

A close-up photograph of a firefighter's hand wearing a black and orange protective glove, gripping a black fire hose nozzle. A powerful stream of white water is being sprayed from the nozzle towards the left. The background is a bright, orange and yellow fire, creating a high-contrast, dramatic scene. The firefighter's helmet is partially visible on the right side of the frame.

A leader in
Europe's fire
security
industry.

London Security plc

Unaudited Interim Statement for
the six months ended 30 June 2022

Chairman's statement

J.G. Murray, Chairman

FINANCIAL HIGHLIGHTS

- Revenue £88.6m (2021: £82.7m)
- Operating profit £10.9m (2021: £12.3m)
- Earnings per share 68.3p (2021: 75.6p)

Trading

The financial highlights illustrate that the Group's revenue increased by £5.9 million (7.1%) to £88.6 million.

Operating profit decreased by £1.4 million (11.4%) to £10.9 million.

The period under review reflects the impact from upward input price pressures in all of the countries in which we operate. These increases are being driven by worldwide supply chain disruption and energy and wage inflation following the recovery from the coronavirus pandemic and the war in Ukraine. Some of these supply price increases have been passed on to our customers, but we have absorbed an element of these which has reduced our operating profit. The inflationary spike has had an adverse effect on business confidence which we are starting to experience as a reduced willingness to invest by our customers.

Acquisitions

In the six months to the end of June the Group acquired four companies on the continent. In addition it strengthened its presence in Germany, Austria and the United Kingdom through the acquisition of service contracts to be integrated into the Group's existing subsidiaries. It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board.

Cash and financing

The Group's cash balance as at 30 June 2022 was £35.3 million. This is a decrease of £0.4 million on the 31 December 2021 balance of £35.7 million.

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

Prospects

As the situation develops, 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 with its strong balance sheet and material net cash position the Group is well placed to cope with any economic downturn.

Dividends

A final dividend in respect of 2021 of £0.42 per ordinary share was paid to shareholders on 8 July 2022.

J.G. Murray
Chairman

9 September 2022

Consolidated income statement

for the six months ended 30 June 2022

	Note	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Revenue		88,613	82,739	166,634
Cost of sales		(23,380)	(21,601)	(43,096)
Gross profit		65,233	61,138	123,538
Distribution costs		(33,937)	(30,188)	(59,974)
Administrative expenses		(20,394)	(18,670)	(36,390)
Operating profit		10,902	12,280	27,174
EBITDA*		15,742	16,799	36,273
Depreciation and amortisation		(4,840)	(4,519)	(9,099)
Operating profit		10,902	12,280	27,174
Finance income		1	21	28
Finance costs		(100)	(99)	(204)
Finance costs – net		(99)	(78)	(176)
Profit before income tax		10,803	12,202	26,998
Income tax expense		(2,423)	(2,862)	(6,990)
Profit for the period		8,380	9,340	20,008
Profit is attributable to:				
Equity shareholders of the Company		8,374	9,267	19,907
Non-controlling interest		6	73	101
		8,380	9,340	20,008
Earnings per share				
Basic and diluted	3	68.3p	75.6p	162.4p
Dividends				
Dividends paid per share		Nil	Nil	80p

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

The above are all as a result of continuing operations.

Consolidated statement of comprehensive income

for the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Profit for the financial period	8,380	9,340	20,008
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
– currency translation differences on foreign operation consolidation, net of tax	1,087	(2,679)	(3,782)
– actuarial gain recognised in the Nu-Swift pension scheme	–	–	(70)
– movement on deferred tax relating to the Nu-Swift pension scheme	–	–	25
– actuarial loss recognised in the Ansul pension scheme	–	–	104
– movement on deferred tax relating to the Ansul pension scheme	–	–	(26)
Other comprehensive income for the period, net of tax	1,087	(2,679)	(3,749)
Total comprehensive income for the period	9,467	6,661	16,259

Consolidated statement of changes in equity

for the six months ended 30 June 2022

	Share capital £'000	Share premium £'000	Capital redemption £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total £'000
At 1 January 2021	123	344	1	2,033	8,838	114,407	377	126,123
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	9,267	73	9,340
– exchange adjustments	–	–	–	–	(2,679)	–	–	(2,679)
Total comprehensive income for the period	–	–	–	–	(2,679)	9,267	73	6,661
Distribution to non-controlling interest	–	–	–	–	–	–	(28)	(28)
Reduction in non-controlling interest	–	–	–	–	–	(123)	(103)	(226)
At 30 June 2021	123	344	1	2,033	6,159	123,551	319	132,530
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	10,640	28	10,668
– exchange adjustments	–	–	–	–	(1,103)	–	–	(1,103)
– actuarial gain on pension schemes	–	–	–	–	–	34	–	34
– movement on deferred tax relating to pension schemes	–	–	–	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	–	–	(1,103)	10,673	28	9,598
Contributions by and distributions to owners of the Company:								
– dividends	–	–	–	–	–	(9,807)	–	(9,807)
Distribution to non-controlling interest	–	–	–	–	–	–	(122)	(122)
Reduction in non-controlling interest	–	–	–	–	–	(345)	(107)	(452)
At 31 December 2021	123	344	1	2,003	5,056	124,072	118	131,747
Comprehensive income for the period:								
– profit for the period	–	–	–	–	–	8,374	6	8,380
– exchange adjustments	–	–	–	–	1,087	–	–	1,087
Total comprehensive income for the period	–	–	–	–	1,087	8,374	6	9,467
At 30 June 2022	123	344	1	2,003	6,143	132,446	124	141,214

Consolidated statement of financial position

as at 30 June 2022

	Unaudited as at 30 June 2022 £'000	Unaudited as at 30 June 2021 £'000	Audited as at 31 December 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	14,186	13,634	13,990
Right-of-use assets	5,297	3,223	4,297
Intangible assets	73,643	66,009	70,074
Deferred tax asset	814	799	778
Retirement benefit surplus	380	445	380
	94,320	84,110	89,519
Current assets			
Inventories	18,326	15,861	16,423
Trade and other receivables	37,800	30,415	33,021
Cash and cash equivalents	35,256	43,678	35,681
	91,382	89,954	85,125
Total assets	185,702	174,064	174,644
Liabilities			
Current liabilities			
Trade and other payables	(30,336)	(27,110)	(28,061)
Income tax liabilities	(564)	(2,300)	(1,607)
Borrowings	(2,437)	(2,397)	(2,430)
Lease liabilities	(1,722)	(1,376)	(1,603)
Derivative financial instruments	(20)	—	—
Provision for liabilities and charges	(14)	—	(13)
	(35,093)	(33,183)	(33,714)
Non-current liabilities			
Trade and other payables	(1,033)	(923)	(1,058)
Borrowings	(431)	(2,051)	(1,340)
Lease liabilities	(3,627)	(1,851)	(2,740)
Derivative financial instruments	—	(28)	(20)
Deferred income tax liabilities	(1,982)	(1,081)	(1,731)
Retirement benefit obligations	(2,180)	(2,249)	(2,144)
Provision for liabilities and charges	(142)	(168)	(150)
	(9,395)	(8,351)	(9,183)
Total liabilities	(44,488)	(41,534)	(42,897)
Net assets	141,214	132,530	131,747
Shareholders' equity			
Ordinary shares	123	123	123
Share premium	344	344	344
Capital redemption reserve	1	1	1
Merger reserve	2,033	2,033	2,033
Other reserves	6,143	6,159	5,056
Retained earnings	132,446	123,551	124,072
Equity attributable to owners of the Parent Company	141,090	132,211	131,629
Non-controlling interest	124	319	118
Total equity	141,214	132,530	131,747

Consolidated statement of cash flow

for the six months ended 30 June 2022

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Cash flows from operating activities			
Cash generated from operations	13,501	20,342	33,909
Interest paid	(50)	(61)	(106)
Income tax paid	(5,617)	(4,687)	(7,122)
Net cash generated from operating activities	7,834	15,594	26,681
Cash flows from investing activities			
Acquisition of subsidiary undertakings	(3,058)	(1,496)	(4,871)
Purchases of property, plant and equipment	(1,923)	(2,977)	(4,880)
Proceeds from sale of property, plant and equipment	380	384	682
Purchases of intangible assets	(1,661)	(1,644)	(2,693)
Interest received	1	13	7
Net cash used in investing activities	(6,261)	(5,720)	(11,755)
Cash flows from financing activities			
Repayments of borrowings	(1,332)	(1,071)	(2,119)
Payment of lease liabilities	(1,057)	(1,097)	(2,072)
Dividends paid to Company's shareholders	—	—	(9,807)
Distribution to non-controlling interest	—	—	(150)
Reduction in non-controlling interest	—	(28)	(678)
Net cash used in financing activities	(2,389)	(2,196)	(14,826)
Net (decrease)/increase in cash in the period	(816)	7,678	100
Cash and cash equivalents at the beginning of the period	35,681	37,456	37,456
Effects of exchange rates on cash and cash equivalents	391	(1,456)	(1,875)
Cash and cash equivalents at the end of the period	35,256	43,678	35,681

Notes to the financial statements

for the six months ended 30 June 2022

1 Nature of information

The financial information contained in this Interim Statement has been neither audited nor reviewed by the auditor and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the six months ended 30 June 2022 has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2021. The principal risks and uncertainties as disclosed in the year end accounts are considered to be consistent with those that are still applicable now.

Comparative figures for the year ended 31 December 2021 have been extracted from the statutory accounts for the year ended 31 December 2021, which have been delivered to the Registrar of Companies. The Independent Auditor's Report on those accounts was unqualified and did not contain an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

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

3 Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £8,374,000 (2021: £9,267,000) and on 12,261,477 (2021: 12,261,477) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

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

	Unaudited six months ended 30 June 2022 £'000	Unaudited six months ended 30 June 2021 £'000	Audited year ended 31 December 2021 £'000
Profit on ordinary activities after taxation	8,374	9,267	19,907
Basic earnings per ordinary share	68.3p	75.6p	162.4p

4 Actuarial valuation of the pension scheme

As permitted under IAS 19 the Group has not prepared an actuarial valuation of the pension scheme assets and liabilities for the Interim Statement 2022. In accordance with IAS 19 such a valuation will be prepared for the purposes of the Group's Annual Report and Accounts 2022.

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