom	**32,251**	32,328
Belgium	**55,918**	55,780
Netherlands	**38,686**	35,303
Austria	**18,611**	18,649
Rest of Europe	**7,257**	4,860
	152,723	146,920

Cost of sales

Cost of sales includes direct material costs net of supplier rebates. Other direct costs, largely direct labour, of £53.4 million (2019: £53.5 million) are included within distribution costs.

Government grants

Government grants relate to payments received under Coronavirus Job Retention Schemes. These receipts are recognised in profit or loss in staff costs in the periods in which the expenses are recognised. Where the conditions for receiving the grant are met after the related expenses have been recognised, the grant is recognised when it becomes receivable.

2 Summary of significant accounting policies continued

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 the Group has exposure to the following risks: foreign exchange risk, interest rate risk and capital risk. Risk management is carried out under treasury policies and guidelines authorised and reviewed by the Board of Directors. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. The Board has also considered the Group's exposure to credit risk and liquidity risk.

Credit risk – the Group's trade receivables consist of a large number of customers spread across diverse industries and geographical locations. The Group does not have any significant credit risk exposure to any single customer. As a result the Board has concluded that the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk – the Group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2020 amounted to £37,456,000 (2019: £27,143,000), by operating within its agreed banking facilities, by continually monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with its banks. The Group's bank loans at 31 December amounted to £5,688,000 (2019: £7,170,000) and their maturity is analysed in detail in note 20. In view of the significant level of net funds available to the Group of £31,768,000 (2019: £19,973,000), the Board has concluded that it has minimal exposure to liquidity risk.

(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.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except for derivatives when it is based on notional amounts.

31 December 2020	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	**4,861**	**32,595**	**37,456**
Trade and other receivables	**8,469**	**24,705**	**33,174**
Bank loans	**(1,550)**	**(4,138)**	**(5,688)**
Lease liabilities	**(1,609)**	**(1,693)**	**(3,302)**
Trade and other payables	**(7,031)**	**(20,551)**	**(27,582)**
Income tax liabilities	**(128)**	**(1,946)**	**(2,074)**
Balance sheet exposure	**3,012**	**28,972**	**31,984**

31 December 2019	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	4,831	22,312	27,143
Trade and other receivables	6,546	21,276	27,822
Bank loans	(2,169)	(5,001)	(7,170)
Lease liabilities	(1,393)	(997)	(2,390)
Trade and other payables	(6,434)	(16,633)	(23,067)
Income tax liabilities	(182)	(803)	(985)
Balance sheet exposure	1,199	20,154	21,353

Notes to the financial statements continued

for the year ended 31 December 2020

3 Financial risk management continued

Financial risk factors continued

(a) Foreign exchange risk continued

A 5% weakening of the Euro against Sterling at 31 December 2020 would have decreased equity by £1,473,000 (2019: £983,000). This calculation assumes that the change occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date. A 5% strengthening of the Euro against Sterling at 31 December 2020 would have had the equal but opposite effect, on the basis that all other variables remain constant.

There are no assets or liabilities that are denominated in a currency that is different to the functional currency of the entity in which they are recorded. As such there is deemed to be no foreign currency market risk. The only deemed foreign currency risk is that of translation risk as disclosed above.

(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 did expose the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk by entering into interest capping agreements. The effect of these agreements is to fix the Group's exposure to EURIBOR to 0.25% and LIBOR to 1.50%. The agreements took effect from May 2018 and provide interest rate cover until the loans are repaid in May 2023.

(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.

Total capital	2020 £'000	2019 £'000
Total cash and cash equivalents	**37,456**	27,143
Less: borrowings	**(5,688)**	(7,170)
Net funds	**31,768**	19,973
Total equity	**126,123**	116,174
Total capital	**157,891**	136,147

4 Significant 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.

Significant estimates

The Group makes estimates and assumptions concerning the future. The resulting 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) Carrying value of goodwill

The Group tests annually whether the carrying value of 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, which includes estimation uncertainty in relation to the assumptions about future operating results and determination of a suitable discount rate.

The value-in-use calculations have used pre-tax cash flow projections forecast over ten years based on the budget approved by the Board for the year ending 31 December 2021. The key assumptions used in the cash flow projections were:

Growth rate: An estimated growth rate of 1% reflecting the mature nature of the market in which the cash-generating units operate.

4 Significant accounting estimates and judgements continued

Significant estimates continued

(a) Carrying value of goodwill continued

Discount rate: The cash flows have then been discounted using a pre-tax rate of 10% (2019:10%). The CGUs in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks. In addition, the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that a single discount rate is appropriate to discount future cash flows.

Identification of CGUs: CGUs are identified based on the degree of integration in IT, product supply and staff expertise between the component companies which prevents their ability to operate as independent entities.

Sensitivity analysis: The value-in-use calculations did not indicate impairment in any goodwill. If the discount 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 is checked from time to time with benchmark surveys. The sensitivity of these assumptions is discussed in note 21 Retirement benefit obligations.

Significant judgements

(a) Going concern

In the course of preparing the financial statements, significant judgements have been made in determining whether the Group financial statements should be prepared on a going concern basis. Further details are set out in the basis of preparation section in note 2 to the financial statements.

(b) Bulk purchase annuity contract

In May 2020 the trustees of the Nu-Swift International Pension Scheme entered into a bulk purchase annuity contract with Aviva in respect of all benefits in the scheme. The accounting for the difference between the fair value of the qualifying insurance policy and the cost of the policy is an accounting policy choice. The Group has recognised the qualifying insurance policy at cost and then immediately remeasured the asset to its fair value. The difference has been treated as an actuarial loss and is recognised as part of remeasurements as a component within Other Comprehensive Income.

5 Employee benefit expense

	2020 £'000	2019 £'000
Wages and salaries	**53,282**	48,645
Government grants	**(1,940)**	—
Social security costs	**10,158**	10,215
Other pension costs (note 21)	**2,476**	2,145
	63,976	61,005

Directors' emoluments including employer's national insurance totalled £668,074 (2019: £626,160). This includes an amount paid to the highest paid Director of £408,041 (2019: £377,007). Key management personnel are deemed only to be the Directors.

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

	2020 Number	2019 Number
Production	**46**	46
Administration and management	**1,360**	1,191
Total	**1,406**	1,237

Notes to the financial statements continued

for the year ended 31 December 2020

6 Finance income and costs

	2020 £'000	2019 £'000
Finance income		
Bank interest receivable	28	27
Expected return on pension scheme assets (note 21)	40	115
Fair value of derivative financial instruments	10	—
Total finance income	78	142
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	(100)	(142)
Amortisation of loan arrangement fees	(18)	(18)
Fair value of derivative financial instruments	—	(6)
Interest on lease liabilities	(68)	(64)
Interest on pension scheme liabilities (note 21)	(15)	(24)
Total finance costs	(201)	(254)
Net finance costs	(123)	(112)

7 Profit before income tax

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

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	3,534	3,305
Depreciation of right of use assets	1,986	1,716
Amortisation of intangible fixed assets	3,327	3,328
Profit on disposal of plant and equipment	(76)	(59)
Loss on disposal of intangible assets	13	31

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

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

	2020 £'000	2019 £'000
Audit services		
Fees payable to the Parent Company's auditor for the audit of the Group's annual accounts	142	92
Fees payable to the Parent Company's auditor and its network firms for other services:		
– the audit of the Parent Company's subsidiaries pursuant to legislation	233	229
	375	321

Additional fees relating to 2019's year end audit of £25,000 have been charged in the current financial year.

8 Income tax expense

	2020 £'000	2019 £'000
United Kingdom		
Corporation tax	**567**	478
	567	478
Foreign tax		
Corporation taxes	**6,294**	6,931
Total current tax	**6,861**	7,409
Deferred tax		
Origination and reversal of temporary differences representing:		
– United Kingdom tax	**(252)**	(263)
– foreign tax	**(73)**	83
Total deferred tax (note 19)	**(325)**	(180)
Total tax charge	**6,536**	7,229

The tax for the year is higher (2019: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19.0%). The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	**24,577**	24,042
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19.0%)	**4,670**	4,568
Effects of:		
– expenses not deductible for tax purposes	**510**	401
– overseas tax rate in excess of UK standard	**1,356**	2,260
Total tax charge	**6,536**	7,229

The Group's effective income tax rate of 26.6% of profit before tax is expected to increase following the announcement in the UK Chancellor's budget to increase the UK's main rate of corporation tax to 25.0%. The increase is expected to take effect from 1 April 2023.

9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £17,853,000 (2019: £16,653,000) and on 12,261,477 (2019: 12,261,477) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

For diluted EPS, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential 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.

	2020		2019	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	**17,853**	**145.6**	16,653	135.8

Notes to the financial statements continued

for the year ended 31 December 2020

10 Dividends per share

	2020 £'000	2019 £'000
Equity – ordinary shares		
Final paid £0.20 (2019: £0.40) per share	**2,451**	4,904
Interim paid £0.40 (2019: £0.40) per share	**4,905**	4,905
	7,356	9,809

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2020 of £0.40 per ordinary share (2019: £0.20).

11 Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Extinguisher rental units £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost						
At 1 January 2019	10,315	4,369	12,050	13,186	5,471	45,391
Additions	22	275	322	2,776	579	3,974
On acquisitions of subsidiary undertakings	—	77	—	70	6	153
Disposals	—	(363)	(59)	(1,525)	(821)	(2,768)
Exchange adjustment	(341)	(191)	(622)	(592)	(233)	(1,979)
At 1 January 2020	9,996	4,167	11,691	13,915	5,002	44,771
Additions	69	266	501	2,915	651	4,402
On acquisitions of subsidiary undertakings	—	—	—	7	—	7
Disposals	(4)	(111)	(49)	(2,012)	(230)	(2,406)
Exchange adjustment	278	132	519	753	205	1,887
At 31 December 2020	**10,339**	**4,454**	**12,662**	**15,578**	**5,628**	**48,661**
Accumulated depreciation						
At 1 January 2019	6,388	3,531	11,304	7,483	4,608	33,314
Disposals	—	(361)	(55)	(1,293)	(791)	(2,500)
Charge for the year	148	249	293	2,209	406	3,305
Exchange adjustment	(275)	(156)	(582)	(296)	(203)	(1,512)
At 1 January 2020	6,261	3,263	10,960	8,103	4,020	32,607
Disposals	(1)	(91)	(46)	(1,653)	(229)	(2,020)
Charge for the year	149	247	299	2,360	479	3,534
Exchange adjustment	230	159	488	455	162	1,494
At 31 December 2020	**6,639**	**3,578**	**11,701**	**9,265**	**4,432**	**35,615**
Net book amount						
At 31 December 2020	**3,700**	**876**	**961**	**6,313**	**1,196**	**13,046**
At 31 December 2019	3,735	904	731	5,812	982	12,164
At 31 December 2018	3,927	838	746	5,703	863	12,077

Depreciation and profit/loss on disposal have been charged to the Income Statement through administrative expenses. Freehold land is not depreciated.

11 Property, plant and equipment continued

Although the Directors have concluded that there is one geographic segment in which the Group operates, the net book amount can be analysed across the following countries:

	2020 £'000	2019 £'000
United Kingdom	**3,384**	3,490
Belgium	**5,920**	5,370
Netherlands	**2,385**	2,223
Austria	**938**	921
Rest of Europe	**419**	160
	13,046	12,164

12 Right of use assets

	Leasehold land and buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	1,289	1,248	2,537
Additions	1,016	604	1,620
Disposals	(472)	(111)	(583)
Exchange differences	(35)	—	(35)
At 1 January 2020	1,798	1,741	3,539
Additions	2,049	781	2,830
Disposals	(702)	(473)	(1,175)
Exchange differences	69	1	70
At 31 December 2020	**3,214**	**2,051**	**5,264**
Accumulated depreciation			
At 1 January 2019	—	—	—
Disposals	(417)	(111)	(528)
Charge for the year	977	739	1,716
Exchange differences	(9)	—	(9)
At 1 January 2020	551	628	1,179
Disposals	(702)	(473)	(1,175)
Charge for the year	1,284	702	1,986
Exchange differences	20	—	20
At 31 December 2020	**1,153**	**858**	**2,010**
Net book amount			
At 31 December 2020	**1,993**	**1,193**	**3,254**
At 31 December 2019	1,247	1,113	2,360

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

Interest charged on lease liabilities of £68,000 (2019: £64,000) is included within finance costs.

Of the net book amount, £1,574,000 (2019: £1,368,000) is in respect of assets in the United Kingdom. The remaining £1,882,000 (2019: £992,000) is spread throughout other European countries in which the Group has operations.

Notes to the financial statements continued

for the year ended 31 December 2020

13 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Approval costs £'000	Total £'000
Cost					
At 1 January 2019	70,917	33,390	1,595	2,276	108,178
Additions	19	1,784	171	94	2,068
On acquisitions of subsidiary undertakings	954	2,309	—	—	3,263
Disposals	—	—	(199)	(32)	(231)
Exchange differences	(1,215)	(969)	(77)	(165)	(2,426)
At 1 January 2020	70,675	36,514	1,490	2,173	110,852
Additions	6	1,061	87	90	1,244
On acquisitions of subsidiary undertaking	87	514	—	—	601
Disposals	—	—	(119)	(11)	(130)
Exchange differences	1,004	848	62	49	1,963
At 31 December 2020	**71,772**	**38,937**	**1,520**	**2,301**	**114,530**
Accumulated amortisation					
At 1 January 2019	17,315	21,295	1,387	2,104	42,101
Disposals	—	—	(199)	(2)	(201)
Charge for the year	—	3,134	131	63	3,328
Exchange differences	(1,093)	(611)	(67)	(109)	(1,880)
At 1 January 2020	16,222	23,818	1,252	2,056	43,348
Disposals	—	—	(117)	—	(117)
Charge for the year	—	3,184	101	42	3,327
Exchange differences	979	540	52	90	1,661
At 31 December 2020	**17,201**	**27,542**	**1,288**	**2,188**	**48,219**
Net book amount					
At 31 December 2020	**54,571**	**11,395**	**232**	**113**	**66,311**
At 31 December 2019	54,453	12,696	238	117	67,504
At 31 December 2018	53,602	12,095	208	172	66,077

Amortisation has been charged to the Income Statement through administrative expenses. Additions are discussed in further detail in note 27.

Impairment tests for goodwill

The recoverable amount of goodwill and service contracts is determined based on value-in-use calculations for each cash-generating unit ("CGU"). The value-in-use calculations have used pre-tax cash flow projections based on the Board approved budget for the year ending 31 December 2021. Subsequent cash flows are extrapolated using an estimated growth rate of 1% (2019: 1%) reflecting the mature nature of the market in which the CGUs operate. The cash flows have then been discounted using a pre-tax rate of 10% (2019: 10%). The CGUs in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks. In addition, the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that a single discount rate is appropriate to discount future cash flows. The value-in-use calculations did not indicate impairment in any goodwill or service contract. If the discount rate had been 5% higher there would still have been no impairment in any goodwill. The value of goodwill is split into four CGUs to assess indicators of impairment. Of the total goodwill £40,699,000 (2019: £40,593,000) relates to Ansul Group companies (based in Belgium, Austria and the Netherlands), £12,930,000 (2019: £12,924,000) relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant. Of the total service contracts £5,328,000 (2019: £5,271,000) relates to Ansul Group companies (based in Belgium, Austria and the Netherlands), £3,382,000 (2019: £4,935,000) relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant.

14 Derivative financial instruments

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	36	—	47

The Group has entered into interest rate agreements capping LIBOR at 1.50% and EURIBOR at 0.25%. The agreements took effect from May 2018 and remain in effect until the loans are repaid in 2023. The liability represents the forecast increase in interest payable as a result of these agreements over the remaining life of the loans at the year end. The fair value at the year end is calculated based on observable interest rates.

15 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	6,816	5,988
Work in progress	527	500
Finished goods	7,610	6,946
	14,953	13,434

The cost of inventories recognised as an expense and included in cost of sales amounted to £34,491,000 (2019: £34,066,000). No (2019: £Nil) previous inventory write downs have been reversed.

16 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade receivables	32,186	26,419
Less: expected credit loss allowance	(2,652)	(1,619)
Trade receivables – net	29,534	24,800
Amounts owed by related undertakings	33	31
Other receivables	1,447	941
Prepayments	1,954	1,662
Income tax recoverable	206	388
	33,174	27,822

Amounts owed by related undertakings do not attract interest, no security is held in respect of these balances and they are repayable on demand.

In line with our trade receivables accounting policy, the Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped in months past due. On this basis the expected credit loss for trade receivables was determined as follows:

31 December 2020 Trade receivables

	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.1%	1.4%	11.3%	100.0%	
Gross carrying amount	18,606	7,964	3,484	2,132	32,186
Lifetime expected credit loss	20	108	392	2,132	2,652

Notes to the financial statements continued

for the year ended 31 December 2020

16 Trade and other receivables continued

31 December 2019 Trade receivables

	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.1%	1.1%	5.8%	100.0%	
Gross carrying amount	15,925	7,056	2,027	1,411	26,419
Lifetime expected credit loss	14	76	118	1,411	1,619

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

	2020 £'000	2019 £'000
Sterling	**8,469**	6,546
Euro	**24,705**	21,276
Total	**33,174**	27,822

These are detailed as Sterling equivalent.

Movements in the Group provision for expected credit loss allowance are as follows:

	2020 £'000	2019 £'000
At 1 January	**1,619**	1,562
Increase in loss allowance recognised in the year	**1,560**	706
Receivables written off in the year as uncollectable	**(295)**	(285)
Unused amounts reversed	**(232)**	(364)
At 31 December	**2,652**	1,619

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.

The Group does not hold any collateral as security.

17 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	**37,456**	27,143

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

18 Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	**4,476**	3,515
Other payables	**2,330**	2,752
Other taxation and social security	**14,695**	11,703
Accruals	**3,240**	2,465
Deferred income	**2,841**	2,723
	27,582	23,158

	2020 £'000	2019 £'000
Non-current		
Other payables	**941**	850

19 Deferred income tax

	Amount recognised/(provided)		Amount unrecognised	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred tax asset				
Pension deficit	**587**	554	**—**	—
Decelerated capital allowances	**203**	129	**—**	—
Unrecoverable losses	**—**	—	**1,085**	1,085
	790	683	**1,085**	1,085
Deferred tax liabilities				
Pension surplus	**(157)**	(1,737)	**—**	—
Intangible assets	**(710)**	(943)	**—**	—
Accelerated capital allowances	**(279)**	(229)	**—**	—
	(1,146)	(2,909)	**—**	—
Net deferred tax liability	**(356)**	(2,226)	**1,085**	1,085

	1 January 2020 £'000	Recognised in other comprehensive income £'000	Recognised in business combination – see note 27 £'000	Recognised in Income Statement £'000	31 December 2020 £'000
Non-current assets					
Pension deficit	554	(5)	—	38	**587**
Property, plant and equipment	129	—	—	74	**203**
	683	(5)	—	112	**790**
Non-current liabilities					
Pension surplus	(1,737)	1,594	—	(14)	**(157)**
Intangible assets	(943)	—	(87)	320	**(710)**
Property, plant and equipment	(229)	—	—	(50)	**(279)**
	(2,909)	1,594	(87)	256	**(1,146)**
Net deferred tax liability	(2,226)	1,589	(87)	368	**(356)**

Notes to the financial statements continued

for the year ended 31 December 2020

19 Deferred income tax continued

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which temporary differences will reverse, based on tax rates and laws substantively enacted at the Statement of Financial Position date applicable to the jurisdiction in which the asset/liability is recognised. It is not anticipated that any of the deferred tax asset or liability in respect of the pension deficit or surplus will reverse in the 12 months following the Statement of Financial Position date. Whilst it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the 12 months following the Statement of Financial Position date, any such reversal is not expected to be material.

20 Borrowings

	2020 £'000	2019 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
– in one to two years	**2,112**	2,048
– between two and five years	**1,058**	3,074
	3,170	5,122
Current (one year or less or on demand)		
Bank borrowings	**2,518**	2,048
Total borrowings	**5,688**	7,170

The carrying value of borrowings approximates to its fair value.

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.5% (2019: 1.5%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £43,000 (2019: £61,000), of which £24,000 (2019: £43,000) is to be amortised after more than one year.

The table below analyses the Group's financial liabilities including interest which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

Financial maturity analysis	2020 £'000	2019 £'000
Bank borrowings:		
– within one year	**2,602**	2,155
– in one to two years	**2,163**	2,126
– between two and five years	**1,070**	3,136
	5,835	7,417

The estimated fair value of the interest rate agreement has been included in the Statement of Financial Position as disclosed in note 14.

The borrowings are secured by fixed and floating charges on certain assets of the Group.

20 Borrowings continued

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

	Total 2020 £'000	Weighted average interest rate 2020	Total 2019 £'000	Weighted average interest rate 2019
Currency				
Sterling	**1,550**	**2.0%**	2,169	2.1%
Euro	**4,138**	**1.3%**	5,001	1.3%
	5,688	**1.5%**	7,170	1.5%

21 Retirement benefit obligations

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

Nu-Swift International Pension Scheme

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. 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 actuarial valuation as at 31 December 2017 showed that the market value of the scheme's assets was £17,909,000 and that the actuarial value of those assets represented 118% of the benefits that had accrued to members. The results of the 2017 valuation have been projected to 31 December 2020 and then recalculated using the assumptions set out below which result in a net surplus position of £445,000 (2019: £4,959,000). In May 2020 the trustees entered into a bulk purchase annuity contract with Aviva in respect of all benefits in the scheme. The surplus has decreased primarily due to the purchase of the buy-in annuity policy, because the premium paid for this policy is larger than the defined benefit obligation relating to the underlying benefits. In line with IAS 19 the Directors have recognised the difference between the purchase cost of the policy and the fair value of the annuity asset as an actuarial loss which has been recognised as a component within Other Comprehensive Income. The scheme's assets are stated at their market value at 31 December 2020.

At 31 December 2020 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out of £445,00 (2019: £4,959,000). The surplus is recognised as it is confirmed that the Group does have an unconditional right to a refund of surplus contributions once all pensions have been applied and the scheme winds up. On this basis no liability for minimum funding requirements has been recognised.

The Group paid no contributions to the scheme (2019: £Nil) over the year. No further contributions were payable with effect from 1 May 2015. These payments had been in respect of the recovery plan put in place following the completion of the 2011 valuation.

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

	2020	2019	2018
Discount rate	**1.10%**	1.80%	2.60%
Inflation rate	**2.60–3.20%**	2.30–3.20%	2.50–3.50%
Salary increase rate	**n/a**	n/a	n/a
Increases for pensions in payment	**2.60%**	3.10%	3.40%
Revaluation of deferred pensions	**2.60%**	2.30%	2.50%

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 Statement of Financial Position date is as follows:

	2020	2019
Male	**21.4**	21.3
Female	**23.4**	23.2

Notes to the financial statements continued

for the year ended 31 December 2020

21 Retirement benefit obligations continued

Nu-Swift International Pension Scheme continued

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

	2020	2019
Male	22.4	22.3
Female	24.6	24.4

The assets in the scheme were:

	Value at 31 December 2020 £'000	Percentage of scheme assets 2020	Value at 31 December 2019 £'000	Percentage of scheme assets 2019
Buy-in annuity policy	14,618	96.4%	—	0.0%
Bonds	118	0.8%	15,957	87.0%
Cash	429	2.8%	2,385	13.0%
	15,165		18,342	
Present value of the scheme's liabilities	(14,720)		(13,383)	
Surplus in the Nu-Swift Scheme recognised in the Statement of Financial Position	445		4,959	
Related deferred tax liability	(157)		(1,737)	

The present value of the scheme's liabilities includes the GMP equalisation liability which is not covered by the annuity policy.

Analysis of the amount recognised in the Income Statement

	2020 £'000	2019 £'000
Interest credit	(40)	(115)
Total operating credit	(40)	(115)

Movement in the defined benefit obligation over the year

	2020 £'000	2019 £'000
Start of the year	(13,383)	(12,773)
Interest cost	(234)	(325)
Actuarial loss arising from changes in financial assumptions	(1,461)	(1,230)
Actuarial (loss)/gain arising from changes in demographic assumptions	(400)	367
Benefits paid	758	578
End of the year	(14,720)	(13,383)

Movement in the fair value of the plan assets over the year

	2020 £'000	2019 £'000
Start of the year	18,342	17,203
Interest income	274	440
Return on assets (excluding amount included in net interest expense)	(2,693)	1,277
Benefits paid	(758)	(578)
End of the year	15,165	18,342

21 Retirement benefit obligations continued

Analysis of the amount recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2019 £'000
Actuarial loss on defined benefit obligation	**(1,861)**	(863)
Actual return less expected return on pension scheme assets	**(2,693)**	1,277
Gain recognised in the Consolidated Statement of Comprehensive Income	**(4,554)**	414

Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% decrease in the inflation rate would be to increase the pension surplus by £59,000 (2019: £47,000); an increase of 0.1% in the inflation rate would decrease the surplus by £60,000 (2019: £48,000). The impact of a 0.1% increase in the discount rate would be to increase the pension surplus by £203,000 (2019: £171,000); a decrease of 0.1% in the discount rate would decrease the surplus by £208,000 (2019: £174,000).

Ansul Pension Scheme

Ansul S.A. operates a number of funded pension schemes, the majority of which are prescribed by the Belgian 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 Delta Lloyd Life. The total pension cost of the Ansul Group scheme is determined by an independent qualified actuary. The most recent valuation was at 31 December 2018. The scheme's assets are stated at their market value at 31 December 2020.

The Group paid contributions to the scheme amounting to £297,000 (2019: £246,000) over the year. There are no minimum contribution requirements for this scheme. The Group expects to make contributions of £297,000 in the next reporting period.

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

	2020	2019	2018
Discount rate	**0.95%**	0.88%	1.88%
Inflation rate	**2.00%**	2.00%	2.00%
Salary increase rate	**1.00%**	1.00%	1.00%

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 Statement of Financial Position date is as follows:

	2020	2019
Male	**21.9**	21.9
Female	**25.3**	25.3

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

	2020	2019
Male	**22.0**	22.0
Female	**25.4**	25.4

The assets in the scheme were:

	Value at 31 December 2020 £'000	Percentage of scheme assets 2020	Value at 31 December 2019 £'000	Percentage of scheme assets 2019
Assets with guaranteed interest with insurer	**2,674**	**100%**	2,371	100%
Present value of the scheme's liabilities	**(5,023)**		(4,586)	
Deficit in the Ansul scheme recognised in the Statement of Financial Position	**(2,349)**		(2,215)	
Related deferred tax asset	**587**		554	

Notes to the financial statements continued

for the year ended 31 December 2020

21 Retirement benefit obligations continued

Analysis of the amount recognised in the Income Statement

	2020 £'000	2019 £'000
Current service charge/(credit)	3	(4)
Interest charge	14	23
Total operating charge	17	19

Movement in the defined benefit obligation over the year

	2020 £'000	2019 £'000
Start of the year	(4,586)	(4,209)
Current service cost	(300)	(242)
Interest cost	(38)	(70)
Actuarial loss arising from changes in financial assumptions	(116)	(549)
Actuarial gain arising from changes in demographic assumptions	—	21
Benefits paid	224	239
Exchange movement	(207)	224
End of the year	(5,023)	(4,586)

Movement in the fair value of the plan assets over the year

	2020 £'000	2019 £'000
Start of the year	2,371	2,329
Return on assets	24	47
Actuarial gain	25	63
Employer contributions	297	246
Benefits paid	(150)	(187)
Exchange movements	107	(127)
End of the year	2,674	2,371

Analysis of the amount recognised in the Consolidated Statement of Comprehensive Income

	2020 £'000	2019 £'000
Actual return less expected return on pension scheme assets	(17)	(412)
Actuarial loss recognised in the Consolidated Statement of Comprehensive Income	(17)	(412)

Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% increase in the inflation rate would be to increase the pension deficit by £22,000 (2019: £24,000); a decrease of 0.1% in the inflation rate would decrease the deficit by £21,000 (2019: £23,000). The impact of a 0.1% increase in the discount rate would be to decrease the pension deficit by £65,000 (2019: £70,000); a decrease of 0.1% in the discount rate would increase the deficit by £73,000 (2019: £79,000).

UK stakeholder scheme

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £500,729 in the year ended 31 December 2020 (2019: £532,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £2,476,000 for the year ended 31 December 2020 (2019: £2,166,000) and were wholly recognised in administrative expenses.

22 Provisions

	Current	Non-current	
	Rectification provision £'000	Environmental provision £'000	Total £'000
Provision at 1 January 2020	—	169	169
Movement in the year	16	3	19
Provision at 31 December 2020	**16**	**172**	**188**

The rectification provision relates to after sales costs. The environmental provision relates to costs associated with soil contamination. The cost of the decontamination is expected to be spread over a number of years and the provision is based on quotes received from contractors. The impact of discounting is considered immaterial to the amounts provided.

23 Called up share capital

	2020 Number	**2020 £'000**	2019 Number	2019 £'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	**12,261,477**	**123**	12,261,477	123

There are no outstanding options at 31 December 2020.

The mid-market price of the Company's shares at 31 December 2020 was £23.20 and the range during the year was £19.00 to £23.50.

Share premium account

	£'000
At 1 January 2020 and **31 December 2020**	**344**

Capital redemption reserve

	£'000
At 1 January 2020 and **31 December 2020**	**1**

The capital redemption reserve has arisen following the purchase of own shares.

Merger reserve

	£'000
At 1 January 2020 and **31 December 2020**	**2,033**

The merger reserve is not a distributable reserve.

Other reserve

	£'000
At 1 January 2020	6,442
Exchange adjustments	2,396
At 31 December 2020	**8,838**

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

Notes to the financial statements continued

for the year ended 31 December 2020

23 Called up share capital continued

Non-controlling interest

	£'000
At 1 January 2020	349
Profit in the year attributable to non-controlling interest	188
Distribution to non-controlling interest	(160)
At 31 December 2020	**377**

The non-controlling interest has arisen following the acquisition of 75% of the share capital of Fire Industry Specialists Limited.

24 Reconciliation of operating profit to cash generated from operations

	2020 £'000	2019 £'000
Operating profit	**24,700**	24,154
Depreciation of property, plant and equipment	**3,534**	3,305
Depreciation of right of use assets	**1,986**	1,716
Amortisation of intangible assets	**3,327**	3,328
Profit on disposal of property, plant and equipment	**(76)**	(59)
Loss on disposal of intangible assets	**13**	31
Exchange differences	**—**	36
Difference between pension charge and cash contributions	**(11)**	31
(Increase)/decrease in trade and other receivables	**(3,856)**	1,124
Increase/(decrease) in trade and other payables	**4,447**	(1,268)
Decrease in provisions	**(68)**	(24)
Increase in inventories	**(1,134)**	(11)
Cash generated from operations	**32,862**	32,363

Disposal of property, plant and equipment

	2020 £'000	2019 £'000
Net book value	**386**	270
Profit on disposal of property, plant and equipment	**76**	59
Proceeds	**462**	329

Disposal of intangible assets

	2020 £'000	2019 £'000
Net book value	**13**	31
Loss on disposal of intangible assets	**(13)**	(31)
Proceeds	**—**	—

25 Reconciliation of liabilities arising from financing activities

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
1 January 2020	5,122	2,048	2,390	9,560
Cash flow:				
– repayment	—	(2,121)	(2,036)	(4,157)
Non-cash items	(1,952)	2,591	50	689
New lease liabilities	—	—	2,898	2,898
31 December 2020	**3,170**	**2,518**	**3,302**	**8,990**

Non-cash items relate to foreign exchange movements, amortisation of finance arrangement costs and the movement between current and non-current debt in the year.

26 Lease liabilities

The Group leases various properties and vehicles under non-cancellable operating lease agreements. The lease agreements are between one and five years and the majority of lease agreements are renewable at the end of the lease period at market rates.

Following adoption of IFRS 16 the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Maturity analysis – contractual undiscounted cash flows

	2020 £'000	2019 £'000
Within one year	**1,450**	1,170
Between two and five years inclusive	**1,707**	1,176
More than five years	**145**	117
Total undiscounted lease liabilities at 31 December	**3,302**	2,463

Lease liabilities included in Statement of Financial Position at 31 December

	2020 £'000	2019 £'000
Current	**1,451**	1,134
Non-current	**1,851**	1,256
	3,302	2,390

Notes to the financial statements continued

for the year ended 31 December 2020

27 Acquisitions

On 1 August 2020 the Group purchased the entire share capital of Trium N.V. a company incorporated in, and which operates in, Belgium.

The disclosure of the book and provisional fair values of net assets acquired is as follows:

	Book value 2020 £'000	Fair value 2020 £'000	Total 2020 £'000
Property, plant and equipment	7	—	7
Service contracts	54	460	514
Inventories	169	—	169
Receivables	943	—	943
Cash and cash equivalents	323	—	323
Payables	(681)	—	(681)
Loans	(436)	—	(436)
Deferred tax liabilities	—	(87)	(87)
Fair value of net assets acquired	379	373	752
Goodwill			87
Total consideration			839
Cash and cash equivalents acquired			(323)
Net consideration			516

Satisfied by:

	Provisional consideration 2020 £'000
Cash	516
Contingent consideration	—
Net consideration	516

There has been no change to the provisional amounts from 2019.

The revenue and net loss of Trium N.V. since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2020 were £1,478,000 and £19,000 respectively. On a pro rata basis the revenue and loss would have been expected to be £3,547,000 and £46,000 had the acquisition taken place on 1 January 2020.

In addition to the acquisition of limited companies, the Group acquired service contracts from a number of businesses for a total consideration of £1,061,000. The Directors considered that the consideration equated to the fair value of the contracts acquired and have recognised an intangible asset accordingly. The Group monitors contract retention rates for any indication of impairment.

Due to the integration of these service contracts 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 2020 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2020 would have been had the acquisitions taken place on 1 January 2020.

28 Group undertakings

The Group wholly owns the entire issued and voting ordinary share capital of all the subsidiaries listed with the exception of Fire Industry Specialists Limited, which is 75% owned by LS UK Fire Group Limited and its wholly owned subsidiary Amberfire Limited.

	Activity	Country of registration or incorporation and operation
AFS Fire and Security Limited	Fire protection	England
Alarm Masters S.A.	Fire protection	Belgium
All-Protec N.V.	Fire protection	Belgium
A.L.P.I. sarl	Fire protection	Luxembourg
Amberfire Limited	Fire protection	England
Ansul B.V.	Fire protection	The Netherlands
Ansul Solutions B.V.	Fire protection	The Netherlands
Ansul S.A.	Fire protection	Belgium
Ansul Belgium S.A.	Fire protection	Belgium
APS Sprl	Fire protection	England
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Braco B.V.B.A.	Fire protection	Belgium
Beta Fire Protection Limited	Fire protection	England
Blesberger G.m.b.H.	Fire protection	Austria
Blusdesign B.V.	Fire protection	The Netherlands
Boensma B.V.	Fire protection	The Netherlands
Braho Brandpreventie B.V.	Fire protection	The Netherlands
Brandpreventie Groep B.V.	Fire protection	The Netherlands
City Fire Protection and Maintenance Services LLP	Fire protection	England
DC Security B.V.B.A.	Intruder alarms	Belgium
Dimex Technics S.A.	Fire protection	Belgium
Feuerschutz Hollmann G.m.b.H.	Fire protection	Germany
Fire Industry Specialists Limited	Fire protection	England
Fire Protection Holdings Limited	Sub-holding	England
Florian Feuerschutz G.m.b.H.	Fire protection	Austria
GC Fire Protection Limited	Fire protection	England
GFA Premier Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Hoyles Fire & Safety Limited	Fire protection	England
HP Fire Prevention Sprl	Fire protection	Belgium
Importex S.A.	Fire protection	Belgium
Kuhn Feuerschutz G.m.b.H.	Fire protection	Germany
KW Fire Protection Limited	Fire protection	England
Le Chimiste Sprl	Fire protection	Belgium
Linde Brandmateriel Aps	Fire protection	Denmark
LS UK Fire Group Limited	Sub-holding	England
Ludwig Brandschutztechnik G.m.b.H.	Fire protection	Germany
L. W. Safety Limited	Fire protection	England
NL Brandbeveiliging B.V.	Fire protection	The Netherlands
Noris Feuerschutzgerate G.m.b.H.	Fire protection	Austria
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	The Netherlands
Nu-Swift International Limited	Fire protection	England
One Protect Sarl	Fire protection	France
PMP Manus G.m.b.H.	Fire protection	Austria
Prevent Brandbeveiliging B.V.	Fire protection	The Netherlands
Pyrotec Fire Protection Limited	Fire protection	England
Record Brandbeveiliging B.V.	Fire protection	The Netherlands
S2 Fire Solutions Limited	Fire protection	England
Security Alarm Service Company Sprl	Fire protection	Belgium

Notes to the financial statements continued

for the year ended 31 December 2020

28 Group undertakings continued

	Activity	Country of registration or incorporation and operation
Somati FIE N.V.	Fire protection	Belgium
Total Fire-Stop G.m.b.H.	Fire protection	Austria
The General Fire Appliance Co. Limited	Sub-holding	England
Trium N.V.	Intruder alarms	Belgium
Tunbridge Wells Fire Protection Limited	Fire protection	England
TVF (UK) Limited	Fire protection	England

With the exception of the Parent Company's 100% interest in Fire Protection Holdings Limited, the shares in the remaining Group undertakings are held by subsidiary undertakings. Addresses and contact details for these subsidiaries are given inside the back cover. LS UK Fire Group Limited's and Fire Protection Holdings Limited's registered address is: Premier House, 2 Jubilee Way, Elland HX5 9DY.

The following subsidiaries have taken advantage of exemption from audit under Section 479a of the Companies Act 2006:

AFS Fire and Safety Limited, ASCO Extinguishers Company Limited, Beta Fire Protection Limited, Fire Protection Holdings Limited, GC Fire Protection Limited, GFA Premier Limited, Hoyles Limited, Hoyles Fire & Safety Limited, KW Fire Protection Limited, LS UK Fire Group Limited, L.W. Safety Limited, Nu-Swift International Limited, Nu-Swift (Engineering) Limited, Premier Fire Limited, Pyrotec Fire Protection Limited, S2 Fire Solutions Limited, The General Fire Appliance Co. Limited, Tunbridge Wells Fire Protection Limited, TVF (UK) Limited, KDN Fire Protection Limited, North Staffs Fire Limited, Firebreak Fire Securities Limited, Trafalgar Compliance Services Limited and Firex UK Limited.

In order to comply with the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 the Group is no longer able to take advantage of Section 410 of the Companies Act 2006 to disclose only its principal subsidiaries in the financial statements. Additional wholly owned subsidiaries, all of which are dormant, are:

BWH Manufacturing Limited, Cowley Fire Limited, Fire Reliant Limited, Green Cross Limited, L & P Fire Safety Equipment Limited, LS Fire Group Limited, Modern Fire Extinguisher Services Limited, Premier Fire Limited, Nu-Swift Limited, Triangle Fire Limited, United Fire Alarms Limited and Wilts Fire Limited all share the registered address: Premier House, 2 Jubilee Way, Elland HX5 9DY.

1st Quote Fire Limited, Assured Fire Protection & Safety Limited and Swift-N-Sure (Fire Appliances) Limited all share the registered address: Unit 1.1, Festival Court, Brand Place, Glasgow G51 1DR.

MK Fire Limited, Thames Valley Fire Protection Limited, TVF Alarms Limited, TVF Systems Services Limited and Ulysses Fire Services Limited's all share the registered address: 56/69 Queen's Road, High Wycombe HP13 6AH.

Luke & Rutland Limited and Pyrotec Fire Detection Limited share the registered address: Caburn Enterprise Park, Ringmer BN8 5NP.

Amberfire Limited and Firestop Services Limited share the registered address: Unit 15, Cedar Parc, Lincoln Road, Doddington, Lincolnshire LN6 4RR.

All of these entities have been included within the consolidation.

29 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 Trusts as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

30 Related party transactions

During the year the Group incurred costs amounting to £747,414 (2019: £783,344) 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 Group recharged and was reimbursed £71,000 (2019: £86,000) in relation to the Service Agreement by Andrews Sykes. Andrews Sykes is related through common control.

The balance disclosed in note 16 as being due from related undertakings is with EFS Property Holdings Ltd., a company controlled by J.G. Murray. The amount outstanding at the year end relates entirely to transactions in the year.

The Group made sales to Andrews Sykes in relation to fire protection in the year of £9,271 (2019: £10,015).

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £526,939 (2019: £373,372).

The Group made purchases from Fire Industry Specialists Limited in the year of £840,361 (2019: £364,057).

Fire Industry Specialists Limited declared a dividend in the year of £478,974 (2019: £338,648) to LS UK Fire Group Limited.

The Group incurred £57,000 (2019: £331,000) of expenditure on behalf of J.G. Murray during the year. This amount was reimbursed in the year (2019: £Nil was outstanding at the year end).

The Group incurred £70,000 (2019: £Nil) of expenditure on behalf of J-J. Murray during the year. This amount was reimbursed in the year.

31 Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,359,000 (2019: £1,034,000).

Parent Company balance sheet

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	2	**51**	102
Investments	3	**49,804**	49,804
		49,855	49,906
Current assets			
Debtors	4	**1,251**	2,363
Cash at bank and in hand		**791**	214
		2,042	2,577
Creditors: amounts falling due within one year			
Borrowings	5	**(619)**	(619)
Creditors	6	**(318)**	(2,194)
		(937)	(2,813)
Net current assets/(liabilities)		**1,105**	(236)
Total assets less current liabilities		**50,960**	49,670
Creditors: amounts falling due after more than one year			
Borrowings	5	**(931)**	(1,550)
Derivative financial instruments	8	**(10)**	(12)
		(941)	(1,562)
Net assets		**50,019**	48,108
Capital and reserves			
Called up share capital	9	**123**	123
Share premium account		**344**	344
Capital redemption reserve fund		**1**	1
Profit and loss account		**49,551**	47,640
Total shareholders' funds		**50,019**	48,108

The Parent Company's profit for the year was £9,267,000 (2019: £9,349,000).

The registered number of the Company is 00053417.

The notes on pages 60 to 63 are an integral part of these financial statements.

The financial statements on pages 58 to 63 were approved by the Board of Directors on 11 May 2021 and were signed on its behalf by:

J.G. Murray
Chairman
11 May 2021

Parent Company statement of changes in equity

for the year ended 31 December 2020

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2019	123	344	1	48,099	48,567
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,349	9,349
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
At 1 January 2020	123	344	1	47,640	48,108
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,267	9,267
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(7,356)	(7,356)
At 31 December 2020	**123**	**344**	**1**	**49,551**	**50,019**

The notes on pages 60 to 63 are an integral part of these financial statements.

Notes to the Parent Company financial statements

for the year ended 31 December 2020

1 Principal accounting policies

Basis of accounting

London Security plc is a public company limited by shares and incorporated and domiciled in the United Kingdom.

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102"). The functional and presentation currency of these financial statements is Sterling.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- reconciliation of the number of shares outstanding from the beginning to the end of the year;
- Statement of Cash Flow and related notes; and
- key management personnel compensation.

As the consolidated financial statements of London Security plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- presenting a Parent Company profit and loss account under Section 408 of the Companies Act 2006; and
- the disclosures required by FRS 102.11 "Basic financial instruments" and FRS 102.12 "Other financial instrument issues" in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

These Parent Company financial statements have been prepared on the going concern basis, under the historical cost convention as modified by revaluation of financial liabilities held at fair value through profit and loss in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The Directors have prepared these financial statements on the fundamental assumption that the Company is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements. In determining whether the Company's financial statements should be prepared on a going concern basis, the Directors have considered the factors likely to affect future performance. The Directors have reviewed trading and cash flow forecasts as part of the going concern assessment and based on this have the expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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 are included at cost unless, in the opinion of the Directors, an impairment has occurred, in which case the deficiency is provided for in and charged to the Parent Company's profit and loss account.

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax, or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

1 Principal accounting policies continued

Deferred tax continued

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Finance arrangement costs and interest rate caps

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.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the 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 2020 and 31 December 2020	**1,019**
Accumulated depreciation	
At 1 January 2020	917
Charge for the year	51
At 31 December 2020	**968**
Net book amount	
At 31 December 2020	**51**
At 31 December 2019	102

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2020 and **31 December 2020**	**49,804**

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

A full list of subsidiary undertakings is provided in note 28 of the Group accounts.

4 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	**1,251**	2,348
Other debtors	**—**	15
	1,251	2,363

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

Notes to the Parent Company financial statements continued

for the year ended 31 December 2020

5 Borrowings

	2020 £'000	2019 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	**619**	619
– between two and five years	**312**	931
	931	1,550
Current (amounts falling due within one year or on demand)		
Bank borrowings	**619**	619
Total borrowings	**1,550**	2,169

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.98% (2019: 2.16%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £25,000 (2019: £36,000), of which £14,000 (2019: £25,000) 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 2020 £'000	Weighted average interest rate 2020	Total 2019 £'000	Weighted average interest rate 2019
Currency				
Sterling	**1,550**	**1.98%**	2,169	2.16%
	1,550	**1.98%**	2,169	2.16%

6 Creditors

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	**240**	1,960
Accruals and deferred income	**78**	234
	318	2,194

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

7 Deferred tax

The deferred tax asset comprises:

	Amount recognised		Amount unrecognised	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Losses	**—**	—	**1,085**	971
Deferred tax asset	**—**	—	**1,085**	**971**

The unrecoverable tax loss carried forward is £5,712,000 (2019: £5,712,000).

Deferred tax is measured on a non-discounted basis at the tax rate that is 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 19%.

8 Derivative financial instruments

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	**—**	**10**	—	12

The Company has entered into an interest rate agreement which caps LIBOR at 1.5%. The agreement took effect from May 2018 and remains in effect until the loan is repaid in 2023. The liability represents the forecast increase in interest payable as a result of this agreement over the remaining life of the loan at the year end. The fair value at the year end is calculated based on observable interest rates.

9 Called up share capital

	2020 Number	2020 £'000	2019 Number	2019 £'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	**12,261,477**	**123**	12,261,477	123

There were no outstanding options at 31 December 2020.

The mid-market price of the Company's shares at 31 December 2020 was £23.20 and the range during the year was £19.00 to £23.50.

The Parent Company had no employees during the year (2019: Nil).

The remuneration paid to the Parent Company auditor in respect of the audit of the Group and Parent Company financial statements for the year ended 31 December 2020 is set out in note 7 to the Group financial statements.

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2020 of £0.40 per ordinary share (2019: £0.20).

10 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2020 (2019: £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 2020 this guarantee amounted to £3,750,000 (2019: £5,026,000). No loss is expected to arise from this guarantee.

11 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 Trusts as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

12 Related party transactions

During the year the Company incurred costs amounting to £548,618 (2019: £585,976) 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 Company recharged and was reimbursed £71,000 (2019: £86,000) in relation to the Service Agreement by Andrews Sykes. Andrews Sykes is related through common control.

The Company incurred £57,000 (2019: £331,000) of expenditure on behalf of J.G. Murray during the year. This amount was reimbursed in the year (2019: £Nil was outstanding at the year end).

The Company incurred £70,000 (2019: £Nil) of expenditure on behalf of J-J. Murray during the year. This amount was reimbursed in the year.

The Company has taken advantage of the exemption available under FRS 102 "Related Party Disclosures" from disclosing transactions between related parties within the London Security plc group of companies.

Notice of Annual General Meeting

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc (the "Company") will be held at 2 Jubilee Way, Elland, West Yorkshire HX5 9DY, on 30 June 2021 at 11.30 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 2020 and the Reports of the Directors and Auditor and the Directors' Remuneration Report for that year.
2. To re-elect J-J. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect X. Mignolet 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 declare a final dividend in respect of 2020 of £0.40 per ordinary share.
6. That Grant Thornton UK LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that its remuneration be fixed by the Directors.
7. That the Directors be generally and unconditionally authorised in accordance with Section 549 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 550 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 had not expired.

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

8. That, subject to the passing of resolution 7 above, the Directors be and are empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 564 of the Act) of the Company for cash pursuant to the authority conferred by resolution 7 above as if Section 561 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 £6,131 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.

9. That the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (as defined in Section 701(2) 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
Company Secretary
11 May 2021

Registered office
Premier House
2 Jubilee Way
Elland
West Yorkshire
HX5 9DY

Notes

1. Under the UK government's roadmap it is possible that the prohibition on non-essential travel and public gatherings will have ended and it will be possible for shareholders to attend the AGM in person. However, we strongly encourage shareholders to vote on all resolutions by completing the enclosed form of proxy for use at that Meeting, which you are requested to return in accordance with the instructions on the form.

2. The outcome of the resolutions will as usual be determined by shareholder vote based on the proxy votes we receive. You are strongly encouraged to vote by proxy on the resolutions contained in the AGM Notice. Given the restrictions on attendance, you are encouraged to appoint the "Chairman of the Meeting" as your proxy rather than another person who will not be permitted to attend the meeting.

3. 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 form of proxy

4. The notes to the form of proxy explain how to direct your proxy on 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 Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY; and

   (c) received 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.

Notice of Annual General Meeting continued

Notes continued

Appointment of proxy by joint members

5. 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

6. 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

7. 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 Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY. 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 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

8. As at 9am on 11 May 2021, the Company's issued share capital comprised 12,261,471 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 9am on 11 May 2021 was 12,261,477.

Documents on display

9. The register of Directors' interests will be available for inspection at the registered office of the Company from 11 May 2021 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting.

Communication

10. 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):

    - calling 01422 372852.

    You may not use any electronic address provided either:

    (a) in this Notice of Annual General Meeting; or

    (b) in any related documents (including the form of proxy),

    to communicate with the Company.

Group companies

The United Kingdom

AFS Fire and Security Limited
Buzzard Court
Mullacott Industrial Estate
Ilfracombe EX34 8PX

Tel: 01271 864 754
Website: afsfireandsecurity.co.uk

ASCO Extinguishers Company Limited
Unit 1.1
Festival Court
Brand Place
Glasgow G51 1DR

Tel: 0141 427 1144
Email: customer.service@asco.uk.com
Website: www.asco.uk.com

Beta Fire Protection Limited
Unit 18
Western Road Industrial Estate
Stratford-upon-Avon
Warwickshire CV37 0AH

Tel: 01789 292 050
Email: info@betafire.co.uk
Website: www.betafireprotection.com

City Fire Protection and Maintenance Services LLP
Trenton House
59A Imperial Way
Croydon CR0 4RR

Tel: 0208 649 7766
Email: admin@cityfire.co.uk
Website: www.cityfire.co.uk

Firestop Services Limited
Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01507 723 322
Email: enquiries@fire-stop.co.uk
Website: www.firestopservices.co.uk

Fire Industry Specialists Limited
Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01507 522 466
Email: enquiries@fisltd.co.uk
Website: www.fisltd.co.uk

Amberfire Limited
Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

Tel: 01673 885 229
Email: info@amber-fire.co.uk
Website: www.amber-fire.co.uk

GC Fire Protection Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 0208 391 7310
Email: customer.service@gcfireprotection.co.uk
Website: www.gcfireprotection.co.uk

GFA Premier Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 01422 377 521
Email: customer.service@gfapremier.co.uk

Hoyles Fire & Safety Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 01422 314 351
Email: customer.service@hoyles.co.uk
Website: www.hoyles.co.uk

KW Fire Protection Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 0161 628 9379
Email: enquiries@kwfire.co.uk
Website: kwfire.co.uk

L. W. Safety Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 01422 314 350
Email: customer.service@lwsafety.co.uk
Website: www.lwsafety.co.uk

MK Fire Limited
59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 01494 769 744
Email: customer.service@mkfire.co.uk
Website: www.mkfire.co.uk

Nu-Swift International Limited

Nu-Swift (Engineering) Limited
Premier House
2 Jubilee Way
Elland
West Yorkshire HX5 9DY

Tel: 01422 372 852
Email: customer.service@nu-swift.co.uk
Website: www.nu-swift.co.uk

Pyrotec Fire Protection Limited
Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP

Tel: 0800 634 9953
Email: sales@pyrotec.co.uk
Website: www.pyrotec.co.uk

S2 Fire Solutions Limited
Unit 14 Littleton Drive
Cannock WS12 4TS

Tel: 0845 519 8186
Email: sales@s2fire.co.uk
Website: S2fire.co.uk

Tunbridge Wells Fire Protection Limited
Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP

Tel: 01825 767 600
Email: customer.service@twfpltd.co.uk
Website: www.twfpltd.co.uk

TVF (UK) Limited
59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel: 01494 450 641
Email: customer.service@tvfltd.co.uk
Website: www.tvfltd.co.uk

Group companies continued

Belgium

Alarm Masters S.A.
Hekkestraat 45
9308 Aalst

Tel: 00 32 5237 3409
Email: info@alarmmasters.be
Website: www.alarmmasters.be

All-Protec N.V.
Bogaertstraat 16
9910 Knesslare

Tel: 00 32 9375 2044
Email: info@all-protec.be

Ansul S.A.

Ansul Belgium S.A.
Industrialaan 35
B-1702 Groot-Bijgaarden

Tel: 00 32 2467 7211
Email: mail@ansul.be
Website: www.ansul.be

Assurance Protection Service Srl
406 Chausee de Wavre
1300 Wavre

Tel: 00 32 7187 7504
Email: info@apsprotectionincendie.be
Website: www.apsprotectionincendie.be

Dimex Technics S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8789 0401
Email: info@dimex-technics.be

HP Fire Prevention Srl
406 Chausee de Wavre
1300 Wavre

Tel: 00 32 1060 4402
Email: info@hpfire.be
Website: www.hpfire.be

Importex S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8788 0242
Email: info@importex.be

Security Alarm Service Company Srl
42 Rue de l'Eglise
4710 Lontzen Herbesthal

Tel: 00 32 8645 6789
Email: info@securityalarmservice.be
Website: www.securityalarmservice.be

Somati FIE N.V.
Industrielaan 19a
9320 Erembodegem

Tel: 00 32 5385 2222
Email: info@somatifie.be
Website: www.somatifie.be

Le Chimiste Srl
406 Chausee de Wavre
1300 Wavre

Tel: 00 32 1086 8419
Email: info@lechimiste.be

Braco B.V.
Hekkestraat 45
9308 Aalst

Tel: 00 32 5321 4570
Email: info@bracofireprotection.be

DC Security B.V.
Vaartstraat 10
2235 Hulshout

Tel: 00 32 1522 5570
Email: info@dcsecurity.be
Website: www.dcsecurity.be

Trium N.V.
Herseltsesteenweg 72,
3200 Aarschot
Belgium

Tel: 00 32 78/15 8085
Email: info@trium.be
Website: www.trium.be

Luxembourg

A.L.P.I. sarl
10 Rue Robert Krieps
4702 Petange

Tel: 00 352 2631 3013
Email: alpi@alpi.lu
Website: www.alpi.lu

The Netherlands

Ansul B.V.
Ansul Solutions B.V.
Platinastraat 15
8211 AR Lelystad

Tel: 00 31 320 240864
Email: info@ansul.nl
Website: www.ansul.nl

Boensma Brandbeveiliging B.V.
Burenweg 26
7621 GX Borne

Tel: 00 31 541 870040
Email: info@boensmabrandbeveiliging.nl
Website: www.boensmabrandbeveiliging.nl

Nu-Swift Brandbeveiliging B.V.
Ringoven 45
6826 TP Arnhem

Tel: 00 31 263 630330
Email: info@nu-swift.nl
Website: www.nu-swift.nl

NL Brandbeveiliging B.V.
Petunialaan 1D
5582 HA Waalre

Tel: 00 40 248 2196
Email: info@nlbrandbeveiliging.nl
Website: www.nlbrandbeveiliging.nl

Prevent Brandbeveiliging B.V.
Maasdijkseweg 107
2291 PJ Wateringen

Tel: 00 31 174 526700
Email: info@prevent.brandbeveiliging.nl
Website: www.preventbrandbeveiliging.nl

Record Brandbeveiliging B.V.
Oostergracht 24
3763 LZ Soest

Tel: 00 31 356 027966
Email: info@recordbrandbeveiliging.nl
Website: www.recordbrandbeveiliging.nl

Braho Brandpreventie B.V.
Maasdijkseweg 107
2291 PJ Wateringen

Tel: 00 31 793 410708
Email: info@braho.nl
Website: www.braho.nl

Blusdesign B.V.
Bergweg 35b
3904 HL Veenendaal

Tel: 00 31 318 508 369
Email: info@blusdesign.com
Website: www.blusdesign.com

Brandpreventie Groep B.V.
Daalderweg 22
507 DT Zaandam

Tel: 0031 75 631 5558
Email: info@brandpreventiegroep.nl
Website: www.brandpreventiegroep.nl

Denmark

Linde Brandmateriel Aps
Industrivej 51A
4000 Roskilde

Tel: 0033 31 3100
Email: lindebrand@lindebrand.dk
Website: www.lindebrand.dk

Austria

Total Fire-Stop Brandschutztechnik G.m.b.H.
Tillmanngasse 5
1220 Wien

Tel: 00 431 259 36310
Email: info@total.at
Website: www.total.at

Blesberger Ges.m.b.H.
Hasnerstrasse 12
A-4020 Linz

Tel: 0043 732 73 32 34
Website: www.blesberger.at

Noris Feuerschutzgerate G.m.b.H.
Baumkircherstrasse 2
8020 Graz

Tel: 00 43 316 71 18 21
Email: zentrale@noris.at
Website: www.noris.at

P.M.P. Feuerlöschgeräte Produktions- und Vertriebsges.m.b.H
Waltendorfer Hauptstrasse 5
8010 Graz

Tel: 00 43 316 46 15 66
Email: office@pyrus-pmp.at
Website: www.pyrus-pmp.at

Florian Feuerschutz G.m.b.H.
Dorf 19
5732 Mühlbach im Pinzgau

Tel: 00 43 6566 7450
Email: office@feuerschutz.at
Website: www.feuerschutz.at

France

One Protect sarl
Z.I. Sainte Agathe
Rue Lavoisier
57192 Florange

Tel: 00 33 382 59 32 40
Email: contact@oneprotectsarl.com
Website: www.oneprotectsarl.com

Germany

LUDWIG Brandschutztechnik G.m.b.H.
Gewerbestrasse 2
D-24392 Suederbrarup

Tel: 00 49 4641 8242
Email: info@brandschutztechnik-ludwig.de

IFH Feuerschutz Hollmann G.m.b.H.
Ihmerter Strasse 211
58675 Hemer

Tel: 00 49 2372 81066
Email: info@feuerschutz-hollmann.de
Website: www.feuerschutz-hollmann.de

Kuhn Feuerschutz G.m.b.H.
Schmückebergsweg 12,
34576 Homberg/Efze
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Tel: 00 49 5681 9944 10
Email: info@kuhn-feuerschutz.de
Website: www.kuhn-feuerschutz.de

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Produced by
designportfolio

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