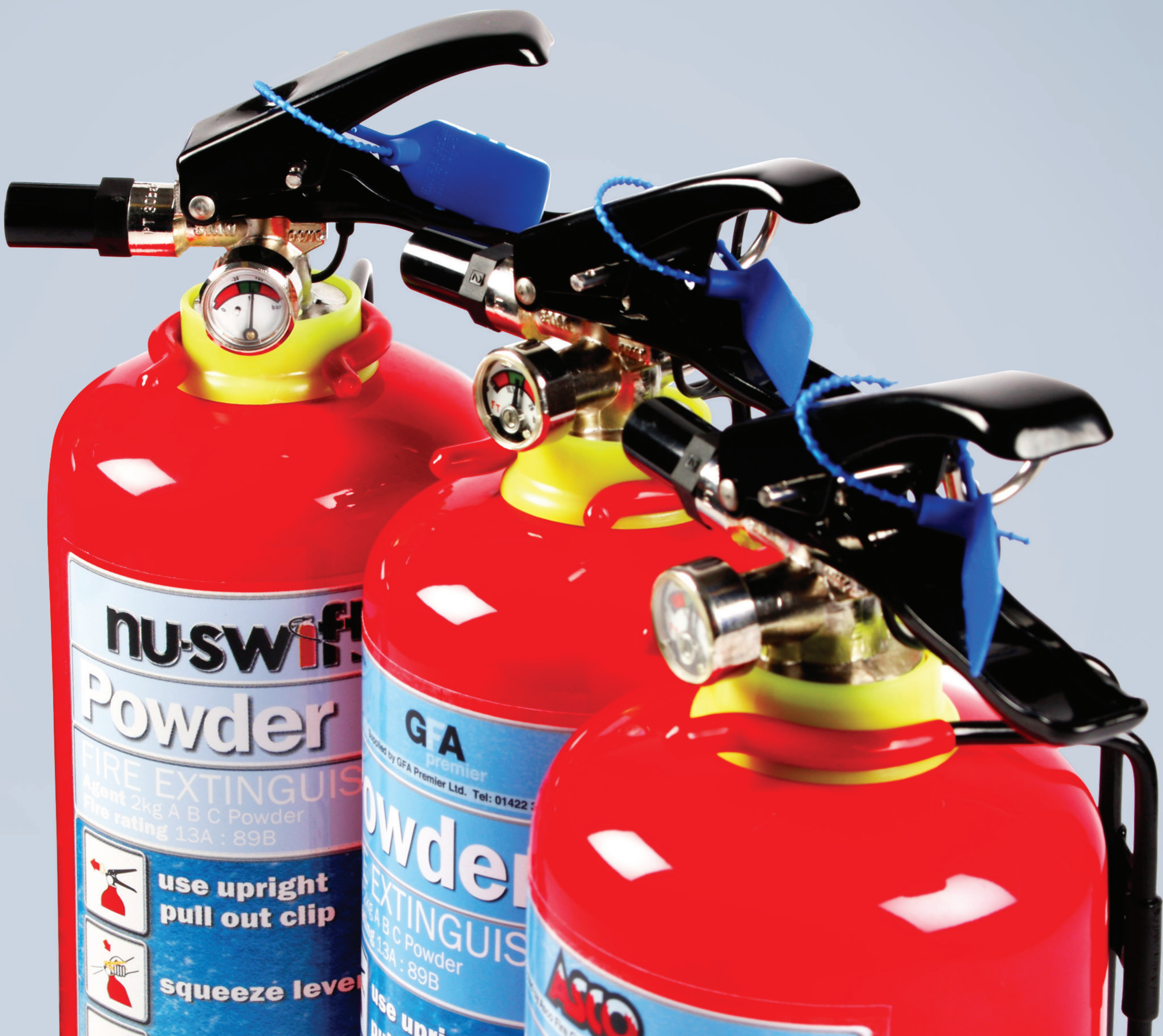
A leader in Europe's fire security industry.

London Security plc

Annual Report and Accounts 2016



London Security plc

is a leader in Europe's fire security industry.

Each year we provide fire protection for over 222,000 customers through our local presence in the United Kingdom, Belgium, the Netherlands, Austria, France, Germany and Luxembourg.

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

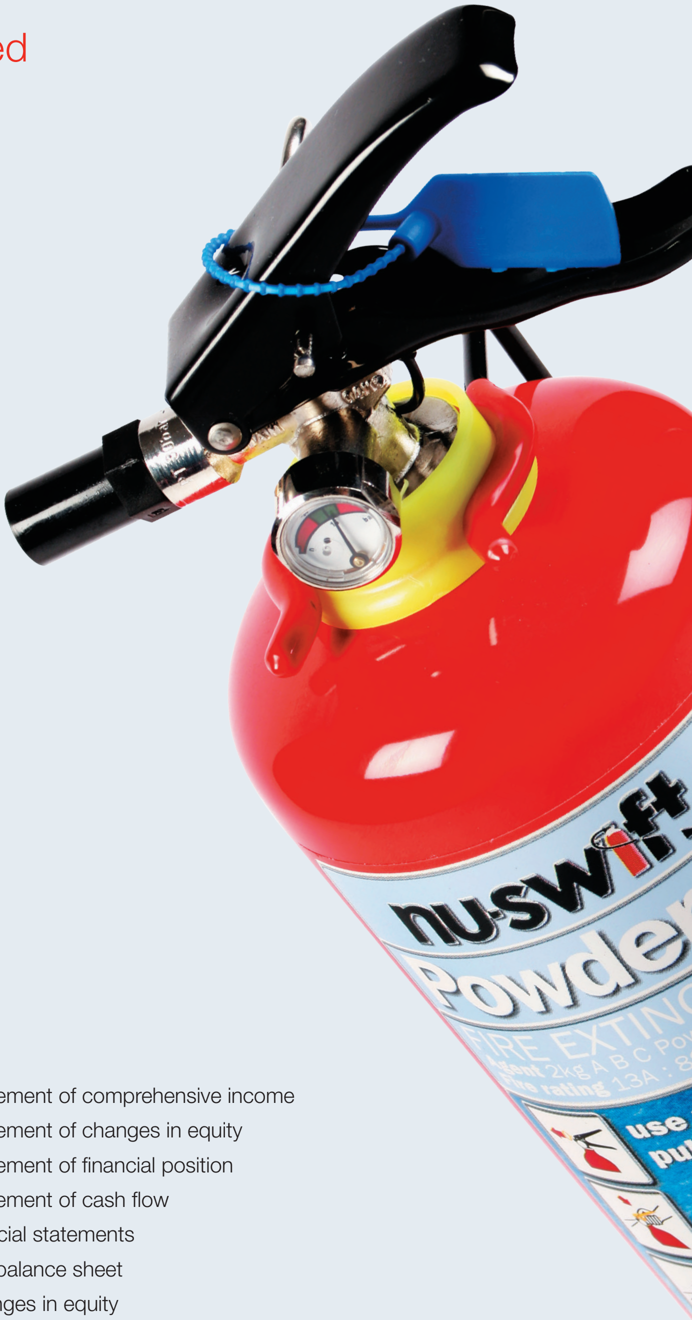
Nu-Swift, Ansul, Total, Premier and Master: the unique styling of our products makes them immediately recognisable to both the industry and customers alike.

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.

Our customers know that our name stands for integrity.

We offer the best trained and qualified individuals with quality products that have achieved the highest performance ratings, whether they are the largest blue chip companies, governments or private individuals.



Financial highlights

Earnings per share
112.4p

	Earnings per share
16	112.4p
15	100.1p
14	103.4p
13	111.8p
12	154.9p*

Operating profit
£20.9m

	Operating profit
16	£20.9m
15	£18.5m
14	£19.7m
13	£20.0m
12	£19.4m

Revenue
£114.8m

	Revenue
16	£114.8m
15	£101.2m
14	£100.9m
13	£101.4m
12	£94.1m

* 2012 includes profit on sale of property of 48.2p per share.

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.

Chairman's statement

J.G. Murray, Chairman

"We are experiencing increased competition in our core market and customer first focus is vital."

Financial highlights

Financial highlights of the audited results for the year ended 31 December 2016 compared with the year ended 31 December 2015 are as follows:

- revenue of £114.8 million (2015: £101.2 million);
- operating profit before depreciation and amortisation of £26.3 million (2015: £23.2 million);
- operating profit of £20.9 million (2015: £18.5 million);
- profit after income tax of £13.8 million (2015: £12.3 million); and
- a dividend per share of £0.80 (2015: £0.68).

Trading review

The financial highlights illustrate that the Group's revenue increased by £13.6 million (13.4%) to £114.8 million. However, these results are impacted by the movement in the Euro to Sterling average exchange rate, which has decreased from 1.38 to 1.23. This movement in exchange rate had a favourable effect of £9.8 million on reported revenue. If the 2016 results had been translated at 2015 rates, revenue would have been £105.0 million instead of £114.8 million (increase of 3.8% on the prior year).

Operating profit increased by £2.4 million (13.0%) to £20.9 million. Adjusting for the change in the exchange rate on the same basis as above, operating profit would have been £18.7 million instead of £20.9 million (increase of 1.1%). 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 has consolidated its presence in Belgium, the Netherlands and the UK with the acquisitions of service contracts from 15 smaller well established businesses for integration into the Group's existing subsidiaries. In addition, with the acquisition of One Protect in France and Ludwig in Germany, the Group has expanded its business into two new countries.

Management and staff

2016 was a year in which the staff performed well and, on your behalf, I would like to express thanks and appreciation for their contribution. 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 2015 of £0.40 per ordinary share was paid to shareholders on 8 July 2016. An interim dividend in respect of 2016 of £0.40 per ordinary share was paid to shareholders on 8 December 2016. The Board is recommending the payment of a final dividend in respect of 2016 of £0.40 per ordinary share to be paid on 5 July 2017 to shareholders on the register on 9 June 2017. The shares will be marked ex-dividend on 8 June 2017.

Future prospects

We are experiencing increased competition in our core market and customer care is becoming increasingly important. To retain our valued customers we need to strive to serve them at the highest possible level. We do not expect the economic environment to get any easier in 2017. Nonetheless your Group remains in a strong position and will continue to focus on meeting the needs of our customers and our shareholders.

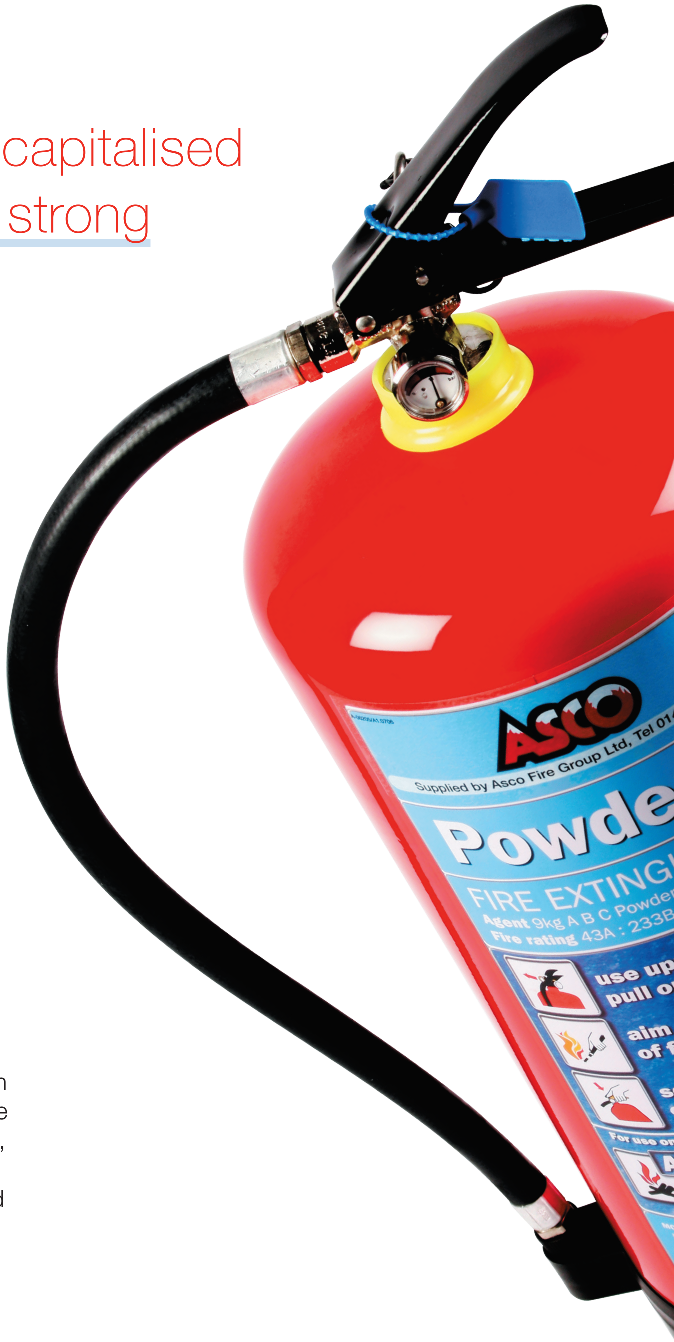
Annual General Meeting

The Annual General Meeting will be held at 2 Eaton Gate, London SW1W 9BJ on 21 June 2017 at 2 pm. You will find enclosed a form of proxy for use at that Meeting, which you are requested to complete and return in accordance with the instructions on the form. Your Directors look forward to meeting you at that time.

J.G. Murray
Chairman
27 April 2017

Financial review

"The Group is supported by a well capitalised balance sheet with no net debt, a strong asset base and cash balances."



In summary:

- Results have been impacted by the movement in the Euro to Sterling average exchange rate
- 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
- The Board is optimistic for further success in 2017

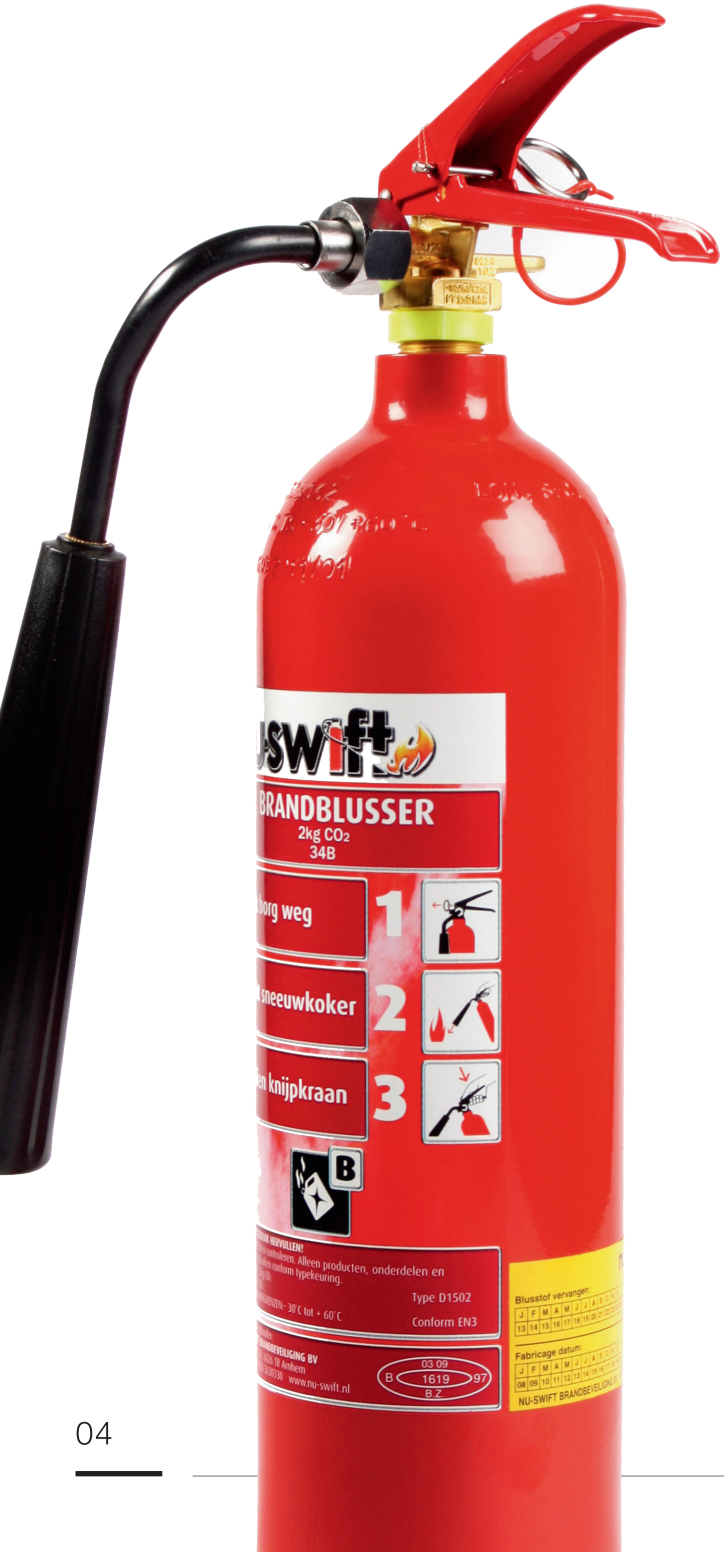
Consolidated Income Statement

The Group's revenue increased by £13.6 million (13.4%) to £114.8 million. Operating profit increased by £2.4 million (13.0%) to £20.9 million. However, these results reflect the movement in the Euro to Sterling average exchange rate, which has decreased from 1.38 to 1.23. If the 2016 results from the European subsidiaries had been translated at 2015 rates, revenue would have been £105.0 million instead of £114.8 million, which would represent an increase of 3.8% on the prior year. On the same basis, operating profit would have been £18.7 million instead of £20.9 million, an increase of 1.1% compared to 2015. Comparing EBITDA (earnings before interest, tax, depreciation and amortisation) to revenue, which eliminates the effect of the movement in exchange rates, the ratio has been maintained at 22.9%.

Adjusting for the effect of exchange rates the increase in revenue was £3.8 million. £1.3 million was generated by the Group's new subsidiaries as disclosed in note 26. A further £2.5 million was generated through smaller acquisitions 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.

As an acquisitive Group the effect of past business acquisitions can be seen in our amortisation charge. This charge represents the declining value over time of customer contracts we have acquired over the last few years. Overall depreciation and amortisation charged in deriving operating profit has increased by £0.7 million in 2016 compared to 2015. This increase is largely attributable to the increase in the amortisation of service contracts. It is a factor of the price we pay for service contracts and the length of time we expect to retain those customers within the Group.

Financial review continued



Consolidated Income Statement continued

Net finance costs have remained constant at £0.3 million. This charge includes the revaluation of our derivative financial instruments. These financial instruments are the interest rate agreements the Group entered into to mitigate its interest rate risk on its bank borrowings. Their revaluation at each year end has introduced volatility into our net finance costs in prior years. In 2016 there was a marginal increase in their value.

The Group's effective income tax rate of 32.7% of operating profit is expected to remain constant despite a reduction in corporation tax rates in the UK as most of the expense is incurred in overseas jurisdictions which are not affected by this reduction.

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 no net debt, a strong asset base and cash balances. Borrowings have decreased from £13.1 million to £12.7 million. The movement can be analysed as follows:

Opening borrowings	£13.1 million
Scheduled loan repayments	£(1.8) million
Amortisation of finance arrangement costs	£0.1 million
Exchange rate impact	£1.3 million
Closing borrowings	£12.7 million

The Group's borrowings were refinanced in May 2013 with the Group's existing bankers, Lloyds Bank plc, resulting in a new £19.7 million facility expiring in 2018. Half of this loan will be repaid evenly over five years with the balance at maturity. The multi-currency loan was denominated £6 million in Sterling and €16 million in Euros.

The Group incurred £0.5 million in fees in arranging these loans, which will be amortised over the life of the loans. The bank loans in the financial statements are stated net of these finance arrangement fees.

"Our successful business model means we are well placed to deal with the challenges that may arise in 2017 and beyond."

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 2013, 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 fixing LIBOR to 1.05% and EURIBOR to 0.84% plus a margin of 1.10% and 1.25% respectively to take advantage of the low market interest rates prevailing at the time. The agreements took effect from May 2013 and remain in effect until the loans are repaid in 2018.

Segmental reporting

The Directors have considered the requirements of IFRS 8 "Operating segments". Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM for the London Security Group has been identified as the Board as ultimately this function is responsible for the allocation of resources and assessing the performance of the Group's business units. The management information on which the CODM makes its decisions has been reviewed to identify any reportable segments as defined by IFRS 8. The Directors have concluded that there is a single operating segment for which financial information is regularly reviewed by the CODM.

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. The Group's operations are managed on a pan-European basis and there are 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.

Key risks and uncertainties

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

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 subsidiaries 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 and Luxembourg.

Our 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.

We aim to achieve the highest levels of service and product quality through continuing training of our employees to the most stringent servicing standards and the development of the highest performance-rated fire products. These activities are performed whilst considering the preservation of the environment. 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 2016 of £13.8 million (2015: £12.3 million). The Group's results are discussed in detail in the Financial Review. The Group paid dividends in the year of £9.8 million comprising a final dividend in respect of the year ended 31 December 2015 of £0.40 per ordinary share and an interim dividend of £0.40 per ordinary share in respect of the year ended 31 December 2016. The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2016 of £0.40 per ordinary share. The Group ended the year with net assets of £96.6 million (2015: £88.0 million).

Key performance indicators

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

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 UK vote to leave 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.

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

Future developments

We expect competition to intensify in our core market. Despite this our successful business model means we are well placed to deal with the challenges that may arise in 2017 and beyond. At the same time the Group continues to carefully control its cost base to ensure satisfactory levels of profit can be achieved.

Signed on behalf of the Board

J.G. Murray
Chairman
27 April 2017

Directors and Company advisers

Jacques Gaston Murray 97
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 50
Vice Chairman

Jean-Jacques Murray is the son of Jacques Gaston Murray. His responsibility is the control and strategic direction of the Group. He is a Non-Executive Vice Chairman of Andrews Sykes.

Xavier Mignolet 52
Managing Director

Xavier Mignolet joined the Group in 1995. He is a Non-Executive Director of Andrews Sykes.

Emmanuel Sebag 48
Executive Director

Emmanuel Sebag has responsibility for the review and supervision of Group operations. He is a Non-Executive Director of Andrews Sykes.

Henry Shouler 79
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.

Michael Gailer 81
Independent Non-Executive Director

Michael Gailer is a Non-Executive Director of Andrews Sykes and a number of private companies.

Jean-Pierre Murray 48
Non-Executive Director

Jean-Pierre Murray is the son of Jacques Gaston Murray. He is a Non-Executive Director of Andrews Sykes and a number of private companies.

Marie-Claire Leon 53
Non-Executive Director

Marie-Claire Leon has been responsible for managing various projects around the world with Jacques Gaston Murray. She is a Non-Executive Director of Andrews Sykes.

- Executive Directors
- Independent Non-Executive Directors
- Non-Executive Directors

Company advisers

Company Secretary and registered office

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

Registered number

53417

Chartered accountants and statutory independent auditor

PricewaterhouseCoopers LLP

Central Square
29 Wellington Street
Leeds LS1 4DL

Registrars

Capita Asset Services

Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Bankers

Lloyds Banking Group plc

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 2016. 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 who served during the whole of the year ended 31 December 2016, 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 were Directors throughout the whole of the year ended 31 December 2016.

Non-Executive Directors

M. Gailer, M-C. Leon, H. Shouler and J-P. Murray were Directors throughout the whole of the year ended 31 December 2016.

M. Gailer and H. Shouler 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 7.

Directors' interests

No Director in office at 31 December 2016 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

Directors' liability insurance

The 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 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 27 April 2017, 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, X. Mignolet and M-C. Leon are Directors of London Security plc as well as Tristar Fire Corp.

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.

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 2016 Group average creditor days were 56 days (2015: 51 days). The Parent Company had no trade creditors at either year end.

Donations

The Parent Company and the Group made no political donations during the year (2015: £Nil) and made charitable donations of £3,750 (2015: £3,750).

Purchase of own shares and authorities to issue shares

As at 27 April 2017 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 8 is to be proposed at the Annual General Meeting to extend this authority until the 2018 Annual General Meeting.

The special business to be proposed at the 2017 Annual General Meeting also includes, at resolution 7, 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 £6,130, 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 6, an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares.

Statement of disclosure of information to auditor

The Directors of the Parent Company at the date of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all steps he or she ought to have taken as a Director in order to make himself or herself aware of any audit information and to establish that the Parent Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 Financial Reporting Standards ("IFRSs") as adopted by the European Union 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Report of the Directors continued

Statement of Directors' responsibilities continued

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 consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors and Company Advisers confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared 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), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

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

The Group decided to put out to tender the provision of its audit services in 2016. A number of suitable firms were approached and PricewaterhouseCoopers LLP was successful. 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 PwC LLP as independent auditor of the Parent Company and authorising the Directors to set its remuneration.

Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 49 to 51 and all shareholders are invited to attend in person if they wish or by proxy if they are unable to attend. A form of proxy is enclosed for you to complete according to the instructions printed on it and send to the Parent Company's registrar. All proxies must be received by the registrar by 11 am on 19 June 2017. Appointment of a proxy will not prevent you from attending and voting at the Meeting if you subsequently find that you are able to do so.

By order of the Board

R. Pollard
Company Secretary
27 April 2017

Directors' remuneration report

The Parent Company has followed the provisions in Schedule B of the Combined Code with respect to Directors' remuneration except that, due to the small size of the Board, the remuneration committee does not consist exclusively of Independent Non-Executive Directors. As the Parent Company is quoted on AIM, it is not required to make disclosures specified by the Remuneration Report Regulations 2002.

Remuneration committee (unaudited)

The remuneration committee comprises H. Shouler, M. Gailer and J-J. Murray, the majority being Non-Executive Directors of the Company who are independent of management. The committee is chaired by H. Shouler. 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 (unaudited)

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 (audited)

Directors' emoluments totalled £425,018 (2015: £447,888). This includes an amount paid to the highest paid Director of £224,000 (2015: £199,652).

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	
	2016	2015
J.G. Murray	**£Nil**	£Nil
J-J. Murray	**£118,018**	£165,236
X. Mignolet	**£224,000**	£199,652
E. Sebag	**£Nil**	£Nil
J-P. Murray	**£20,000**	£20,000
M-C. Leon	**£20,000**	£20,000
H. Shouler	**£22,000**	£22,000
M. Gailer	**£21,000**	£21,000

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 £1,297,000 (2015: £1,687,000) for the year ended 31 December 2016 as per the Services Agreement.

On behalf of the Board

H. Shouler
Chairman of the remuneration committee
27 April 2017

Independent auditor's report

to the members of London Security plc

Report on the financial statements

Our opinion

In our opinion:

- London Security plc's Group financial statements and Parent Company financial statements (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 2016 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 December 2016;
- the Parent Company Balance Sheet as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Reports of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Reports of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Reports of the Directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

Other matters on which we are required to report by exception continued

Adequacy of accounting records and information and explanations received continued

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Reports of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Ian Morrison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds LS1 4DL
27 April 2017

Consolidated income statement

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue		**114,845**	101,165
Cost of sales		**(23,638)**	(20,373)
Gross profit		**91,207**	80,792
Distribution costs		**(42,191)**	(37,304)
Administrative expenses		**(28,154)**	(25,010)
Operating profit	23	**20,862**	18,478
EBITDA*		**26,321**	23,191
Depreciation and amortisation		**(5,459)**	(4,713)
Operating profit		**20,862**	18,478
Finance income		**176**	179
Finance costs		**(433)**	(446)
Finance costs – net	6	**(257)**	(267)
Profit before income tax	7	**20,605**	18,211
Income tax expense	8	**(6,822)**	(5,942)
Profit for the year attributable to equity shareholders of the Company		**13,783**	12,269
Earnings per share			
Basic and diluted	9	**112.4p**	100.1p

* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 18 to 42 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 2016

	Notes	2016 £'000	2015 £'000
Profit for the financial year		**13,783**	12,269
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
– currency translation differences on foreign currency net investments		**4,441**	(1,168)
Items that will not be reclassified subsequently to profit or loss:			
– actuarial gain/(loss) recognised in the Nu-Swift pension scheme	20	**263**	(406)
– movement on deferred tax relating to Nu-Swift pension scheme surplus	18	**(92)**	142
– actuarial (loss)/gain recognised in the Ansul pension scheme	20	**(200)**	163
– movement on deferred tax relating to Ansul pension scheme deficit	18	**61**	(56)
Other comprehensive income/(expense) for the year, net of tax		**4,473**	(1,325)
Total comprehensive income for the year		**18,256**	10,944

The notes on pages 18 to 42 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	123	344	1	2,033	3,758	79,157	85,416
Total comprehensive income for the year							
Profit for the financial year	—	—	—	—	—	12,269	12,269
Other comprehensive (expense)/income:							
– exchange adjustments	—	—	—	—	(1,168)	—	(1,168)
– actuarial loss on pension schemes	—	—	—	—	—	(243)	(243)
– net movement on deferred tax relating to pension asset	—	—	—	—	—	86	86
Total comprehensive income for the year	—	—	—	—	(1,168)	12,112	10,944
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(8,337)	(8,337)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(8,337)	(8,337)
At 31 December 2015 and 1 January 2016	123	344	1	2,033	2,590	82,932	88,023
Total comprehensive income for the year							
Profit for the financial year	—	—	—	—	—	13,783	13,783
Other comprehensive income/(expense):							
– exchange adjustments	—	—	—	—	4,441	—	4,441
– actuarial gain on pension schemes	—	—	—	—	—	63	63
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(31)	(31)
Total comprehensive income for the year	—	—	—	—	4,441	13,815	18,256
Contributions by and distributions to owners of the Company:							
– dividends	—	—	—	—	—	(9,808)	(9,808)
– release of accrual for unclaimed dividends	—	—	—	—	—	82	82
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(9,726)	(9,726)
At 31 December 2016	**123**	**344**	**1**	**2,033**	**7,031**	**87,021**	**96,553**

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 18 to 42 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	10,937	9,789
Intangible assets	12	62,749	60,594
Deferred tax asset	18	919	690
Retirement benefit surplus	20	3,574	3,196
		78,179	74,269
Current assets			
Inventories	14	11,095	9,689
Trade and other receivables	15	23,138	19,901
Cash and cash equivalents	16	22,602	19,736
		56,835	49,326
Total assets		135,014	123,595
Liabilities			
Current liabilities			
Trade and other payables	17	(19,344)	(16,666)
Income tax liabilities		(1,180)	(1,335)
Borrowings	19	(1,870)	(1,679)
Provision for liabilities and charges	21	(35)	(35)
		(22,429)	(19,715)
Non-current liabilities			
Trade and other payables	17	(957)	(669)
Borrowings	19	(10,789)	(11,417)
Derivative financial instruments	13	(172)	(190)
Deferred tax liabilities	18	(1,705)	(1,696)
Retirement benefit obligations	20	(2,279)	(1,684)
Provision for liabilities and charges	21	(130)	(201)
		(16,032)	(15,857)
Total liabilities		(38,461)	(35,572)
Net assets		96,553	88,023
Shareholders' equity			
Ordinary shares	22	123	123
Share premium	22	344	344
Capital redemption reserve	22	1	1
Merger reserve		2,033	2,033
Other reserves		7,031	2,590
Retained earnings		87,021	82,932
Total shareholders' equity		96,553	88,023

The notes on pages 18 to 42 are an integral part of these consolidated financial statements.

The financial statements on pages 14 to 42 were approved by the Board of Directors on 27 April 2017 and were signed on its behalf by:

J.G. Murray
Chairman
27 April 2017

Consolidated statement of cash flow

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	23	26,059	20,215
Interest paid		(408)	(425)
Income tax paid		(7,213)	(5,889)
Net cash generated from operating activities		18,438	13,901
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	26	(2,222)	(1,301)
Purchases of property, plant and equipment		(2,774)	(2,363)
Proceeds from the sale of property, plant and equipment		323	236
Purchases of intangible assets	12	(1,662)	(974)
Interest received		43	27
Net cash used in investing activities		(6,292)	(4,375)
Cash flows from financing activities			
Repayments of borrowings		(1,819)	(1,663)
Dividends paid to Company's shareholders		(9,726)	(8,337)
Net cash used in financing activities		(11,545)	(10,000)
Effects of exchange rates on cash and cash equivalents		2,265	(768)
Net increase/(decrease) in cash in the year		2,866	(1,242)
Cash and cash equivalents at the beginning of the year		19,736	20,978
Cash and cash equivalents at end of the year	16	22,602	19,736

The notes on pages 18 to 42 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2016

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 and Luxembourg.

The Parent Company is a public limited liability company incorporated and domiciled in England. 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 IFRS as adopted by the EU, 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 the 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 Group has adequate resources to continue in operational existence for the foreseeable future.

Accounting developments

(a) A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2016. These are considered either not relevant or to have no material impact on the Group.

(b) IFRS 9 "Revenue recognition" and IFRS 15 "Financial instruments" are new standards that are mandatory for accounting periods beginning on or after 1 January 2017, but the Group has not adopted them early. These are considered either not relevant or are not expected to have a material impact on the Group.

(c) IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. We expect that the majority of the Group's lease commitments will be brought onto the balance sheet together with corresponding right of use assets. This is likely to impact on the timing of the recognition of lease costs within the Income Statement. The Group has not yet completed its assessment of the impact of the standard on the Group's results and financial position.

Consolidation

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

The purchase method of accounting 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 IAS 39. 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.

On transition to IFRS, the Directors fixed the value of consolidated goodwill on the European subsidiaries at the rate in effect at the date of transition, as permitted under IFRS 1. Hence, the consolidated goodwill is presented at cost less any provision for diminution in value.

2 Summary of significant accounting policies continued

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. The Directors have concluded that there is a single operating segment as defined by IFRS 8, being the provision and maintenance of fire protection equipment in Europe. Consequently, the results for the year and assets and liabilities relate to the one operating 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 has 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.

In accordance with IFRS 1, the translation reserve has been set at £Nil at the date of transition to IFRS.

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.

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.

Notes to the financial statements continued

for the year ended 31 December 2016

2 Summary of significant accounting policies continued

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 flows.

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 (ten to twenty 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) based on information available to the Directors on average attrition rates.

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 (level 2 inputs).

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. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income Statement within administrative expenses.

Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Financial Position at cost. Cash and cash equivalents includes 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.

2 Summary of significant accounting policies continued

Trade payables

Trade payables are initially recognised at fair value.

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.

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 the Consolidated Statement of Comprehensive Income. 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.

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.

Notes to the financial statements continued

for the year ended 31 December 2016

2 Summary of significant accounting policies continued

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is 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) Equipment leases

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. All contracts are cancellable.

(e) Long-term installation

Revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. As soon as the outcome of the contract can be estimated reliably, contract revenue is recognised in the Income Statement in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in the Income Statement.

Cost of sales

Cost of sales includes direct material costs. Other direct costs, largely direct labour, of £41.4 million (2015: £36.2 million) are included within distribution costs.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

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. 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. In view of the significant level of cash reserves held by the Group, 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.

3 Financial risk management continued

Financial risk factors continued

(a) Foreign exchange risk continued

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

31 December 2016	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	5,401	17,201	22,602
Trade and other receivables	4,467	18,671	23,138
Bank loans	(3,866)	(8,793)	(12,659)
Trade and other payables	(4,281)	(15,555)	(19,836)
Income tax liabilities	(174)	(844)	(1,018)
Balance sheet exposure	1,547	10,680	12,227

31 December 2015	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	6,162	13,574	19,736
Trade and other receivables	4,373	15,528	19,901
Bank loans	(4,500)	(8,596)	(13,096)
Trade and other payables	(4,379)	(12,287)	(16,666)
Income tax liabilities	(169)	(1,166)	(1,335)
Balance sheet exposure	1,487	7,053	8,540

A 5% weakening of the Euro against Sterling at 31 December 2016 would have decreased equity and profit or loss by £521,000 (2015: decrease of £342,000). 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 2016 would have had the equal but opposite effect, on the basis that all other variables remain constant.

(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 fixed interest rate agreements. The effect of these agreements is to fix the Group's exposure to EURIBOR to 0.84% and LIBOR to 1.05%. The agreements took effect from May 2013 and provide interest rate cover until the loans are repaid in May 2018.

(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	2016 £'000	2015 £'000
Total borrowings	12,659	13,096
Less: cash and cash equivalents	(22,602)	(19,736)
Net funds	(9,943)	(6,640)
Total equity	96,553	88,023
Total capital	86,610	81,383

Notes to the financial statements continued

for the year ended 31 December 2016

4 Critical 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting 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 and intangible assets

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.

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2017 and are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows are then discounted. 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 effect of varying these assumptions is discussed in the relevant pension note.

(c) Useful economic lives of intangible assets

Amortisation of intangible assets is charged to the Income Statement on a straight line basis over the estimated useful economic life of each asset, which in some cases is in excess of the contracted life. The Directors have made judgements based on the evidence in the market and historical evidence on attrition rates when determining the useful economic lives of intangible assets and based on the legal rights on the contracts being renewable.

(d) Provisions for doubtful debtors

Trade receivables are stated in the Statement of Financial Position at their nominal value less any appropriate provisions for irrecoverable amounts. In determining the need for a provision, judgement is required in estimating the likely levels of recovery. In exercising this judgement, consideration is given to the overall economic environment as well as specific indicators that the recovery of the balance may be in doubt.

(d) Carrying value of inventory

Subsequent to initial recognition as disclosed in the significant accounting policies, inventory is annually reviewed and, where necessary, provision is made for obsolete, slow-moving and defective stocks.

5 Employee benefit expense

	2016 £'000	2015 £'000
Wages and salaries	38,612	33,941
Social security costs	8,050	7,081
Other pensions costs (note 20)	1,487	1,253
	48,149	42,275
Number of employees	1,085	1,061

Directors' remuneration is reported within audited sections of the Directors' Remuneration Report on page 11 under the heading "Directors' remuneration (audited)".

5 Employee benefit expense continued

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

	2016 Number	2015 Number
Production	46	48
Administration and management	1,039	1,013
Total	1,085	1,061

6 Finance income and costs

	2016 £'000	2015 £'000
Finance income		
Bank interest receivable	(28)	(35)
Expected return on pension scheme assets (note 20)	(115)	(115)
Fair value of derivative financial instruments	(33)	(29)
Total finance income	(176)	(179)
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	285	328
Amortisation of loan arrangement fees	97	97
Fair value of derivative financial instruments	26	—
Interest on pension scheme liabilities (note 20)	25	21
Total finance costs	433	446
Net finance costs	257	267

7 Profit before income tax

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	2,409	2,027
Amortisation of intangible fixed assets	3,050	2,686
Profit on disposal of plant and equipment	(88)	(11)
Hire charges under operating leases:		
– land and buildings	1,242	802
– other	879	1,020

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:

	2016 £'000	2015 £'000
Audit services		
Fees payable to the Parent Company's auditor for the audit of the Group's annual accounts	18	18
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	157	176
Other services relating to:		
– compliance services	—	7
– advisory services	—	5
	175	206

Notes to the financial statements continued

for the year ended 31 December 2016

8 Income tax expense

	2016 £'000	2015 £'000
United Kingdom		
Corporation tax	327	311
Adjustment in respect of prior periods	(1)	—
	326	311
Foreign tax		
Corporation taxes	6,752	5,488
Total current tax	7,078	5,799
Deferred tax		
Original and reversal of timing differences representing:		
– United Kingdom tax	58	137
– foreign tax	(314)	6
Total deferred tax (note 18)	(256)	143
Total tax charge	6,822	5,942

The tax for the year is higher (2015: higher) than the standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	20,605	18,211
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.25%)	4,121	3,688
Effects of:		
– expenses not deductible for tax purposes	254	201
– overseas tax in excess of UK standard	2,448	2,053
– prior year over provision	(1)	—
Total tax charge	6,822	5,942

The Group's effective income tax rate of 32.7% of operating profit is expected to remain constant despite a reduction in the UK's main rate of corporation tax from 20% to 17% (effective from 1 April 2020), which was substantively enacted on 6 September 2016. This is because most of the expense is incurred in overseas jurisdictions which are not affected by these reductions.

9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £13,783,000 (2015: £12,269,000) and on 12,261,477 (2015: 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.

	2016		2015	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	13,783	112.4	12,269	100.1

10 Dividends per share

	2016 £'000	2015 £'000
Equity – ordinary shares		
Final paid £0.40 (2015: £0.31) per share	4,904	3,801
Interim paid £0.40 (2015: £0.37) per share	4,904	4,536
	9,808	8,337

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2016 of £0.40 per ordinary share (2015: £0.40).

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 2015	9,117	3,140	9,527	7,956	3,914	33,654
Additions	17	187	234	1,613	312	2,363
On acquisitions of subsidiary undertakings	—	7	—	100	13	120
Disposals	—	(9)	(73)	(954)	(20)	(1,056)
Exchange adjustment	(275)	(133)	(478)	(157)	(48)	(1,091)
At 1 January 2016	8,859	3,192	9,210	8,558	4,171	33,990
Additions	86	159	238	2,006	285	2,774
On acquisitions of subsidiary undertakings	8	—	—	44	3	55
Disposals	(3)	(20)	(65)	(1,189)	(76)	(1,353)
Exchange adjustment	831	440	1,478	1,259	557	4,565
At 31 December 2016	**9,781**	**3,771**	**10,861**	**10,678**	**4,940**	**40,031**
Accumulated depreciation						
At 1 January 2015	5,080	2,563	8,968	4,134	3,162	23,907
Disposals	—	(7)	(63)	(749)	(12)	(831)
Charge for the year	133	122	230	1,253	289	2,027
Exchange adjustment	(233)	(116)	(452)	(69)	(32)	(902)
At 1 January 2016	4,980	2,562	8,683	4,569	3,407	24,201
Disposals	—	(18)	(47)	(981)	(72)	(1,118)
Charge for the year	138	138	247	1,529	357	2,409
Exchange adjustment	702	376	1,403	662	459	3,602
At 31 December 2016	**5,820**	**3,058**	**10,286**	**5,779**	**4,151**	**29,094**
Net book amount						
At 31 December 2016	**3,961**	**713**	**575**	**4,899**	**789**	**10,937**
At 31 December 2015	3,879	630	527	3,989	764	9,789
At 31 December 2014	4,037	577	559	3,822	752	9,747

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

Notes to the financial statements continued

for the year ended 31 December 2016

12 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Approval costs £'000	Total £'000
Cost					
At 1 January 2015	63,122	20,406	1,028	1,789	86,345
Additions	—	785	139	49	973
On acquisitions of subsidiary undertakings	233	1,264	—	—	1,497
Exchange differences	(1,008)	(666)	(48)	(91)	(1,813)
At 1 January 2016	62,347	21,789	1,119	1,747	87,002
Additions	—	1,555	69	38	1,662
On acquisitions of subsidiary undertakings	205	1,952	—	—	2,157
Exchange differences	3,114	1,970	176	286	5,546
At 31 December 2016	**65,666**	**27,266**	**1,364**	**2,071**	**96,367**
Accumulated amortisation					
At 1 January 2015	14,340	8,796	511	1,298	24,945
Charge for the year	—	2,402	167	117	2,686
Exchange differences	(921)	(220)	(17)	(65)	(1,223)
At 1 January 2016	13,419	10,978	661	1,350	26,408
Charge for the year	—	2,707	198	145	3,050
Exchange differences	2,809	1,013	110	228	4,160
At 31 December 2016	**16,228**	**14,698**	**969**	**1,723**	**33,618**
Net book amount					
At 31 December 2016	**49,438**	**12,568**	**395**	**348**	**62,749**
At 31 December 2015	48,928	10,811	458	397	60,594
At 31 December 2014	48,782	11,610	517	491	61,400

Amortisation has been charged to the Income Statement through administrative expenses. Additions are discussed in further detail in note 26.

Impairment tests for goodwill and service contracts

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 budget for the year ending 31 December 2017. Subsequent cash flows are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows have then been discounted using a pre-tax rate of 10%. 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 five CGUs to assess indicators of impairment. Of the total goodwill £38,923,000 relates to Ansul Group companies, £9,698,000 relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant.

13 Derivative financial instruments

	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	172	—	190

The Group has entered into interest rate agreements fixing LIBOR to 1.05% and EURIBOR to 0.84%. The agreements took effect from May 2013 and remain in effect until the loans are repaid in 2018. 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.

14 Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	4,787	4,528
Work in progress	744	341
Finished goods	5,564	4,820
	11,095	9,689

No (2015: £Nil) previous inventory write downs have been reversed.

15 Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade receivables	22,154	19,298
Less: provision for impairment of receivables	(1,599)	(1,487)
Trade receivables – net	20,555	17,811
Amounts owed by related undertakings	35	31
Other receivables	812	491
Prepayments and accrued income	1,505	1,322
Taxation recoverable	231	246
	23,138	19,901

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

As of 31 December 2016, trade receivables of £12,893,576 (2015: £10,635,000) were fully performing.

As of 31 December 2016, trade receivables of £5,519,000 (2015: £5,242,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 £'000	2015 £'000
Up to three months	5,158	4,821
Three to six months	361	421
	5,519	5,242

As of 31 December 2016, trade receivables of £3,659,000 (2015: £3,410,000) were impaired and provided for. The amount of the provision was £1,599,000 (2015: £1,487,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2016 £'000	2015 £'000
Up to three months	1,147	1,041
Three to six months	992	906
Six months or greater	1,520	1,463
	3,659	3,410

Notes to the financial statements continued

for the year ended 31 December 2016

15 Trade and other receivables continued

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

	2016 £'000	2015 £'000
Sterling	4,467	4,373
Euro	18,671	15,528
Total	23,138	19,901

These are detailed as Sterling equivalent.

Movements in the Group provision for impaired trade receivables are as follows:

	2016 £'000	2015 £'000
At 1 January	1,487	1,446
Provision for receivables' impairment	596	701
Receivables written off in the year as uncollectable	(268)	(194)
Unused amounts reversed	(216)	(466)
At 31 December	1,599	1,487

The creation and release of the provision for impaired receivables has been included in administrative expenses in the Income Statement. 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.

16 Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	22,602	19,736

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

17 Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	3,599	2,866
Other payables	2,790	2,498
Other taxation and social security	9,053	7,527
Accruals	1,148	1,379
Deferred income	2,754	2,396
	19,344	16,666

	2016 £'000	2015 £'000
Non-current		
Other payables	957	669

18 Deferred income tax

	Amount (provided)/recognised 2016 £'000	Amount (provided)/recognised 2015 £'000	Amount (unprovided)/unrecognised 2016 £'000	Amount (unprovided)/unrecognised 2015 £'000
Deferred tax asset				
Pension deficit	775	573	—	—
Decelerated capital allowances	144	117	—	—
Unrecoverable losses	—	—	971	1,028
	919	690	971	1,028
Deferred tax liabilities				
Pension surplus	(1,251)	(1,119)	—	—
Short-term timing differences	(454)	(577)	—	—
	(1,705)	(1,696)	—	—
Net deferred tax (liability)/asset	(786)	(1,006)	971	1,028

	£'000
At 1 January 2016	(1,006)
Exchange differences	(5)
Amount credited to the Consolidated Income Statement (note 8)	256
Amount charged to the Consolidated Statement of Comprehensive Income	(31)
At 31 December 2016	**(786)**

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing 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.

19 Borrowings

	2016 £'000	2015 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
– in one to two years	10,789	1,679
– between two and five years	—	9,738
	10,789	11,417
Current (one year or less or on demand)		
Bank borrowings	1,870	1,679
Total borrowings	12,659	13,096

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 2.9% (2015: 2.7%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £130,000 (2015: £227,000), of which £32,000 (2015: £130,000) is to be amortised after more than one year.

Notes to the financial statements continued

for the year ended 31 December 2016

19 Borrowings continued

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	2016 £'000	2015 £'000
Bank borrowings:		
– within one year	2,221	2,043
– in one to two years	10,932	2,005
– between two and five years	—	9,871
	13,153	13,919

The estimated fair value of the interest rate agreement has been included in the Statement of Financial Position as disclosed in note 13.

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

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

	Total 2016 £'000	Weighted average interest rate 2016	Total 2015 £'000	Weighted average interest rate 2015
Currency				
Sterling	3,866	2.8%	4,500	2.5%
Euro	8,793	3.0%	8,596	2.8%
	12,659	2.9%	13,096	2.7%

Borrowing facilities

In May 2013 the Group entered into a new £19.7 million facility until 2018. Half of this loan will be repaid evenly over five years with the balance at maturity. The multi-currency loan was denominated £6 million in Sterling and €16 million in Euros.

20 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, being invested with Legal and General Investment Management. 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 2014 showed that the market value of the scheme's assets was £15,061,000 and that the actuarial value of those assets represented 107% of the benefits that had accrued to members. The results of this valuation have been projected to 31 December 2016 and then recalculated using the assumptions set out below which result in a net surplus position of £3,574,000 (2015: £3,196,000). The scheme's assets are stated at their market value at 31 December 2016.

At 31 December 2016 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out of £3,574,000 (2015: net defined benefit surplus of £3,196,000). 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 (2015: £204,000) 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.

20 Retirement benefit obligations continued

Nu-Swift International Pension Scheme continued

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

	2016	2015	2014
Discount rate	2.50%	3.60%	3.40%
Inflation rate	2.50–3.50%	2.00–3.00%	2.10–3.10%
Salary increase rate	n/a	n/a	n/a
Increases for pensions in payment	3.40%	2.90%	3.00%
Revaluation of deferred pensions	2.50%	2.00%	2.10%

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:

	2016	2015
Male	22.0	22.1
Female	24.0	24.1

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:

	2016	2015
Male	23.3	23.4
Female	25.5	25.6

The assets in the scheme were:

	Value at 31 December 2016 £'000	Percentage of scheme assets 2016	Value at 31 December 2015 £'000	Percentage of scheme assets 2015
Equities	5,111	29.7%	4,375	29.5%
Bonds	12,057	70.1%	10,442	70.3%
Cash	34	0.2%	36	0.2%
	17,202		14,853	
Present value of the scheme's liabilities	(13,628)		(11,657)	
Surplus in the Nu-Swift Scheme recognised in the Statement of Financial Position	3,574		3,196	
Related deferred tax liability	(1,251)		(1,119)	

Analysis of the amount recognised in the Income Statement

	2016 £'000	2015 £'000
Interest credit	(115)	(115)
Total operating credit	(115)	(115)

Notes to the financial statements continued

for the year ended 31 December 2016

20 Retirement benefit obligations continued

Movement in the defined benefit obligation over the year

	2016 £'000	2015 £'000
Start of the year	(11,657)	(11,761)
Interest cost	(411)	(392)
Actuarial (loss)/gain arising from changes in financial assumptions	(2,109)	369
Actuarial gain/(loss) arising from changes in demographic assumptions	41	(359)
Benefits paid	508	486
End of the year	(13,628)	(11,657)

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

	2016 £'000	2015 £'000
Start of the year	14,853	15,044
Interest income	526	507
Return on assets (excluding amount included in net interest expense)	2,331	(416)
Employer contributions	—	204
Benefits paid	(508)	(486)
End of the year	17,202	14,853

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

	2016 £'000	2015 £'000
Actuarial (loss)/gain on defined benefit obligation	(2,068)	10
Actual return less expected return on pension scheme assets	2,331	(416)
Gain/(loss) recognised in the Consolidated Statement of Comprehensive Income	263	(406)

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 £52,000; an increase of 0.1% in the inflation rate would decrease the surplus by £48,000. The impact of a 0.1% increase in the discount rate would be to increase the pension surplus by £190,000; a decrease of 0.1% in the discount rate would decrease the surplus by £194,000.

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 2014. The scheme's assets are stated at their market value at 31 December 2016.

The Group paid contributions to the scheme amounting to £136,000 (2015: £118,000) over the year. There are no minimum contribution requirements for this scheme.

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

	2016	2015	2014
Discount rate	1.60%	2.25%	1.85%
Inflation rate	2.00%	2.00%	2.00%
Salary increase rate	1.00%	1.00%	1.00%

20 Retirement benefit obligations continued

Ansul Pension Scheme continued

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:

	2016	2015
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:

	2016	2015
Male	22.0	22.0
Female	25.4	25.4

The assets in the scheme were:

	Value at 31 December 2016 £'000	Percentage of scheme assets 2016	Value at 31 December 2015 £'000	Percentage of scheme assets 2015
Assets with guaranteed interest with insurer	1,569	100%	1,245	100%
Present value of the schemes' liabilities	(3,848)		(2,929)	
Deficit in the Ansul Scheme recognised in the Statement of Financial Position	(2,279)		(1,684)	
Related deferred tax asset	775		573	

Analysis of the amount recognised in the Income Statement

	2016 £'000	2015 £'000
Current service charge	79	195
Interest charge	25	21
Total operating charge	104	216

Movement in the defined benefit obligation over the year

	2016 £'000	2015 £'000
Start of the year	(2,929)	(3,148)
Current service cost	(215)	(195)
Interest cost	(57)	(45)
Actuarial (loss)/gain arising from changes in financial assumptions	(287)	212
Actuarial loss arising from changes in demographic assumptions	—	(167)
Other experience items	—	104
Benefits paid	139	149
Exchange movement	(499)	161
End of the year	(3,848)	(2,929)

Notes to the financial statements continued

for the year ended 31 December 2016

20 Retirement benefit obligations continued

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

	2016 £'000	2015 £'000
Start of the year	1,245	1,305
Return on assets	32	24
Actuarial gain	15	14
Employer contributions	136	118
Benefits paid	(67)	(149)
Exchange movements	208	(67)
End of the year	1,569	1,245

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

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	(200)	163
Actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	(200)	163

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 £38,000; a decrease of 0.1% in the inflation rate would decrease the deficit by £34,000. The impact of a 0.1% increase in the discount rate would be to decrease the pension deficit by £47,000; a decrease of 0.1% in the discount rate would increase the deficit by £53,000.

UK Stakeholder Scheme

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £269,000 in the year ended 31 December 2016 (2015: £285,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,487,000 for the year ended 31 December 2016 (2015: £1,253,000) and were wholly recognised in administrative expenses.

21 Provisions for liabilities and charges

	Current	Non-current		
	Environmental provision £'000	Rectification provision £'000	Environmental provision £'000	Total £'000
At 1 January 2016	35	4	197	201
Movement in the year	(35)	—	(33)	(33)
Amount provided/(released) in the year	35	—	(38)	(38)
Provision at 31 December 2016	35	4	126	130

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.

22 Called up share capital

	2016 Number	2016 £'000	2015 Number	2015 £'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

22 Called up share capital continued

There are no outstanding options at 31 December 2016.

The mid-market price of the Company's shares at 31 December 2016 was £19.92 and the range during the year was £19.92 to £21.00.

Share premium account

	£'000
At 1 January 2016 and **31 December 2016**	**344**

Capital redemption reserve

	£'000
At 1 January 2016 and **31 December 2016**	**1**

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

23 Reconciliation of operating profit to cash generated from operations

	2016 £'000	2015 £'000
Operating profit	20,862	18,478
Depreciation of property, plant and equipment	2,409	2,027
Amortisation of intangible assets	3,050	2,686
Profit on disposal of property, plant and equipment	(88)	(11)
Exchange differences	1,500	(415)
Difference between pension charge and cash contributions	79	(128)
Increase in trade and other receivables	(2,461)	(37)
Increase/(decrease) in trade and other payables	2,034	(2,270)
(Decrease)/increase in provisions	(71)	15
Increase in inventories	(1,255)	(130)
Cash generated from operations	26,059	20,215

Disposal of assets

	2016 £'000	2015 £'000
Net book value	235	225
Profit on disposal of property, plant and equipment	88	11
Proceeds	323	236

24 Reconciliation of movement in net funds

	At 1 January 2016 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2016 £'000
Cash in hand and at bank	19,736	601	2,265	22,602
Debt due within one year	(1,679)	—	(191)	(1,870)
Debt due after one year	(11,417)	1,819	(1,191)	(10,789)
Total	6,640	2,420	883	9,943

Notes to the financial statements continued

for the year ended 31 December 2016

24 Reconciliation of movement in net funds continued

Reconciliation of increase in cash to movement in net funds

	2016 £'000	2015 £'000
Increase/(decrease) in cash	601	(474)
Decrease in debt	1,819	1,663
Change in net debt from cash flows	2,420	1,189
Non-cash changes	883	(67)
Net debt at 1 January	6,640	5,518
Net funds at 31 December	9,943	6,640

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

25 Commitments and contingent 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.

The lease expenditure charged to the Income Statement during the year is disclosed in note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Property		Plant, machinery and equipment	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	791	732	814	722
Between two and five years inclusive	570	492	1,260	682
	1,361	1,224	2,074	1,404

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2016 (2015: £Nil).

26 Acquisitions

On 1 February the Group purchased the entire issued share capital of Firestop Services Limited, a company incorporated in and which operates in the United Kingdom. On 13 March the Group purchased the entire share capital of Barkat B.V.B.A., a company incorporated in and which operates in Belgium. On 1 June the Group purchased the entire share capital of Boensma Brandbeveiliging B.V., a company incorporated in and which operates in the Netherlands. On 7 September the Group purchased the entire share capital of APS Sprl., a company incorporated in and which operates in Belgium. On 23 September the Group purchased the entire share capital of One Protect sarl, a company incorporated in and which operates in France. On 1 December the Group purchased the entire share capital of Ludwig G.m.b.H. a company incorporated in and which operates in Germany. On 9 December the Group purchased the entire share capital of Modern Fire Extinguisher Services Limited a company incorporated in and which operates in the United Kingdom. As these acquisitions are individually considered immaterial to the Group the disclosure of the book and provisional fair values of net assets acquired is given in aggregate as follows:

	Book and provisional fair values £'000
Property, plant and equipment	55
Service contracts	1,952
Inventories	151
Receivables	791
Cash and cash equivalents	214
Payables	(599)
Fair value of net assets acquired	2,564
Goodwill	205
Total consideration	2,769
Cash and cash equivalents acquired	(214)
Net consideration	2,555

Satisfied by:

	Provisional consideration £'000
Cash	2,222
Deferred consideration	333
Cash	2,555

The goodwill is attributable mainly to the skills and technical talent of the acquired companies' work forces. The final consideration payable is determined based on the performance of the acquired companies in their first year under Group ownership. The criteria to measure performance is agreed with the vendors prior to acquisition. Based on the results of this comparison a deferred payment is made. The disclosure above is based on the Group's best estimate of the level of deferred consideration payable.

The revenue and net profit of Firestop Services Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 were £660,000 and £103,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £720,000 and £112,000 had the acquisition taken place on 1 January 2016.

The revenue and net loss of Barkat B.V.B.A. since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 were £177,000 and £17,000 respectively. On a pro rata basis the revenue and loss would have been expected to be £708,000 and £68,000 had the acquisition taken place on 1 January 2016.

The revenue and net profit of Boensma Brandbeveiliging B.V. since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 were £371,000 and £17,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £890,000 and £41,000 had the acquisition taken place on 1 January 2016.

Notes to the financial statements continued

for the year ended 31 December 2016

26 Acquisitions continued

The revenue and net profit of APS Sprl. since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 were £78,000 and £Nil respectively. On a pro rata basis the revenue and profit would have been expected to be £117,000 and £Nil had the acquisition taken place on 1 January 2016.

The revenue and net profit of One Protect sarl since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2016 were £19,000 and £9,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £25,000 and £12,000 had the acquisition taken place on 1 January 2016.

There was minimal activity between the dates of acquisition of Ludwig G.m.b.H. and Modern Fire Extinguisher Services Limited and 31 December 2016 and on this basis no revenue or net profit has been recognised in the Consolidated Statement of Comprehensive Income.

In addition, the Group acquired contracts from a number of companies and businesses for a total consideration of £1,555,000. 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 companies and businesses 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 2016 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2016 would have been had the acquisitions taken place on 1 January 2016.

27 Group undertakings

The subsidiary undertakings of the Parent Company, in which the Group wholly owns the entire issued and voting ordinary share capital, are as follows:

	Activity	Country of registration or incorporation and operation
Alarm Masters S.A.	Fire protection	Belgium
All-Protec N.V.	Fire protection	Belgium
A.L.P.I. sarl	Fire protection	Luxembourg
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
Barkat B.V.B.A.	Fire protection	Belgium
Braco B.V.B.A.	Fire protection	Belgium
Blesberger G.m.b.H.	Fire protection	Austria
Boensma B.V.	Fire protection	The Netherlands
Braho Brandpreventie B.V.	Fire protection	The Netherlands
DC Security B.V.B.A.	Intruder alarms	Belgium
Dimex Technics S.A.	Fire protection	Belgium
Firestop Services Limited*	Fire Protection	England
Fire Protection Holdings Limited*	Sub-holding	England
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
Importex S.A.	Fire protection	Belgium
Le Chimiste Sprl	Fire protection	Belgium
Ludwig Feuerschutz G.m.b.H.	Fire Protection	Germany

27 Group undertakings continued

	Activity	Country of registration or incorporation and operation
Luke & Rutland Limited*	Fire protection	England
L. W. Safety Limited	Fire protection	England
Modern Fire Extinguisher Services 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
LS UK Fire Group Limited*	Sub-holding	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
Security Alarm Service Company Sprl	Fire protection	Belgium
Somati FIE N.V.	Fire protection	Belgium
Total Fire-Stop G.m.b.H.	Fire protection	Austria
Tunbridge Wells Fire Protection Limited*	Fire protection	England
TVF (UK) Limited*	Fire protection	England

* These subsidiaries were exempt from the need for an audit as the outstanding liabilities to which the subsidiary companies were subject at the end of the financial year have been guaranteed by London Security plc until they are satisfied in full.

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.

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:

C & T Fire Limited, FDSA Fire Protection Limited, LS Fire Group Limited, Phoenix Fire & Safety Limited, Professional Fire Protection Limited, Cowley Fire Limited, BWH Manufacturing Limited, Fire Reliant Limited, General Fire Appliance Co. Limited, Green Cross Limited, L & P Fire Safety Equipment Limited, LS UK Fire Group 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, Jubilee Way, Elland HX5 9DY.

Assured Fire Protection & Safety Limited, 1st Quote Fire 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 all share the registered address: 56/69 Queen's Road, High Wycombe HP13 6AH.

Pyrotec Fire Detection Limited is registered at Caburn Enterprise Park, Ringmer BN8 5NP.

All of these entities have been included within the consolidation.

28 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 Trustee companies as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

Notes to the financial statements continued

for the year ended 31 December 2016

29 Related party transactions

During the year the Group incurred costs amounting to £1,297,000 (2015: £1,687,000) 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 £210,000 (2015: £210,000) in relation to the Service Agreement by Andrews Sykes.

The balance disclosed in note 15 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 £9,990 (2015: £9,171).

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £365,720 (2015: £310,352).

The Group incurred £296,000 (2015: £221,000) of expenditure on behalf of J.G. Murray during the year. £236,000 of this amount was reimbursed in the year and the remaining balance will be recovered in July 2017.

30 Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £823,000 (2015: £1,042,000).

Parent Company balance sheet

as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	2	255	306
Investments	3	49,804	49,804
		50,059	50,110
Current assets			
Debtors	4	3,456	11,984
Cash at bank and in hand		1,629	1,799
		5,085	13,783
Creditors: amounts falling due within one year			
Finance debt	5	(575)	(575)
Creditors	6	(1,620)	(8,846)
		(2,195)	(9,421)
Net current assets		2,890	4,362
Total assets less current liabilities		52,949	54,472
Creditors: amounts falling due after more than one year			
Finance debt	5	(3,291)	(3,866)
Derivative financial instruments	8	(33)	(6)
		(3,324)	(3,872)
Net assets		49,625	50,600
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 brought forward		50,132	50,561
Loss for the year		(975)	(429)
Equity shareholders' funds		49,625	50,600

The registered number of the Company is 53417.

The notes on pages 45 to 48 are an integral part of these financial statements.

The financial statements on pages 43 to 48 were approved by the Board of Directors on 27 April 2017 and were signed on its behalf by:

J.G. Murray
Chairman
27 April 2017

Statement of changes in equity

for the year ended 31 December 2016

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2015	123	344	1	50,561	51,029
Total comprehensive income for the year					
Profit for the financial period	—	—	—	7,908	7,908
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(8,337)	(8,337)
At 1 January 2016	123	344	1	50,132	50,600
Total comprehensive income for the year					
Profit for the financial period	—	—	—	8,751	8,751
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
– release of accrual for unclaimed dividends	—	—	—	82	82
At 31 December 2016	**123**	**344**	**1**	**49,157**	**49,625**

The notes on pages 45 to 48 are an integral part of these financial statements.

Notes to the Parent Company financial statements

for the year ended 31 December 2016

1 Principal accounting policies

Basis of accounting

London Security plc is a company limited by shares and incorporated and domiciled in the UK.

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 period;
- 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; 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 and 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 accounts should be prepared on a going concern basis, the Directors have considered the factors likely to affect the 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.

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.

Notes to the Parent Company financial statements continued

for the year ended 31 December 2016

1 Principal accounting policies continued

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 and **31 December 2016**	**1,019**
Depreciation	
At 1 January 2016	713
Charge for the year	51
At 31 December 2016	**764**
Net book amount	
At 31 December 2016	**255**
At 31 December 2015	306

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January and **31 December 2016**	**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 27 of the Group accounts.

4 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**2,992**	11,567
Other debtors	**60**	—
Taxation recoverable	**404**	417
	3,456	11,984

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

5 Finance debt

	2016 £'000	2015 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	3,291	575
– between two and five years	—	3,291
	3,291	3,866
Current (amounts falling due within one year or on demand)		
Bank borrowings	575	575
Total borrowings	3,866	4,441

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.8% (2015: 2.5%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £34,000 (2015: £59,000), of which £8,000 (2015: £34,000) 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 2016 £'000	Weighted average interest rate 2016	Total 2015 £'000	Weighted average interest rate 2015
Currency				
Sterling	3,866	2.8%	4,441	2.5%
	3,866	2.8%	4,441	2.5%

6 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	1,479	8,598
Other creditors	8	93
Accruals and deferred income	133	155
	1,620	8,846

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

7 Deferred tax

The deferred tax asset comprises:

	Amount recognised		Amount unrecognised	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Losses	—	—	(971)	(1,028)
Deferred tax asset	—	—	(971)	(1,028)

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 17%.

Notes to the Parent Company financial statements continued

for the year ended 31 December 2016

8 Derivative financial instruments

	2016		2015	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	–	33	–	6

The Company has entered into an interest rate agreement which fixes LIBOR at 1.05%. The agreement took effect from May 2013 and remains in effect until the loan is repaid in 2018. 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

	2016 Number	2016 £'000	2015 Number	2015 £'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 2016.

The mid-market price of the Company's shares at 31 December 2016 was £19.92 and the range during the year was £19.92 to £21.00.

The Parent Company had no employees during the year (2015: 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 2016 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 2016 of £0.40 per ordinary share (2015: £0.40).

10 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2016 (2015: £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 2016 this guarantee amounted to £8,889,000 (2015: £8,824,000). 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 Trustee companies 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 £858,000 (2015: £877,000) 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 £210,000 (2015: £210,000) in relation to the Service Agreement by Andrews Sykes.

The Company incurred £296,000 (2015: £221,000) of expenditure on behalf of J.G. Murray during the year. £236,000 of 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 Eaton Gate, London SW1W 9BJ on 21 June 2017 at 2 pm 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 2016 and the Reports of the Directors and auditor and the Directors' Remuneration Report for that period.
2. To re-elect M. Gailer as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect H. Shouler as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
4. To declare a final dividend in respect of 2016 of £0.40 per ordinary share.
5. That PwC LLP be re-appointed as auditor 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.
6. 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:

7. That, subject to the passing of resolution 6 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 6 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.

Notice of Annual General Meeting continued

8. 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
27 April 2017

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

Notes

1. If you are a member of the Company you are entitled to appoint one or more proxies to attend, speak and vote at the Meeting and you should have received a form of proxy with the Notice of Meeting. You can appoint a proxy using the procedures set out in these notes and the notes in the form of proxy.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, fill out a copy of the accompanying form of proxy for each proxy. Multiple proxy appointments should be returned in the same envelope.
4. 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 proxy form

5. 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 Capita Asset Services, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and

   (c) received by Capita Asset Services 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.

Notes continued

Appointment of proxy by joint members

6. 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

7. 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

8. 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 Capita Asset Services, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. 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 by Capita Asset Services 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

9. As at 11 am on 27 April 2017, the Company's issued share capital comprised 12,261,477 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 11 am on 27 April 2017 was 12,261,477.

Documents on display

10. The register of Directors' interests will be available for inspection at the registered office of the Company from 8 May 2017 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting.

Communication

11. 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 37285.

    You may not use any electronic address provided either:

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

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

    to communicate with the Company.

Group companies

The United Kingdom

Asco Extinguishers Company Limited
Unit 1.1
Festival Court
Brand Place
Glasgow G51 1DR
0141 427 1144
customer.service@asco.uk.com
www.asco.uk.com

Firestop Services Limited
Unit 3
Holmes Way
Boston Road Industrial Estate
Horncastle
Lincolnshire LN9 6JR
01507 723 322
enquiries@fire-stop.co.uk
www.firestopservices.co.uk

GC Fire Protection Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY
0208 391 7310
customer.service@gcfireprotection.co.uk
www.gcfireprotection.co.uk

GFA Premier Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY
01422 377 521
customer.service@gfapremier.co.uk

Hoyles Fire & Safety Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY
01422 314 351
customer.service@hoyles.co.uk
www.hoyles.co.uk

L. W. Safety Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH
01422 314 350
customer.service@lwsafety.co.uk
www.lwsafety.co.uk

MK Fire Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH
01494 769 744
customer.service@mkfire.co.uk
www.mkfire.co.uk

Modern Fire Extinguisher Services Limited
6 Claremont Buildings
Claremont Bank
Shrewsbury SY1 1RJ

Nu-Swift International Limited
Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY
01422 372 852
customer.service@nu-swift.co.uk
www.nu-swift.co.uk

Pyrotec Fire Detection Limited
Pyrotec Fire Protection Limited
Luke & Rutland Limited
Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP
0800 634 9953
sales@pyrotec.co.uk
www.pyrotec.co.uk

Tunbridge Wells Fire Protection Limited
Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP
01825 767 600
customer.service@twfpltd.co.uk
www.twfpltd.co.uk

TVF (UK) Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH
01494 450 641
customer.service@tvfltd.co.uk
www.tvfltd.co.uk

Belgium

Alarm Masters S.A.
50, Z.I. Research Park
B-1731 Zellik
00 32 5237 3409
info@alarmmasters.be
www.alarmmasters.be

All-Protec N.V.
Bogaertstraat 16
9910 Knesslare
00 32 9375 2044
info@all-protec.be

Ansul S.A.
Ansul Belgium S.A.
Industrialaan 35
B-1702 Groot-Bijgaarden
00 32 2467 7211
mail@ansul.be
www.ansul.be

Assurance Protection Service Sprl
Avenue Mercator 1
1300 Wavre
00 32 7187 7504
info@apsprotectionincendie.be
www.apsprotectionincendie.be

Barkat B.V.B.A.
Ottergemsesteenweg 166
9000 Gent
00 32 9221 3838
www.barkat.be

Dimex Technics S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal
00 32 8789 0401
info@dimex-technics.be

Importex S.A.
42 Rue de l'Eglise
4710 Lontzen Herbesthal
00 32 8788 0242
info@importex.be

Security Alarm Service Company Sprl
42 Rue de l'Eglise
4710 Lontzen Herbesthal
00 32 86 45 67 89
info@securityalarmservice.be
www.securityalarmservice.be

Somati FIE N.V.
Industrielaan 19a
9320 Erembodegem
00 32 5385 2222
info@somatifie.be
www.somatifie.be

Le Chimiste Sprl
Avenue Mercator 1
1300 Wavre
00 32 10 86 84 19
info@lechimiste.be

Braco B.V.B.A.
Affligemdreef12
9300 Aalst
00 32 5321 4570
info@bracofireprotection.be

DC Security B.V.B.A.
Industriepark 10
2235 Hulshout
00 32 15 22 55 70
info@dcsecurity.be
www.dcsecurity.be

Luxembourg

A.L.P.I. sarl
10 Rue Robert Krieps | 00 352 26 31 30 13
4702 Petange | alpi@pt.lu
www.alpi.lu

The Netherlands

Ansul B.V.
Ansul Solutions B.V.
Platinastraat 15 | 00 31 320 240864
8211 AR Lelystad | info@ansul.nl
www.ansul.nl

Boensma Brandbeveiliging B.V.
Zutphenstraat 6 | 00 31 541 588030
7575 EJ Oldenzaal | www.boensmabrandbeveiliging.nl

Nu-Swift Brandbeveiliging B.V.
Ringoven 45 | 00 31 263 630330
6826 TP Arnhem | info@nu-swift.nl
www.nu-swift.nl

Incorporating Couwenberg Noodverlichting
Petunialaan 1D | 0031 40 2220933
5582 HA Waalre | couwenberg.noodverlichting@hetnet.nl
www.couwenbergnoodverlichting.nl

NL Brandbeveiliging B.V.
Petunialaan 1D | 00 40 248 2196
5582 HA Waalre | info@nlbrandbeveiliging.nl
www.nlbrandbeveiliging.nl

Prevent Brandbeveiliging B.V.
Maasdijkseweg 107 | 00 31 174 526700
2291 PJ Wateringen | info@prevent.brandbeveiliging.nl
www.preventbrandbeveiliging.nl

Record Brandbeveiliging B.V.
Oostergracht 24 | 00 31 35 602 79 66
3763 LZ Soest | info@recordbrandbeveiliging.nl
www.recordbrandbeveiliging.nl

Braho Brandpreventie B.V.
Maasdijkseweg 107 | 00 31 79 341 07 08
2291 PJ Wateringen | info@braho.nl
www.braho.nl

Austria

Total Fire-Stop G.m.b.H.
Tillmanngasse 5 | 00 431 259 36310
1220 Wien | info@total.at
www.total.at

Blesberger G.m.b.H.
Harruckerstrasse 9 | 00 43 732 733 234
A-4040 Linz | www.blesberger.at

Noris Feuerschutzgerate G.m.b.H.
Baumkircherstrasse 2 | 00 43 316 71 18 21
8020 Graz | zentrale@noris.at
www.noris.co.at

PMP Manus G.m.b.H.
Waltendorfer Hauptstrasse 5 | 00 43 316 46 15 66
8010 Graz | office@pyrus-pmp.at
www.pyrus-pmp.at

France

One Protect sarl
C.A. Sainte Agathe/ZI | 00 33 825 932 40
Rue Lavoisier | contact@oneprotectsarl.com
57192 Florange | www.oneprotectsarl.com

Germany

Ludwig Feuerschutz G.m.b.H.
Esbachgraben 3 | 00 49 9208 580 300
95463 Bindlach | info@ludwig-feuerschutz.de
www.ludwig-feuerschutz.de

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

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www.londonsecurity.org