A leader in Europe's fire security industry.

London Security plc

Annual Report and Accounts 2019

London Security plc

Each year we provide fire protection for over 233,000 customers through our local presence in the United Kingdom, Belgium, the Netherlands, Austria, France, Germany, Denmark and Luxembourg.

Customer focus.

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

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

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

We aim to achieve the highest levels of service and product quality.

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

More information at **londonsecurity.org**

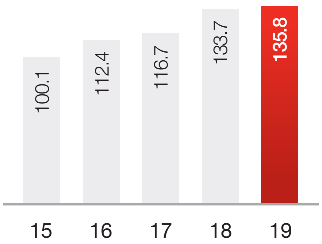
Highlights

FINANCIAL HIGHLIGHTS

Earnings per share

135.8p

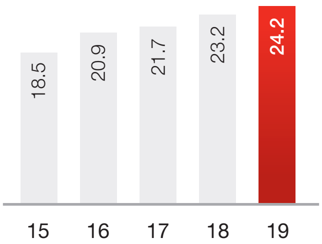
+1.6%



Operating profit

£24.2m

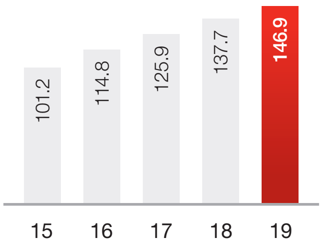
+4.3%



Revenue

£146.9m

+6.7%



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

FINANCIAL HIGHLIGHTS

Financial highlights of the audited results for the year ended 31 December 2019 compared with the year ended 31 December 2018 are as follows:

- revenue of £146.9 million (2018: £137.7 million);
- operating profit of £24.2 million (2018: £23.2 million);
- profit for the year of £16.8 million (2018: £16.5 million*);
- earnings per share for the year of £1.36 (2018: £1.34*); and
- a dividend per share of £0.80 (2018: £0.80).

* Restated – see note 32.

Trading review

The financial highlights illustrate that the Group's revenue increased by £9.2 million (6.7%) to £146.9 million and operating profit increased by £1.0 million (4.3%) to £24.2 million. These results reflect:

- the positive impact of acquisitions in 2018 and 2019 in the United Kingdom, Austria, Belgium, the Netherlands and Denmark;
- improved performance from our service business in continental Europe;
- continued improvement from newer service offerings (e.g. emergency lights and passive fire protection); and
- the movement in the Euro to Sterling average exchange rate, which had an adverse effect of £1.0 million on reported revenue and £0.2 million on operating profit. A more detailed review of this year's performance is given in the Financial Review and the Strategic Report.

Acquisitions

It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at prices where an adequate return is envisaged by the Board. In the year under review the Group has acquired eight established fire protection businesses and has grown its presence in the Netherlands, Belgium and the UK with the acquisition of service contracts from smaller well-established businesses for integration into the Group's existing subsidiaries.

Management and staff

2019 was a year in which the staff performed well and, on behalf of the shareholders, 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 2018 of £0.40 per ordinary share was paid to shareholders on 5 July 2019. An interim dividend in respect of 2019 of £0.40 per ordinary share was paid to shareholders on 29 November 2019. The Board is recommending the payment of a final dividend in respect of 2019 of £0.20 per ordinary share to be paid on 10 July 2020 to shareholders on the register on 12 June 2020. The shares will be marked ex-dividend on 11 June 2020.

Coronavirus impact assessment

It is clear that the coronavirus pandemic will have a significant impact on the business and we have taken a number of actions to weather the storm. When the pandemic first appeared in China, the initial threat was to our supply chain. It is now very clear that the risk to customer demand is by far our greatest challenge and we are prepared for a significant downturn in sales for the duration of the pandemic.

Many of the components which we are reliant on are sourced from China and we have therefore suffered some delays in the delivery of such components in the first quarter. The Chinese government's response to the outbreak has meant that capacity returned over the course of February and into March. Our strategic stockholding has meant our production impact has been minimised. We are continuing to monitor the effects on our manufacturing capability.

With a return to relative normality on the supply side, we are now focused on customer demand. By the middle of March, the virus had impacted all of our European trading territories. Throughout Europe governments are responding to the pandemic by applying severe restrictions on movement and introducing social distancing measures which have forced many of our customers to temporarily close. We have prepared the business for varying levels of sales declines by temporarily reducing staff levels in some locations.

We have evaluated the remaining demand for our services and sectors where this is deemed essential, for example in some areas including health, communications and utilities. In addition, where customers still want work carrying out and we able to work within government guidelines, we are continuing to provide our usual levels of service. This is varying by country, with the Netherlands operating at over 50% but other countries being affected more. Where we offer call out or support services under contracts, for example for fire alarms, we continue to offer these services and fulfil our contractual obligations.

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

We have modelled the effects of this sales decline along with all the measures we can take to ensure that the Company remains within its cash and bank facilities, and have prepared cash flow forecasts for a period in excess of 12 months. Based upon this modelling, the Group has sufficient cash beyond June 2021 without renegotiating its bank facilities.

Future prospects

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

Annual General Meeting

The Annual General Meeting ("AGM") will be held at 2 Jubilee Way, Elland, West Yorkshire HX5 9DY, on 30 June 2020 at 11.30 am. Under the UK government's current prohibition on non-essential travel and public gatherings, it will not be possible for shareholders to attend the AGM in person. We therefore strongly encourage shareholders to vote on all resolutions by completing the enclosed form of proxy for use at that Meeting, which you are requested to return in accordance with the instructions on the form.

J.G. Murray
Chairman
21 May 2020

Financial review

IN SUMMARY

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

Consolidated Income Statement

The Group's revenue increased by £9.2 million (6.7%) to £146.9 million. Operating profit increased by £1.0 million (4.3%) to £24.2 million. Of the increased revenue, £0.7 million was generated by KW Fire Protection Limited and HP Fire Prevention Sprl, two new subsidiaries acquired by the Group in 2019. In 2018 the Group acquired five new subsidiaries; £7.5 million of revenue was generated in a full year from these businesses. A further £1.0 million of revenue 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.

These results also reflect the movement in the Euro to Sterling average exchange rate, which has increased from 1.13 to 1.14. If the 2019 results from the European subsidiaries had been translated at 2018 rates, revenue would have been £147.9 million instead of £146.9 million, which would represent an increase of 7.4% on the prior year. On the same basis, operating profit would have been £24.4 million instead of £24.2 million, an increase of 5.2% compared to 2018.

Net finance costs have increased by £0.1 million. This increase represents interest on operating leases recognised on the balance sheet following the implementation of IFRS 16 discussed in greater detail below. Other components of finance income and cost, including interest on the Group's borrowings, the revaluation of our derivative financial instruments and interest on our pension scheme assets and liabilities, have remained broadly similar to last year.

The Group's effective income tax rate has remained constant at 30% which is above the UK corporation tax rate of 19% as most of the expense is incurred in jurisdictions where the rate is higher.

Consolidated Statement of Financial Position

The Group continues to demonstrate consistently profitable performance and strong cash conversion. This is illustrated by a well-capitalised balance sheet with net cash and a strong asset base. The Group ended the year with cash of £27,143,000 (2018: £26,110,000).

The Group's borrowings disclosed in these financial statements were refinanced in May 2018 with the Group's existing bankers, Lloyds Bank plc, resulting in a new multi-currency term loan denominated as £3 million in Sterling and €8 million in Euros. The facility is being repaid evenly over five years. The total of loans outstanding at the year end was £7,170,000 (2018: £9,566,000).

IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The majority of the Group's lease commitments have been brought onto the balance sheet together with corresponding right of use assets. At the year end the Group has recognised right of use assets of £2.4 million and corresponding lease liabilities of £2.4 million. In the Income Statement, the existing operating lease charge, which was recognised within operating profit, has been replaced by a depreciation charge in respect of the right of use asset, resulting in a net credit of £32,000 and an interest cost in relation to the lease liability recognised within finance costs of £64,000.

The Group has not restated prior year figures on adoption of the new standard with lease asset values being set equal to lease liabilities at the date of transition in line with the simplified approach under IFRS 16.

Treasury management and policy

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

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

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

Segmental reporting

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

Key risks and uncertainties

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

Coronavirus impact assessment

Please refer to the Chairman's Statement.

Strategic report

Principal activities

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

Business model

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

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

The Group aims to achieve the highest levels of service and product quality through continued training of our employees to the most stringent servicing standards and the development of the highest performance-rated fire products. These activities are performed whilst considering the preservation of the environment. The Group continues to build on its reputation for service excellence and quality to develop a "safety solutions" business with a well-diversified and loyal customer base.

Business review and results

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2019 of £16.7 million (2018: £16.4 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 2018 of £0.40 per ordinary share and an interim dividend of £0.40 per ordinary share in respect of the year ended 31 December 2019. The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2019 of £0.20 per ordinary share. The Group ended the year with net assets of £116.2 million (2018: £111.7 million).

Key performance indicators

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

S172 statement

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

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

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

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

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

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

Board performance

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

Principal risks and uncertainties

Increased competition, the current economic climate and industry changes are regarded as the main strategic risks. These are mitigated by providing service levels recognised as being the best in the industry, together with a diverse base of operations throughout Europe.

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

The 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. No United Kingdom subsidiaries have customers in the Eurozone and no Eurozone subsidiaries have customers in the United Kingdom. The supply of components is sourced from China and is expected to be unaffected.

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

Coronavirus impact assessment

Please refer to the Chairman's Statement.

Future developments

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

Signed on behalf of the Board

J.G. Murray
Chairman
21 May 2020

Directors and Company advisers

EXECUTIVE DIRECTORS

Jacques Gaston Murray 100

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 53

Vice Chairman

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

Xavier Mignolet 55

Managing Director

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

Emmanuel Sebag 51

Executive Director

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

NON-EXECUTIVE DIRECTORS

Jean-Pierre Murray 51

Non-Executive Director

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

Marie-Claire Leon 56

Non-Executive Director

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Henry Shouler 82

Senior Independent Non-Executive Director

Henry Shouler is a Director of PKL Holdings plc. He also has a number of other directorships in private companies. The Board considers Henry to be independent after being assessed against the circumstances set out in Provision 10 of the Financial Reporting Council's 2018 UK Corporate Governance Code ("2018 Code"). The Board is mindful that the 2018 Code indicates that Independent Non-Executive Directors should not serve for more than nine years. However, the Board believes that Henry continues to act with the utmost independence despite his length of tenure.

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

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

Corporate governance

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

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

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

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

Board committees

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

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

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

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

COMPANY INFORMATION

Company advisers

Company Secretary and registered office

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

Registered number

00053417

Chartered accountants and statutory independent auditors

Grant Thornton UK LLP

No.1 Whitehall Riverside
Leeds LS1 4BN

Registrars

Link Asset Services

Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0GA

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 2019. Future developments in the business and dividends paid and proposed are discussed in the Strategic Report. The Group's financial risk management policy is discussed in the Financial Review.

Directors

The Directors of the Parent Company, all of whom served during the whole of the year ended 31 December 2019, and up to the date of signing the Group and Parent Company financial statements, were:

Executive Directors

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

Non-Executive Directors

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

J.G. Murray, J-P Murray 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 8.

Directors' interests

No Director in office at 31 December 2019 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

Directors' liability insurance

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

Substantial shareholdings

At 21 May 2020, the Parent Company had been notified of the following interests of 3% or more in its share capital:

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

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

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

Corporate culture and ethical values

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

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

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

Health, safety and the environment

The maintenance and improvement of working standards to safeguard the health and wellbeing of staff and customers alike is a continuing priority. Health and Safety Officers are appointed at each Group location and they receive periodic training to keep abreast of both legislative requirements and technological advances. It is Group policy to operate in a reasonable manner with regard to the environment.

Employment of disabled persons

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

Employee involvement

The Group recognises the need to ensure effective communications with employees to encourage involvement in the Group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, which take into account factors such as numbers employed and location and include newsletters and communication meetings.

Payment to suppliers

The Parent Company and Group agree payment terms with all suppliers when they enter into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any standard or external code which deals specifically with the payment of suppliers.

At 31 December 2019 Group average creditor days were 57 days (2018: 56 days). The Parent Company had no trade creditors at either year end.

Stakeholder engagement

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

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

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

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

Employees – the Group recognises the need to ensure effective communications with employees to encourage involvement in the Group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, which take into account factors such as numbers employed and location and include newsletters and communication meetings. We involve and listen to employees to maintain strong employee engagement and retain talented people. We consult employees or their representatives on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests. We have a number of employee representative groups across Europe to facilitate this. We encourage the involvement of our employees in the performance of their Company by linking their remuneration to a series of incentive schemes.

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

Donations

The Parent Company and the Group made no political donations during the year (2018: £Nil) and made charitable donations of £1,000 (2018: £1,000).

Future developments

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

Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,034,000 (2018: £1,473,000).

The repercussions surrounding the coronavirus outbreak are discussed in further detail in the Chairman's Statement and in note 31 to the financial statements.

Dividends

Dividends are discussed in the Chairman's Statement.

Purchase of own shares and authorities to issue shares

As at 21 May 2020 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 9 is to be proposed at the Annual General Meeting to extend this authority until the 2020 Annual General Meeting.

The special business to be proposed at the 2019 Annual General Meeting also includes, at resolution 8, a special resolution to authorise the Directors to issue shares for cash, other than pro rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £6,131, being 5% of the Parent Company's issued ordinary share capital. This authority will expire on the earlier of the date of next year's Annual General Meeting or 15 months after the passing of the resolution. The passing of that resolution is subject to resolution 5, an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares.

Report of the Directors continued

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International 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 Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

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

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

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are 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 auditors are aware of that information.

Independent auditors

During the year Grant Thornton UK LLP were appointed as auditors. A resolution is to be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006 for the re-appointment of Grant Thornton UK LLP as independent auditors of the Parent Company and authorising the Directors to set their remuneration.

Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 64 to 66. A form of proxy is enclosed for you to complete according to the instructions printed on it and send to the postage paid address. All proxies must be received by 11 am on 28 June 2020.

By order of the Board

R. Pollard
Company Secretary
21 May 2020

Directors’ remuneration report

The Parent Company has followed the provisions in Schedule D of the UK Corporate Governance 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

The remuneration committee comprises H. Shouler and J-J. Murray. The committee is chaired by H. Shouler, who is an Independent Non-Executive Director. The remuneration of Non-Executive Directors is set by a committee of the other Directors. No Director is involved in deciding his or her own remuneration.

Policy on Executive Directors’ remuneration

It is the Parent Company’s policy to provide the packages needed to attract, retain and motivate Directors of the quality required, bearing in mind the size and resources of the Parent Company and its position relative to other companies.

Directors’ remuneration (audited)

Directors’ emoluments totalled £558,589 (2018: £566,067). This includes an amount paid to the highest paid Director of £377,007 (2018: £381,047).

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	
	2019	2018
J.G. Murray	**£Nil**	£Nil
J-J. Murray	**£117,582**	£116,922
X. Mignolet	**£377,007**	£381,047
E. Sebag	**£Nil**	£Nil
J-P. Murray	**£20,000**	£20,000
M-C. Leon	**£20,000**	£20,000
H. Shouler	**£24,000**	£24,000
M. Gailer	**£Nil**	£4,098

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 £783,344 (2018: £800,473) for the year ended 31 December 2019 as per the Services Agreement.

On behalf of the Board

H. Shouler
Chairman of the remuneration committee
21 May 2020

Independent auditor's report

to the members of London Security plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of London Security plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent company statements of changes in equity, consolidated statement of financial position, parent company balance sheet, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Audit work performed

In evaluating whether the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate and whether a material uncertainty exists that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue, we undertook procedures to evaluate management's assessment of the impact of Covid-19 on the group's working capital and covenant conditions. These procedures comprised:

- Obtaining management's forecasts and covenant calculations covering the period to June 2021, including their assessment of the impact of Covid-19;
- Evaluating the key assumptions applied in the forecast, including the forecast reduction in revenue as a result of the lockdown restrictions in place and assumptions on the available level of support from governments in the countries in which the Group operates, for reasonableness and determined whether they had been applied appropriately. We also considered whether the assumptions are consistent with our understanding of the business and with current lockdown restriction guidance in each country;
- Requesting management to prepare additional sensitised forecasts to model a range of downside scenarios and assessed these sensitised forecasts for reasonableness;

Audit work performed continued

- Reading the terms of the finance facilities to obtain an understanding of the debt covenants, assessing management's forecast covenant compliance, and challenging whether in management's most severe downside scenario any breach in the financial covenants can be remedied;
- Assessing management's determination of the impact of the mitigating factors including the suspension of dividends;
- Assessing the reliability of management's forecasting by comparing the accuracy of actual historical financial performance to historic forecast information;
- Performing sensitivity analysis on management's forecasts to determine whether a reasonable change in the key assumptions would lead to the elimination of the headroom in their cash flow forecasts; and
- Assessing the adequacy of the going concern disclosures included within the Financial Statements by management including the Coronavirus impact assessment in the Chairman's statement, the basis of preparation in note 2 to the financial statements, the significant judgement disclosure in note 4 to the financial statements and the post balance sheet event disclosure in note 31 to the financial statements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Grant Thornton

Overview of our audit approach

- Overall group materiality: £1.1m, which represents approximately 5% of the group's profit before taxation.
- Key audit matters were identified as improper revenue recognition and the valuation of intangible assets.
- We performed a combination of full scope audit procedures and specified audit procedures on the financial information of certain UK, Dutch and Austrian components. An audit to component materiality was performed by an overseas component auditor for significant components in Belgium. As part of the audit procedures 87% of revenue was subject to testing through either a full scope audit or specified audit procedures.

Key audit matters

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

Independent auditor's report continued

to the members of London Security plc

Key audit matters continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition The group has a number of different revenue streams with revenue either being recognised at a point in time or over the period of time that the service is performed. Under International Standard on Auditing (ISA) (UK) 240 there is a presumption that there are risks of fraud in revenue recognition. We have assessed this risk to reside primarily within unpaid (including accrued) revenues as there is an increased risk that these revenues did not occur if they have not been paid at the balance sheet date. The revenue recorded by the Group is also one of the key determinants of Group underlying profit before tax, which is the primary financial Key Performance Indicator (KPI) for the Group. Therefore, we identified revenue recognition as a significant risk, and one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the group's revenue recognition policy is in accordance with IFRS15 and whether it is being applied appropriately; • Documenting our understanding of the systems and controls in place around the recording of revenue; • Agreeing a sample of unpaid and accrued revenue transactions to customer payments and evidence of performance to confirm the occurrence of the revenue transaction; • Inspection of a sample of contracts to vouch revenue is being recorded appropriately; and • Analytical review of material revenue streams through comparison with prior year and expectations based on our understanding of the business; The group's accounting policy on revenue recognition and related disclosures are shown in note 2. **Key observations** Based on our audit work we did not identify any material instances of revenue not being recognised in accordance with the stated accounting policies.
Valuation of intangible assets – Non-current assets carrying value exceeds fair value The Group has a material amount of goodwill and other intangible assets held on the balance sheet as at 31 December 2019. Management has determined the recoverable amount of goodwill and service contracts based on value-in-use calculations for each of the four cash-generating units as disclosed in note 13 to the financial statements using discounted cash flows. There are significant judgements involved in these calculations including forecasting the operating cashflows and discount rates. We therefore identified the risk that non-current assets' carrying value exceeds their fair value as a significant risk, and one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of the key controls surrounding impairment of goodwill; • Obtaining management's impairment model and challenging their assessment of its appropriateness and methodology in line with the requirements of IAS 36 'Impairment of assets'; • Evaluation of the historical accuracy of forecasts used in the prior year discounted cash flow model compared to the results achieved in the current year; • Challenging the assumptions included within the discounted cash flow model, which included gaining an understanding of key factors and judgements applied in determining future growth rates; • Challenging whether the identification of the four cash generating units is appropriate; • Challenging of the discount rates used in the model and using the auditor's experts to assess them for reasonableness; and • Performance of sensitivity analysis on the forecast cash flows and their impact on the carrying value of the intangible assets. The group's accounting policy on impairment of goodwill is shown in note 2 to the financial statements and related disclosures are included in note 13. The carrying value of goodwill and service contracts has been disclosed as a significant estimate in note 4 to the financial statements. The directors have included their post balance sheet event disclosure in relation to Covid-19 in note 31 to the financial statements. **Key observations** Based on our audit work performed we are satisfied that the intangible assets have been accounted for in accordance with IAS 36 'impairment of assets'.

Key audit matters continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Valuation of intangible assets – valuation and allocation of intangibles arising on acquisitions The Group have made a number of acquisitions in the year ended 31 December 2019 and recorded £3.3m of additions to intangibles assets of which £2.3m is allocated to service contracts and the remainder allocated to goodwill. IFRS3 'Business combination' requires assets and liabilities in the consolidated financial statements to be recorded at fair value. There is significant management judgement involved in determining the fair value of the assets and liabilities acquired, including the calculation of the fair value of service contracts, with judgements including attrition rates of contracts acquired, and the discount rate used in the valuation. We therefore identified the valuation and allocation of intangibles arising on acquisition as a significant risk, and one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Documenting our understanding of the key controls in place surrounding the valuation and allocation of intangibles arising on acquisition; • Challenging management as to whether the adjustments to the acquired balance sheets to record them at fair value are appropriate. This included challenging management's valuation model for service contracts acquired, with input from auditor's experts to evaluate whether management's methodology is in line with accepted valuation methods and the appropriateness of inputs to the model such as attrition rate and discount rate used; • Reperforming the recalculation of goodwill; and • Challenging, with input from auditor's experts, management's valuation model for service contracts acquired to evaluate whether management's methodology is in line with accepted valuation methods and the appropriateness of inputs to the model such as attrition rate and discount rate used. • Agreeing the consideration paid by reference to the acquisition agreements. The group's accounting policy on accounting for acquisitions is shown in in note 2 to the financial statements, and related disclosures are included in note 27. The accounting for business combinations has been disclosed as a significant estimate in note 4 to the financial statements. **Key observations** Based on our audit work performed we are satisfied that intangible assets arising on acquisition are accounted for in line with IFRS 3 'Business combinations'.

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

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£1.1m which is approximately 5% of profit before tax. This benchmark is considered the most appropriate because profit before tax is a measure against which performance of the Group is assessed both internally and externally and also a generally accepted auditing benchmark for listed companies.	£525,000 which is 1% of total assets. This benchmark is considered the most appropriate given the activities of the parent company primarily being a holding company and its major activities relate to fixed assets included in the financial statements.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality.	65% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration.	We determined a lower level of specific materiality for certain areas such as directors' remuneration.
Communication of misstatements to the audit committee	£55,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£26,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent auditor's report continued

to the members of London Security plc

An overview of the scope of our audit

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

- Obtaining and documenting an understanding of the design and implementation of controls in place related to significant risks;
- An evaluation the group's internal control environment including its IT systems and controls;
- Evaluation by the group audit team of UK and overseas components to assess the significance of that component and to determine the planned audit response based on a measure of materiality, including their relative contribution to the group's revenues and profit before taxation;
- Full scope procedures were performed for four Belgium components and one UK component to a level of component materiality. These procedures included a combination of test of details and analytical procedures. These components subject to full scope audit procedures cover 39% of the consolidated revenues;
- The audit of the Belgium components was performed by the Belgium component auditor such that we had appropriate direction and involvement in the work of the component auditor throughout the audit. This included briefing the component audit team, directing the risk assessment and fraud discussions, regular communication with the component auditor, attendance at audit close meetings and directly reviewing and evaluating the work performed by the component auditor for the purpose of the group audit;
- Specified audit procedures performed by the group audit team for a further thirteen components that are located in the UK, Netherlands and Austria These components subject to specified audit procedures cover 44% of the consolidated revenues and our audit procedures included substantive procedures in relation to improper revenue recognition and other risks identified by the group audit team;
- For those components that were not individually significant to the group, we carried out analytical procedures;
- Components subject to full scope or specified audit procedures contributed 82% of the consolidated revenues.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

21 May 2020

Consolidated income statement

for the year ended 31 December 2019

	Notes	2019 £'000	2018 Restated – see note 32 £'000
Revenue		**146,920**	137,711
Cost of sales		**(36,293)**	(31,780)
Gross profit		**110,627**	105,931
Distribution costs		**(54,140)**	(50,593)
Administrative expenses		**(32,333)**	(32,163)
Operating profit	24	**24,154**	23,175
EBITDA*		**32,503**	29,557
Depreciation and amortisation		**(8,349)**	(6,382)
Operating profit	24	**24,154**	23,175
Finance income		**142**	131
Finance costs		**(254)**	(171)
Finance costs – net	6	**(112)**	(40)
Profit before income tax	7	**24,042**	23,135
Income tax expense	8	**(7,229)**	(6,623)
Profit for the year		**16,813**	16,512
Profit is attributable to:			
Equity shareholders of the Company		**16,653**	16,399
Non-controlling interest		**160**	113
		16,813	16,512
Earnings per share			
Basic and diluted	9	**135.8p**	133.7p

* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 25 to 57 are an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £'000	2018 Restated – see note 32 £'000
Profit for the financial year		**16,813**	16,512
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
– currency translation differences on foreign currency net investments		**(2,389)**	361
Items that will not be reclassified subsequently to profit or loss:			
– actuarial gain recognised in the Nu-Swift Pension Scheme	21	**414**	16
– movement on deferred tax relating to the Nu-Swift Pension Scheme surplus	19	**(145)**	(6)
– actuarial loss recognised in the Ansul Pension Scheme	21	**(412)**	(145)
– movement on deferred tax relating to the Ansul Pension Scheme deficit	19	**103**	36
Other comprehensive (expense)/income for the year, net of tax		**(2,429)**	262
Equity shareholders of the Company		**14,224**	16,661
Non-controlling interest		**160**	113
Total comprehensive income for the year		**14,384**	16,774

The notes on pages 25 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2018 (previously reported)	123	344	1	2,033	8,470	92,408	189	103,568
Prior year adjustment (note 32)	—	—	—	—	—	1,179	—	1,179
At 1 January 2018 (as restated)	123	344	1	2,033	8,470	93,587	189	104,747
Total comprehensive income for the year								
Profit for the financial year (restated – note 32)	—	—	—	—	—	16,399	113	16,512
Other comprehensive income/(expense):								
– exchange adjustments	—	—	—	—	361	—	—	361
– actuarial loss on pension schemes	—	—	—	—	—	(129)	—	(129)
– net movement on deferred tax relating to pension asset	—	—	—	—	—	30	—	30
Total comprehensive income for the year (restated – see note 32)	—	—	—	—	361	16,300	113	16,774
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(9,809)	—	(9,809)
At 31 December 2018 and 1 January 2019 (restated – note 32)	123	344	1	2,033	8,831	100,078	302	111,712
Total comprehensive income for the year								
Profit for the financial year	—	—	—	—	—	16,653	160	16,813
Other comprehensive (expense)/income:								
– exchange adjustments	—	—	—	—	(2,389)	—	—	(2,389)
– actuarial gain on pension schemes	—	—	—	—	—	2	—	2
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(42)	—	(42)
Total comprehensive (expense)/income for the year	—	—	—	—	(2,389)	16,613	160	14,384
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(9,809)	—	(9,809)
Distribution to non-controlling interest	—	—	—	—	—	—	(113)	(113)
At 31 December 2019	**123**	**344**	**1**	**2,033**	**6,442**	**106,882**	**349**	**116,174**

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 25 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Notes	2019 £'000	2018 Restated – see note 32 £'000	2017 Restated – see note 32 £'000
Assets				
Non-current assets				
Property, plant and equipment	11	**12,164**	12,077	11,589
Right of use assets	12	**2,360**	—	—
Intangible assets	13	**67,504**	66,077	63,578
Deferred tax asset	19	**683**	811	589
Retirement benefit surplus	21	**4,959**	4,430	4,397
		87,670	83,395	80,153
Current assets				
Inventories	15	**13,434**	13,293	11,749
Trade and other receivables	16	**27,822**	28,732	26,063
Cash and cash equivalents	17	**27,143**	26,110	24,652
		68,399	68,135	62,464
Total assets		**156,069**	151,530	142,617
Liabilities				
Current liabilities				
Trade and other payables	18	**(23,158)**	(22,713)	(19,576)
Income tax liabilities		**(987)**	(1,731)	(1,699)
Borrowings	20	**(2,048)**	(2,125)	(11,125)
Lease liabilities	26	**(1,134)**	—	—
Derivative financial instruments		**—**	—	(54)
Provision for liabilities and charges	22	**—**	(5)	—
		(27,327)	(26,574)	(32,454)
Non-current liabilities				
Trade and other payables	18	**(850)**	(922)	(1,003)
Borrowings	20	**(5,122)**	(7,441)	—
Lease liabilities	26	**(1,256)**	—	—
Derivative financial instruments	14	**(47)**	(41)	—
Deferred tax liabilities	19	**(2,909)**	(2,779)	(2,505)
Retirement benefit obligations	21	**(2,215)**	(1,880)	(1,721)
Provision for liabilities and charges	22	**(169)**	(181)	(187)
		(12,568)	(13,244)	(5,416)
Total liabilities		**(39,895)**	(39,818)	(37,870)
Net assets		**116,174**	111,712	104,747
Shareholders' equity				
Ordinary shares	23	**123**	123	123
Share premium	23	**344**	344	344
Capital redemption reserve	23	**1**	1	1
Merger reserve		**2,033**	2,033	2,033
Other reserves		**6,442**	8,831	8,470
Retained earnings		**106,882**	100,078	93,587
Equity attributable to owners of the Parent Company		**115,825**	111,410	104,558
Non-controlling interest	23	**349**	302	189
Total equity		**116,174**	111,712	104,747

The notes on pages 25 to 57 are an integral part of these consolidated financial statements.

The financial statements on pages 20 to 57 were approved by the Board of Directors on 21 May 2020 and were signed on its behalf by:

J.G. Murray
Chairman
21 May 2020

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	24	**32,363**	28,385
Interest paid		**(160)**	(147)
Income tax paid		**(7,639)**	(7,393)
Net cash generated from operating activities		**24,564**	20,845
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	27	**(2,264)**	(4,274)
Purchases of property, plant and equipment		**(3,974)**	(3,551)
Proceeds from the sale of property, plant and equipment		**329**	398
Purchases of intangible assets		**(2,068)**	(746)
Interest received		**27**	12
Net cash used in investing activities		**(7,950)**	(8,161)
Cash flows from financing activities			
Repayments of borrowings		**(2,091)**	(1,614)
Payment of lease liabilities		**(1,750)**	—
Dividends paid to the Company's shareholders		**(9,809)**	(9,809)
Distribution to non-controlling interest		**(113)**	—
Net cash used in financing activities		**(13,763)**	(11,423)
Effects of exchange rates on cash and cash equivalents		**(1,818)**	197
Net increase in cash in the year		**1,033**	1,458
Cash and cash equivalents at the beginning of the year		**26,110**	24,652
Cash and cash equivalents at the end of the year	17	**27,143**	26,110

The notes on pages 25 to 57 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1 General information

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

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

The Parent Company has its primary listing on AIM, part of the London Stock Exchange.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These Group financial statements have been prepared in accordance with 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 future performance. The Group's business activities, together with factors likely to affect its future development and performance, are described in the Strategic Report. At 31 December 2019, the Group held cash and cash equivalents of £27 million. Total debt at 31 December 2019 was £7 million, of which £2 million is due for repayment in the year to 31 December 2020.

The Chairman's Statement contains a Covid-19 impact assessment detailing the effect it is having on our business. The Group has seen a severe decline in turnover as social distancing and travel policies are implemented. Further to the approval of the 2020 budget in December 2019, the Directors have considered the potential impact of the Covid-19 outbreak on the Group's results and have modelled a base case reforecast. The base case reforecast is based on the Directors' current knowledge and expectation and includes a level of restrictions that would remain in force into June 2021. The base case reforecast includes significant cash headroom. In preparing the base case reforecast, there are key judgements in relation to the timing of when the engineers will be able to return to customer sites and provide fire protection services and the level of support from the governments in which the Group operates in relation to employment costs. The Directors have concluded that while the assumptions in the base case reforecast include significant judgement, they are appropriate and as at the date of approving the financial statements, our engineers are returning to work in some of the countries that the Group operates. In addition, the Directors are satisfied that further action could be taken, if necessary, including suspending dividend payments. Whilst the Directors expect the Group's bankers to be supportive should the Group request loan repayment deferrals or forgiveness of any covenant breaches should the actual impact of Covid-19 be worse than reforecast, the Directors consider that the Group could repay its external loans should that support not be available. The Directors have also modelled sensitivities to the base case reforecast, which demonstrates that the group is forecast to have significant cash headroom after applying these sensitivities.

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

Notes to the financial statements continued

for the year ended 31 December 2019

2 Summary of significant accounting policies continued

Accounting developments

A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2019. These are considered either not relevant or to have no material impact on the Group. The following standard has been considered in more detail:

(a) 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. The adoption of this new standard has resulted in the Group recognising a right of use asset and a related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application. In the Income Statement, the operating lease charge, which was recognised within operating profit, has been replaced by a depreciation charge in respect of the right of use asset. In addition there is an interest cost in relation to the lease liability which has been recognised within finance costs.

The Group applied IFRS 16 using the modified retrospective approach. Using the modified retrospective approach the Group has not restated comparative information. In line with the simplified approach under IFRS 16 the Group has taken advantage of the practical expedient with right of use asset values being set equal to lease liabilities at the date of transition. A review of the Group's operating lease commitments was undertaken and identified that property and motor vehicles were the only high-value items to which the standard applies.

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

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019. Previously no assets were recognised in property, plant and equipment under IAS 17.

	£'000
Total operating lease commitments disclosed at 31 December 2018	2,762
Recognition exemption: leases with a remaining term of less than 12 months	(147)
Operating lease liabilities before discounting	2,615
Discounted using the incremental borrowing rate	(78)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	2,537

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

Consolidation

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

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 IFRS 9.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

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. Where operating segments share similar economic characteristics and the segments are similar in relation to the nature of products and services, nature of the production processes and type of customers including method of providing the service then they may be combined into a single reporting unit. The Directors have concluded that there is a single reporting 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 this one segment and one geographical area.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group financial statements are presented in Sterling, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(c) Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(ii) income and expenses for each Income Statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity and are reported within the Statement of Comprehensive Income.

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 2019

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 (10 to 20 years).

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years) using the straight line method.

(d) Service contracts

Acquired service contracts are capitalised on the basis of the costs incurred to acquire. Amortisation is calculated using the straight line method to allocate the cost of the contracts over their estimated useful lives (five to ten years) based on information available to the Directors on average attrition rates.

Right of use assets and lease liabilities

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

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

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

In the comparative period assets held under operating leases were not recognised in the Group's Statement of Financial Position. Payments made under operating leases were recognised in the Income Statement on a straight line basis over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory is reviewed annually and a provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments recognition and derecognition

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

Financial instruments classification and measurement

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

2 Summary of significant accounting policies continued

Financial instruments classification and measurement continued

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

Trade receivables

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

Derivative financial instruments

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

Cash and cash equivalents

Cash and cash equivalents are included in the Statement of Financial Position at cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less, less bank overdrafts where there is a legal right of offset and an intention to settle. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Parent Company purchases its own shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled.

Trade payables

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

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

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.

Notes to the financial statements continued

for the year ended 31 December 2019

2 Summary of significant accounting policies continued

Current and deferred income tax continued

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.

Revenue recognition

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

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

1. Identify the contract with a customer.

2. Identify the performance obligations.

3. Determine the transaction price.

4. Allocate the transaction price to the performance obligations.

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

2 Summary of significant accounting policies continued

Revenue recognition continued

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

(a) Outright sale of equipment

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

(b) Service

Revenue from the servicing of equipment is recognised when the service has been performed.

(c) Maintenance

Revenue from the provision of maintenance services is recognised over the term of the maintenance contract on a pro rata basis with the unexpired portion held in deferred income.

(d) Installation

Revenue includes the initial amount agreed in the contract plus any variations in contract work. 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. Revenue for contract variations are included in the estimate of the transaction price if it is highly probably that a significant reversal will not occur. 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. In practice most installations are divided into smaller short-term contracts by the customer. Therefore, revenue is recognised at a point in time as each contract is completed. The Group does not enter into long-term construction contracts.

(e) Equipment rental

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred income in the Statement of Financial Position (see note 18 for opening and closing deferred income balances). For 2019, revenue includes £2,672,000 (2018: £2,688,000) included in the contract liability balance at the beginning of the period. No revenue has been recognised (2018: £Nil) from performance obligations satisfied in previous periods due to a change in transaction price.

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

2019	Outright sale £'000	Service £'000	Maintenance £'000	Rental £'000	Installation £'000	Total £'000
Timing of recognition:						
At a point in time	**94,803**	**34,233**	**—**	**—**	**9,380**	**138,416**
Over time	**—**	**—**	**4,055**	**4,449**	**—**	**8,504**
Total revenue	**92,575**	**35,904**	**4,354**	**4,598**	**9,489**	**146,920**

2018	Outright sale £'000	Service £'000	Maintenance £'000	Rental £'000	Installation £'000	Total £'000
Timing of recognition:						
At a point in time	86,537	33,562	—	—	8,999	129,098
Over time	—	—	4,183	4,430	—	8,613
Total revenue	86,537	33,562	4,183	4,430	8,999	137,711

Notes to the financial statements continued

for the year ended 31 December 2019

2 Summary of significant accounting policies continued

Revenue recognition continued

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

	2019 £'000	2018 £'000
United Kingdom	**32,328**	29,127
Belgium	**55,780**	53,414
Netherlands	**35,303**	34,794
Austria	**18,649**	16,865
Rest of Europe	**4,860**	3,511
	146,920	137,711

Cost of sales

Cost of sales includes direct material costs net of supplier rebates. Other direct costs, largely direct labour, of £53.5 million (2018: £52.2 million) are included within distribution costs.

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's financial statements when paid in the case of interim dividends or in the period in which the dividends are approved by the Parent Company's shareholders in the case of final dividends.

3 Financial risk management

Financial risk factors

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

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

Liquidity risk – the Group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2019 amounted to £27,143,000 (2018: £26,110,000), by operating within its agreed banking facilities, by continually monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with its banks. The Group's bank loans at 31 December amounted to £7,170,000 (2018: £9,566,000) and their maturity is analysed in detail in note 20. In view of the significant level of net funds available to the Group of £19,973,000 (2018: £16,544,000), the Board has concluded that it has minimal exposure to liquidity risk.

(a) Foreign exchange risk

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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 for derivatives, when it is based on notional amounts.

31 December 2019	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	**4,831**	**22,312**	**27,143**
Trade and other receivables	**6,546**	**21,276**	**27,822**
Bank loans	**(2,169)**	**(5,001)**	**(7,170)**
Trade and other payables	**(6,434)**	**(16,633)**	**(23,067)**
Income tax liabilities	**(182)**	**(803)**	**(985)**
Balance sheet exposure	**2,592**	**21,151**	**23,743**

31 December 2018	Sterling £'000	Euro £'000	Total £'000
Cash and cash equivalents	5,928	20,182	26,110
Trade and other receivables	6,430	22,302	28,732
Bank loans	(2,788)	(6,778)	(9,566)
Trade and other payables	(5,939)	(16,774)	(22,713)
Income tax liabilities	(347)	(1,384)	(1,731)
Balance sheet exposure	3,284	17,548	20,832

A 5% weakening of the Euro against Sterling at 31 December 2019 would have decreased equity and profit or loss by £1,032,000 (2018: £900,000). 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 2019 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 interest capping agreements. The effect of these agreements is to fix the Group's exposure to EURIBOR to 0.25% and LIBOR to 1.50%. The agreements took effect from May 2018 and provide interest rate cover until the loans are repaid in May 2023.

(c) Capital risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide for an appropriate level of dividend payment to shareholders.

The Group is not subject to external regulatory capital requirements.

Total capital	2019 £'000	2018 Restated – see note 32 £'000
Total cash and cash equivalents	**27,143**	26,110
Less: borrowings	**(7,170)**	(9,566)
Net funds	**19,973**	16,544
Total equity	**116,174**	111,712
Total capital	**136,147**	128,256

Notes to the financial statements continued

for the year ended 31 December 2019

4 Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

(a) Carrying value of goodwill and service contracts and accounting for business combinations

The Group tests annually whether the carrying value of goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which includes estimation uncertainty in relation to the assumptions about future operating results and determination of a suitable discount rate.

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2020 and are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the cash-generating units operate. The cash flows have then been discounted using a pre-tax rate of 10% (2018: 10%). The CGUs in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks. In addition, the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that a single discount rate is appropriate to discount future cash flows. The value-in-use calculations did not indicate impairment in any goodwill. If the discount rate had been 5% higher there would still have been no impairment in any goodwill. In respect of business combinations, the Directors have identified that service contracts should be capitalised separately from goodwill. The Group use valuation techniques when determining the fair value of the service contracts, which includes estimates at the time of acquisition in relation to future cash flows and discount rates. Further details in relation to the business combinations are set out in note 27 to the financial statements.

(b) Pension scheme assumptions and mortality tables

The carrying value of the defined benefit pension scheme is valued using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme's actuaries which is checked from time to time with benchmark surveys. The sensitivity of these assumptions is discussed in note 21 Retirement benefit obligations.

Significant judgements

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

5 Employee benefit expense

	2019 £'000	2018 £'000
Wages and salaries	**48,645**	44,622
Social security costs	**10,215**	9,782
Other pension costs (note 21)	**2,145**	1,862
	61,005	56,266

Directors' remuneration is reported within audited sections of the Directors' Remuneration Report on page 13 under the heading "Directors' remuneration (audited)".

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

	2019 Number	2018 Number
Production	**46**	46
Administration and management	**1,191**	1,145
Total	**1,237**	1,191

6 Finance income and costs

	2019 £'000	2018 £'000
Finance income		
Bank interest receivable	**27**	12
Expected return on pension scheme assets (note 21)	**115**	106
Fair value of derivative financial instruments	**—**	13
Total finance income	**142**	131
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	**(142)**	(123)
Amortisation of loan arrangement fees	**(18)**	(27)
Fair value of derivative financial instruments	**(6)**	—
Interest on lease liabilities	**(64)**	—
Interest on pension scheme liabilities (note 21)	**(24)**	(21)
Total finance costs	**(254)**	(171)
Net finance costs	**(112)**	(40)

7 Profit before income tax

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

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	**3,305**	2,996
Depreciation of right of use assets	**1,716**	—
Amortisation of intangible fixed assets	**3,328**	3,386
Profit on disposal of plant and equipment	**(59)**	(98)
Hire charges under operating leases:		
– land and buildings	**—**	639
– other	**—**	735

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

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

	2019 £'000	2018 £'000
Audit services		
Fees payable to the Parent Company's auditors for the audit of the Group's annual accounts	**92**	19
Fees payable to the Parent Company's auditors and its network firms for other services:		
– the audit of the Parent Company's subsidiaries pursuant to legislation	**229**	218
	321	237

The fees paid in respect of 2018 were to PricewaterhouseCoopers LLP. The fees paid in respect of 2019 were to Grant Thornton UK LLP.

Notes to the financial statements continued

for the year ended 31 December 2019

8 Income tax expense

	2019 £'000	2018 Restated – see note 32 £'000
United Kingdom		
Corporation tax	478	469
	478	469
Foreign tax		
Corporation taxes	6,931	6,704
Total current tax	7,409	7,173
Deferred tax		
Origination and reversal of temporary differences representing:		
– United Kingdom tax	(263)	(295)
– foreign tax	83	(255)
Total deferred tax (note 19)	(180)	(550)
Total tax charge	7,229	6,623

The tax for the year is higher (2018: higher) than the standard rate of corporation tax in the United Kingdom of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £'000	2018 Restated – see note 32 £'000
Profit on ordinary activities before taxation	24,042	23,135
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19.0% (2018: 19.0%)	4,568	4,396
Effects of:		
– expenses not deductible for tax purposes	401	379
– overseas tax rate in excess of UK standard	2,260	1,848
Total tax charge	7,229	6,623

The Group's effective income tax rate of 30.1% of operating profit is expected to remain constant despite a reduction in the UK's main rate of corporation tax to 19.0%. This is because most of the expense is incurred in overseas jurisdictions which are not affected by this reduction.

9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £16,653,000 (2018: £16,399,000) and on 12,261,477 (2018: 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.

	2019		2018 Restated – see note 32	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	16,653	135.8	16,399	133.7

10 Dividends per share

	2019 £'000	2018 £'000
Equity – ordinary shares		
Final paid £0.40 (2018: £0.40) per share	**4,904**	4,904
Interim paid £0.40 (2018: £0.40) per share	**4,905**	4,905
	9,809	9,809

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2019 of £0.20 per ordinary share (2018: £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 2018	10,144	4,117	11,648	12,140	5,176	43,225
Additions	112	228	346	2,335	478	3,499
On acquisitions of subsidiary undertakings	—	14	—	163	29	206
Disposals	—	(25)	(53)	(1,567)	(256)	(1,901)
Exchange adjustment	59	35	109	115	44	362
At 1 January 2019	10,315	4,369	12,050	13,186	5,471	45,391
Additions	22	275	322	2,776	579	3,974
On acquisitions of subsidiary undertakings	—	77	—	70	6	153
Disposals	—	(363)	(59)	(1,525)	(821)	(2,768)
Exchange adjustment	(341)	(191)	(622)	(592)	(233)	(1,979)
At 31 December 2019	**9,996**	**4,167**	**11,691**	**13,915**	**5,002**	**44,771**
Accumulated depreciation						
At 1 January 2018	6,190	3,347	10,961	6,676	4,462	31,636
Disposals	—	(25)	(49)	(1,272)	(255)	(1,601)
Charge for the year	150	178	290	2,014	364	2,996
Exchange adjustment	48	31	102	65	37	283
At 1 January 2019	6,388	3,531	11,304	7,483	4,608	33,314
Disposals	—	(361)	(55)	(1,293)	(791)	(2,500)
Charge for the year	148	249	293	2,209	406	3,305
Exchange adjustment	(275)	(156)	(582)	(296)	(203)	(1,512)
At 31 December 2019	**6,261**	**3,263**	**10,960**	**8,103**	**4,020**	**32,607**
Net book amount						
At 31 December 2019	**3,735**	**904**	**731**	**5,812**	**982**	**12,164**
At 31 December 2018	3,927	838	746	5,703	863	12,077
At 31 December 2017	3,954	770	687	5,464	714	11,589

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 2019

11 Property, plant and equipment continued

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

	2019 £'000	2018 £'000
United Kingdom	**3,490**	3,568
Belgium	**5,370**	5,367
Netherlands	**2,223**	2,030
Austria	**921**	983
Rest of Europe	**160**	59
	12,164	12,007

12 Right of use assets

	Leasehold land and buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2019, recognised on adoption of IFRS 16	1,289	1,248	2,537
Additions	1,016	604	1,620
Disposals	(472)	(111)	(583)
Exchange differences	(35)	—	(35)
At 31 December 2019	**1,798**	**1,741**	**3,539**
Accumulated depreciation			
At 1 January 2019	—	—	—
Disposals	(417)	(111)	(528)
Charge for the year	977	739	1,716
Exchange differences	(9)	—	(9)
At 31 December 2019	**551**	**628**	**1,179**
Net book amount			
At 31 December 2019	**1,247**	**1,113**	**2,360**
At 31 December 2018	—	—	—

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

Interest charged on lease liabilities of £64,000 is included within finance costs.

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

13 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Approval costs £'000	Total £'000
Cost					
At 1 January 2018 (restated – see note 32)	68,686	29,579	1,494	2,209	101,968
Additions	—	557	92	46	695
On acquisitions of subsidiary undertakings (restated – see note 32)	2,019	3,098	—	—	5,117
Exchange differences	212	156	9	21	398
At 1 January 2019 (restated – see note 32)	70,917	33,390	1,595	2,276	108,178
Additions	19	1,784	171	94	2,068
On acquisitions of subsidiary undertakings (note 27)	954	2,309	—	—	3,263
Disposals	—	—	(199)	(32)	(231)
Exchange differences	(1,215)	(969)	(77)	(165)	(2,426)
At 31 December 2019	**70,675**	**36,514**	**1,490**	**2,173**	**110,852**
Accumulated amortisation					
At 1 January 2018	17,126	18,096	1,209	1,959	38,390
Charge for the year	—	3,092	169	125	3,386
Exchange differences	189	107	9	20	325
At 1 January 2019	17,315	21,295	1,387	2,104	42,101
Disposals	—	—	(199)	(2)	(201)
Charge for the year	—	3,134	131	63	3,328
Exchange differences	(1,093)	(611)	(67)	(109)	(1,880)
At 31 December 2019	**16,222**	**23,818**	**1,252**	**2,056**	**43,348**
Net book amount					
At 31 December 2019	**54,453**	**12,696**	**238**	**117**	**67,504**
At 31 December 2018 (restated – see note 32)	53,602	12,095	208	172	66,077
At 31 December 2017 (restated – see note 32)	51,560	11,483	285	250	63,578

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

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 2020. Subsequent cash flows are extrapolated using an estimated growth rate of 1% (2018: 1%) reflecting the mature nature of the market in which the CGUs operate. The cash flows have then been discounted using a pre-tax rate of 10% (2018: 10%). The CGUs in different European countries operate under similar economic and political conditions with no different significant risks associated with any particular area and no exchange control risks. In addition, the nature of products, services, production and distribution is consistent across the region. Accordingly, the Directors have concluded that a single discount rate is appropriate to discount future cash flows. The value-in-use calculations did not indicate impairment in any goodwill or service contract. If the discount rate had been 5% higher there would still have been no impairment in any goodwill. The value of goodwill is split into four CGUs to assess indicators of impairment. Of the total goodwill £40,593,000 (2018: £40,633,000) relates to Ansul Group companies (based in Belgium, Austria and the Netherlands), £12,924,000 (2018: £12,030,000) relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant. Of the total service contracts £5,271,000 (2018: £6,294,000) relates to Ansul Group companies (based in Belgium, Austria and the Netherlands), £4,935,000 (2018: £3,937,000) relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant.

Notes to the financial statements continued

for the year ended 31 December 2019

14 Derivative financial instruments

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	–	47	–	41

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

15 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	5,988	4,803
Work in progress	500	668
Finished goods	6,946	7,822
	13,434	13,293

The cost of inventories recognised as an expense and included in cost of sales amounted to £34,066,000 (2018: £30,912,000). No (2018: £Nil) previous inventory write downs have been reversed.

16 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Trade receivables	26,419	26,646
Less: expected credit loss allowance	(1,619)	(1,562)
Trade receivables – net	24,800	25,084
Amounts owed by related undertakings	31	31
Other receivables	941	1,115
Prepayments	1,662	1,569
Income tax recoverable	388	933
	27,822	28,732

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

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

31 December 2019 Trade receivables

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

16 Trade and other receivables continued

31 December 2018 Trade receivables

	Current	Up to 3 months	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.2%	2.1%	6.7%	94.5%	
Gross carrying amount	16,010	7,099	2,238	1,299	26,646
Lifetime expected credit loss	34	151	150	1,227	1,562

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

	2019 £'000	2018 £'000
Sterling	**6,546**	6,430
Euro	**21,276**	22,302
Total	**27,822**	28,732

These are detailed as Sterling equivalent.

The adoption of IFRS 9 has not had a material impact on the Group. Movements in the Group provision for expected credit loss allowance are as follows:

	2019 £'000	2018 £'000
At 1 January	**1,562**	1,776
Increase in loss allowance recognised in the year	**706**	583
Receivables written off in the year as uncollectable	**(285)**	(221)
Unused amounts reversed	**(364)**	(576)
At 31 December	**1,619**	1,562

The creation and release of the expected credit loss allowance for 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.

17 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**27,143**	26,110

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

Notes to the financial statements continued

for the year ended 31 December 2019

18 Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	**3,515**	4,053
Other payables	**2,752**	2,871
Other taxation and social security	**11,703**	11,226
Accruals	**2,465**	1,891
Deferred income	**2,723**	2,672
	23,158	22,713

	2019 £'000	2018 £'000
Non-current		
Other payables	**850**	922

19 Deferred income tax

	Amount recognised/(provided)		Amount unrecognised	
	2019 £'000	2018 Restated – see note 32 £'000	2019 £'000	2018 £'000
Deferred tax asset				
Pension deficit	**554**	470	**—**	—
Decelerated capital allowances	**129**	341	**—**	—
Unrecoverable losses	**—**	—	**971**	971
	683	811	**971**	971
Deferred tax liabilities				
Pension surplus	**(1,737)**	(1,552)	**—**	—
Intangible assets	**(943)**	(881)	**—**	—
Accelerated capital allowances	**(229)**	(346)	**—**	—
	(2,909)	(2,779)	**—**	—
Net deferred tax liability	**(2,226)**	(1,968)	**971**	971

19 Deferred income tax continued

	1 January 2019 Restated – see note 32 £'000	Recognised in other comprehensive income £'000	Recognised in business combination – see note 27 £'000	Recognised in Income Statement £'000	31 December 2019 £'000
Non-current assets					
Pension deficit	470	103	—	(19)	**554**
Property, plant and equipment	341	—	—	(212)	**129**
	811	103	—	(231)	**683**
Non-current liabilities					
Pension surplus	(1,552)	(145)		(40)	**(1,737)**
Intangible assets	(881)	—	(392)	330	**(943)**
Property, plant and equipment	(346)	(4)	—	121	**(229)**
	(2,779)	(149)	(392)	411	**(2,909)**
Net deferred tax liability	(1,968)	(46)	(392)	180	**(2,226)**

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

20 Borrowings

	2019 £'000	2018 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
– in one to two years	**2,048**	2,125
– between two and five years	**3,074**	5,316
	5,122	7,441
Current (one year or less or on demand)		
Bank borrowings	**2,048**	2,125
Total borrowings	**7,170**	9,566

The carrying value of borrowings approximates to its fair value.

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.5% (2018: 1.7%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £61,000 (2018: £79,000), of which £43,000 (2018: £61,000) is to be amortised after more than one year.

Notes to the financial statements continued

for the year ended 31 December 2019

20 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	2019 £'000	2018 £'000
Bank borrowings:		
– within one year	2,155	2,264
– in one to two years	2,126	2,235
– between two and five years	3,136	5,459
	7,417	9,958

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

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

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

	Total 2019 £'000	Weighted average interest rate 2019	Total 2018 £'000	Weighted average interest rate 2018
Currency				
Sterling	2,169	2.1%	2,788	2.3%
Euro	5,001	1.3%	6,778	1.5%
	7,170	1.5%	9,566	1.7%

21 Retirement benefit obligations

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

Nu-Swift International Pension Scheme

Nu-Swift International Limited operates a funded defined benefit pension scheme, which was closed to new entrants with effect from 1 December 2002 and to further accrual on 30 June 2007, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, 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 2017 showed that the market value of the scheme's assets was £17,909,000 and that the actuarial value of those assets represented 118% of the benefits that had accrued to members. The results of the 2017 valuation have been projected to 31 December 2019 and then recalculated using the assumptions set out below which result in a net surplus position of £4,959,000 (2018: £4,430,000). The scheme's assets are stated at their market value at 31 December 2019.

At 31 December 2019 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out of £4,959,000 (2018: £4,430,000). 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 (2018: £Nil) over the year. No further contributions were payable with effect from 1 May 2015. These payments had been in respect of the recovery plan put in place following the completion of the 2011 valuation.

21 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:

	2019	2018	2017
Discount rate	**1.80%**	2.60%	2.40%
Inflation rate	**2.30–3.20%**	2.50–3.50%	2.40–3.40%
Salary increase rate	**n/a**	n/a	n/a
Increases for pensions in payment	**3.10%**	3.40%	3.30%
Revaluation of deferred pensions	**2.30%**	2.50%	2.40%

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:

	2019	2018
Male	**21.3**	21.8
Female	**23.2**	23.7

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:

	2019	2018
Male	**22.3**	22.8
Female	**24.4**	24.9

The assets in the scheme were:

	Value at 31 December 2019 £'000	Percentage of scheme assets 2019	Value at 31 December 2018 £'000	Percentage of scheme assets 2018
Equities	**—**	**0.0%**	—	0.0%
Bonds	**15,957**	**87.0%**	14,510	84.3%
Cash	**2,385**	**13.0%**	2,693	15.7%
	18,342		17,203	
Present value of the scheme's liabilities	**(13,383)**		(12,773)	
Surplus in the Nu-Swift Scheme recognised in the Statement of Financial Position	**4,959**		4,430	
Related deferred tax liability	**(1,737)**		(1,552)	

Analysis of the amount recognised in the Income Statement

	2019 £'000	2018 £'000
Past service charge relating to GMP equalisation	**—**	89
Interest credit	**(115)**	(106)
Total operating credit	**(115)**	(17)

Notes to the financial statements continued

for the year ended 31 December 2019

21 Retirement benefit obligations continued

Movement in the defined benefit obligation over the year

	2019 £'000	2018 £'000
Start of the year	**(12,773)**	(13,477)
Past service charge	**—**	(89)
Interest cost	**(325)**	(316)
Actuarial (loss)/gain arising from changes in financial assumptions	**(1,230)**	415
Actuarial gain arising from changes in demographic assumptions	**367**	95
Benefits paid	**578**	599
End of the year	**(13,383)**	(12,773)

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

	2019 £'000	2018 £'000
Start of the year	**17,203**	17,874
Interest income	**440**	422
Return on assets (excluding amount included in net interest expense)	**1,277**	(494)
Benefits paid	**(578)**	(599)
End of the year	**18,342**	17,203

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

	2019 £'000	2018 £'000
Actuarial (loss)/gain on defined benefit obligation	**(863)**	510
Actual return less expected return on pension scheme assets	**1,277**	(494)
Gain recognised in the Consolidated Statement of Comprehensive Income	**414**	16

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 £47,000 (2018: £45,000); an increase of 0.1% in the inflation rate would decrease the surplus by £48,000 (2018: £41,000). The impact of a 0.1% increase in the discount rate would be to increase the pension surplus by £171,000 (2018: £162,000); a decrease of 0.1% in the discount rate would decrease the surplus by £174,000 (2018: £165,000).

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 2017. The scheme's assets are stated at their market value at 31 December 2019.

The Group paid contributions to the scheme amounting to £246,000 (2018: £231,000) 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:

	2019	2018	2017
Discount rate	**0.88%**	1.88%	1.58%
Inflation rate	**2.00%**	2.00%	1.60%
Salary increase rate	**1.00%**	1.00%	1.00%

21 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:

	2019	2018
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:

	2019	2018
Male	**22.0**	22.0
Female	**25.4**	25.4

The assets in the scheme were:

	Value at 31 December 2019 £'000	Percentage of scheme assets 2019	Value at 31 December 2018 £'000	Percentage of scheme assets 2018
Assets with guaranteed interest with insurer	**2,371**	**100%**	2,329	100%
Present value of the scheme's liabilities	**(4,586)**		(4,209)	
Deficit in the Ansul scheme recognised in the Statement of Financial Position	**(2,215)**		(1,880)	
Related deferred tax asset	**554**		470	

Analysis of the amount recognised in the Income Statement

	2019 £'000	2018 £'000
Current service charge	**(4)**	(22)
Interest charge	**23**	21
Total operating charge/(credit)	**19**	(1)

Movement in the defined benefit obligation over the year

	2019 £'000	2018 £'000
Start of the year	**(4,209)**	(3,873)
Current service cost	**(242)**	(209)
Interest cost	**(70)**	(56)
Actuarial (loss)/gain arising from changes in financial assumptions	**(549)**	81
Actuarial gain/(loss) arising from changes in demographic assumptions	**21**	(286)
Benefits paid	**239**	188
Exchange movement	**224**	(54)
End of the year	**(4,586)**	(4,209)

Notes to the financial statements continued

for the year ended 31 December 2019

21 Retirement benefit obligations continued

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

	2019 £'000	2018 £'000
Start of the year	**2,329**	2,152
Return on assets	**47**	35
Actuarial gain/(loss)	**63**	(13)
Employer contributions	**246**	231
Benefits paid	**(187)**	(98)
Exchange movements	**(127)**	22
End of the year	**2,371**	2,329

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

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	**(412)**	(145)
Actuarial loss recognised in the Consolidated Statement of Comprehensive Income	**(412)**	(145)

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 £24,000 (2018: £20,000); a decrease of 0.1% in the inflation rate would decrease the deficit by £23,000 (2018: £19,000). The impact of a 0.1% increase in the discount rate would be to decrease the pension deficit by £70,000 (2018: £54,000); a decrease of 0.1% in the discount rate would increase the deficit by £79,000 (2018: £60,000).

UK stakeholder scheme

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £532,000 in the year ended 31 December 2019 (2018: £333,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £2,166,000 for the year ended 31 December 2019 (2018: £1,862,000) and were wholly recognised in administrative expenses.

22 Provisions for liabilities and charges

	Current	Non-current	
	Rectification provision £'000	Environmental provision £'000	Total £'000
Provision at 1 January 2019	5	181	186
Movement in the year	(5)	(12)	(17)
Provision at 31 December 2019	**—**	**169**	**169**

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

23 Called up share capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Authorised				
Ordinary shares of 1p each	**67,539,188**	**675**	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	**12,261,477**	**123**	12,261,477	123

There are no outstanding options at 31 December 2019.

The mid-market price of the Company's shares at 31 December 2019 was £21.80 and the range during the year was £18.60 to £24.50.

23 Called up share capital continued

Share premium account

	£'000
At 1 January 2019 and **31 December 2019**	**344**

Capital redemption reserve

	£'000
At 1 January 2019 and **31 December 2019**	**1**

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

Non-controlling interest

	£'000
At 1 January 2019	302
Profit in the year attributable to non-controlling interest	160
Distribution to non-controlling interest	(113)
At 31 December 2019	**349**

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

24 Reconciliation of operating profit to cash generated from operations

	2019 £'000	2018 £'000
Operating profit	**24,154**	23,175
Depreciation of property, plant and equipment	**3,305**	2,996
Depreciation of right of use assets	**1,716**	—
Amortisation of intangible assets	**3,328**	3,386
Profit on disposal of property, plant and equipment	**(59)**	(98)
Loss on disposal of intangible assets	**31**	—
Exchange differences	**36**	185
Difference between pension charge and cash contributions	**31**	72
Decrease/(increase) in trade and other receivables	**1,124**	(560)
(Decrease)/increase in trade and other payables	**(1,268)**	565
Decrease in provisions	**(24)**	(2)
Increase in inventories	**(11)**	(1,334)
Cash generated from operations	**32,363**	28,385

Disposal of property, plant and equipment

	2019 £'000	2018 £'000
Net book value	**270**	300
Profit on disposal of property, plant and equipment	**59**	98
Proceeds	**329**	398

Disposal of intangible assets

	2019 £'000	2018 £'000
Net book value	**31**	—
Loss on disposal of property, plant and equipment	**(31)**	—
Proceeds	**—**	—

Notes to the financial statements continued

for the year ended 31 December 2019

25 Reconciliation of liabilities arising from financing activities

	Long-term borrowings £'000	Short-term borrowings £'000	Lease liabilities £'000	Total £'000
1 January 2019	7,441	2,125	—	9,566
Adoption of IFRS 16	—	—	2,537	2,537
Revised 1 January 2019	7,441	2,125	2,537	12,103
Cash flow:				
– repayment	—	(2,091)	(1,750)	(3,841)
Non-cash items	(2,319)	2,014	—	(305)
New lease liabilities	—	—	1,603	1,603
31 December 2019	**5,122**	**2,048**	**2,390**	**9,560**

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

26 Lease liabilities

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

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

Maturity analysis – contractual undiscounted cash flows

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

Lease liabilities included in Statement of Financial Position at 31 December

	2019 £'000
Current	**1,134**
Non-current	**1,256**
	2,390

The Group has not disclosed comparative information, because it has applied the modified retrospective approach, without restating comparative information on transition to IFRS 16.

In the comparative period assets held under operating leases were not recognised in the Group's Statement of Financial Position. Payments made under operating leases were recognised in the Income Statement on a straight line basis over the term of the lease.

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

	2018 £'000
Within one year	1,347
Between two and five years inclusive	1,255
More than five years	160
	2,762

27 Acquisitions

In May 2019 the Group purchased the entire share capital of KW Fire Protection Limited and KDN Fire Protection Limited, companies incorporated in, and which operates in, the United Kingdom. In August 2019 the Group purchased the entire issued share capital of HP Fire Prevention Sprl, a company incorporated in, and which operates in, Belgium. In September 2019 the Group purchased the entire share capital of Trafalgar Compliance Services Limited, Firex UK Limited and North Staffs Fire Limited, companies incorporated in, and which operate in, the United Kingdom. In October 2019 the Group purchased the entire share capital of Firebreak Fire Securities Limited, S2 Fire Solutions Limited and AFS Fire and Security Limited, companies incorporated in, and which operate 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 value 2019 £'000	Fair value 2019 £'000	Total 2019 £'000	Total 2018
Property, plant and equipment	153	—	153	206
Service contracts	—	2,309	2,309	3,098
Inventories	130	—	130	210
Receivables	759	—	759	1,760
Cash and cash equivalents	441	—	441	390
Payables	(781)	—	(781)	(1,525)
Deferred tax liabilities	—	(392)	(392)	(528)
Fair value of net assets acquired	702	1,917	2,619	3,611
Goodwill	—	954	954	2,019
Total consideration	702	2,871	3,573	5,630
Cash and cash equivalents acquired			(441)	(390)
Net consideration			3,132	5,240

Satisfied by:

	Provisional consideration 2019 £'000	Provisional consideration 2018 £'000
Cash	2,264	4,274
Contingent consideration	868	966
Net consideration	3,132	5,240

The goodwill is attributable mainly to the skills and technical talent of the acquired companies' workforces. 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 are agreed with the vendors prior to acquisition. Based on the results of this comparison a contingent payment is made. The disclosure above is based on the Group's best estimate of the level of contingent consideration payable.

Notes to the financial statements continued

for the year ended 31 December 2019

27 Acquisitions continued

The revenue and net profit of KW Fire Protection Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 were £601,000 and £139,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £1,030,000 and £238,000 had the acquisition taken place on 1 January 2019.

The revenue and net profit of HP Fire Prevention Sprl since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 were £69,000 and £17,000 respectively. On a pro rata basis the revenue and loss would have been expected to be £207,000 and £51,000 had the acquisition taken place on 1 January 2019.

The revenue and net profit of S2 Fire Solutions Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 were £Nil and £Nil respectively as there was minimal activity between the date of acquisition and 31 December 2019. The revenue and profit would have been expected to be £1,142,000 and £204,000 had the acquisition taken place on 1 January 2019.

The revenue and net profit of AFS Fire and Security Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 were £Nil and £Nil respectively as there was minimal activity between the date of acquisition and 31 December 2019. The revenue and profit would have been expected to be £461,000 and £75,000 had the acquisition taken place on 1 January 2019.

Due to the integration of KDN Fire Protection Limited, Trafalgar Compliance Services Limited, Firex UK Limited, North Staffs Fire Limited and Firebreak Fire Securities Limited, 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 2019 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2019 would have been had the acquisitions taken place on 1 January 2019.

In addition to the acquisition of limited companies, the Group acquired service contracts from a number of businesses for a total consideration of £2,309,000. The Directors considered that the consideration equated to the fair value of the contracts acquired and have recognised an intangible asset accordingly. The Group monitors contract retention rates for any indication of impairment.

Due to the integration of these service contracts acquired during the year into the existing businesses and operations, the Directors are unable to determine the contribution of the acquisitions to the revenue and net profit of the Group for the year ended 31 December 2019 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2019 would have been had the acquisitions taken place on 1 January 2019.

28 Group undertakings

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

	Activity	Country of registration or incorporation and operation
AFS Fire and Security Limited	Fire protection	England
Alarm Masters S.A.	Fire protection	Belgium
All-Protec N.V.	Fire protection	Belgium
A.L.P.I. sarl	Fire protection	Luxembourg
Amberfire Limited	Fire protection	England
Ansul B.V.	Fire protection	The Netherlands
Ansul Solutions B.V.	Fire protection	The Netherlands
Ansul S.A.	Fire protection	Belgium
Ansul Belgium S.A.	Fire protection	Belgium
APS Sprl	Fire protection	England
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Braco B.V.B.A.	Fire protection	Belgium
Beta Fire Protection Limited	Fire protection	England
Blesberger G.m.b.H.	Fire protection	Austria
Blusdesign B.V.	Fire protection	The Netherlands
Boensma B.V.	Fire protection	The Netherlands
Braho Brandpreventie B.V.	Fire protection	The Netherlands

28 Group undertakings continued

	Activity	Country of registration or incorporation and operation
Brandpreventie Groep B.V.	Fire protection	The Netherlands
City Fire Protection and Maintenance Services LLP	Fire protection	England
DC Security B.V.B.A.	Intruder alarms	Belgium
Dimex Technics S.A.	Fire protection	Belgium
Feuerschutz Hollmann G.m.b.H.	Fire protection	Germany
Fire Industry Specialists Limited	Fire protection	England
Fire Protection Holdings Limited	Sub-holding	England
Florian Feuerschutz G.m.b.H.	Fire protection	Austria
GC Fire Protection Limited	Fire protection	England
GFA Premier Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Hoyles Fire & Safety Limited	Fire protection	England
HP Fire Prevention Sprl	Fire protection	Belgium
Importex S.A.	Fire protection	Belgium
KW Fire Protection Limited	Fire protection	England
Le Chimiste Sprl	Fire protection	Belgium
Linde Brandmateriel Aps	Fire protection	Denmark
LS UK Fire Group Limited	Sub-holding	England
Ludwig Brandschutztechnik G.m.b.H.	Fire protection	Germany
L. W. Safety Limited	Fire protection	England
NL Brandbeveiliging B.V.	Fire protection	The Netherlands
Noris Feuerschutzgerate G.m.b.H.	Fire protection	Austria
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	The Netherlands
Nu-Swift International Limited	Fire protection	England
One Protect Sarl	Fire protection	France
PMP Manus G.m.b.H.	Fire protection	Austria
Prevent Brandbeveiliging B.V.	Fire protection	The Netherlands
Pyrotec Fire Protection Limited	Fire protection	England
Record Brandbeveiliging B.V.	Fire protection	The Netherlands
S2 Fire Solutions Limited	Fire protection	England
Security Alarm Service Company Sprl	Fire protection	Belgium
Somati FIE N.V.	Fire protection	Belgium
Total Fire-Stop G.m.b.H.	Fire protection	Austria
The General Fire Appliance Co. Limited	Sub-holding	England
Tunbridge Wells Fire Protection Limited	Fire protection	England
TVF (UK) Limited	Fire protection	England

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

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

ASCO Extinguishers Company Limited, Beta Fire Protection Limited, Fire Protection Holdings Limited, GC Fire Protection Limited, GFA Premier Limited, Hoyles Limited, KW Fire Protection Limited, LS UK Fire Group Limited, Premier Fire Limited, Pyrotec Fire Protection Limited, The General Fire Appliance Co. Limited, Tunbridge Wells Fire Protection Limited and TVF (UK) Limited.

Cowley Fire Limited, Fire Reliant Limited, L & P Fire Safety Equipment Limited, Modern Fire Extinguisher Services Limited and Triangle Fire Limited, all share the registered address: Premier House, 2 Jubilee Way, Elland HX5 9DY. Ulysses Fire Services Limited's registered address is: 56/69 Queen's Road, High Wycombe HP13 6AH. 1st Quote Fire Limited's registered address is: Unit 1.1, Festival Court, Brand Place, Glasgow G51 1DR.

Notes to the financial statements continued

for the year ended 31 December 2019

28 Group undertakings continued

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

BWH Manufacturing Limited, Green Cross Limited, KDN Fire Protection Limited, LS Fire Group Limited, Premier Fire Limited, Pyrotec Fire Detection Limited, North Staffs Fire Limited, Nu-Swift Limited, United Fire Alarms Limited and Wilts Fire Limited all share the registered address: Premier House, 2 Jubilee Way, Elland HX5 9DY.

Assured Fire Protection & Safety Limited, Firebreak Fire Securities 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, Trafalgar Compliance Services Limited, TVF Alarms Limited and TVF Systems Services Limited all share the registered address: 56/69 Queen's Road, High Wycombe HP13 6AH.

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

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

All of these entities have been included within the consolidation.

29 Ultimate parent undertaking and controlling party

The Parent Company regards EOI Fire SARL, a company registered in Luxembourg, as its ultimate parent undertaking through its 80% interest in London Security plc. The Directors regard the Eden and Ariane Trusts as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

30 Related party transactions

During the year the Group incurred costs amounting to £783,344 (2018: £800,473) 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 £86,000 (2018: £83,000) in relation to the Service Agreement by Andrews Sykes. Andrews Sykes is related through common control.

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

The Group made sales to Andrews Sykes in relation to fire protection in the year of £10,015 (2018: £11,538).

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £373,372 (2018: £292,920).

The Group made purchases from Fire Industry Specialists Limited in the year of £364,057 (2018: £312,465).

Fire Industry Specialists Limited paid a dividend in the year of £338,648 (2018: £Nil) to LS UK Fire Group Limited.

The Group incurred £331,000 (2018: £335,000) of expenditure on behalf of J.G. Murray during the year. This amount was reimbursed in the year (2018: £59,000 was outstanding at the year end).

The Group incurred £Nil (2018: £5,000) of expenditure on behalf of J-J. Murray during the year.

31 Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,034,000 (2018: £1,473,000).

Covid-19

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the globe with many businesses being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services, have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact.

The Group has followed the government advice in the countries in which the Group operates, which has resulted in reduced revenues as not all engineers were able to visit customer premises and perform fire protection services. The Directors have considered the areas of the balance sheet that could be impacted by Covid-19 as set out below and are not expecting any material impact to those areas.

While there has been a general slow down in collection of trade receivables, the Group has not experienced any significant customer bad debts since the pandemic was declared. The Directors have taken Covid-19 into account when determining whether the Group financial statements should be prepared on a going concern basis. Further details are set out in the basis of preparation section in note 2 to the financial statements.

The Group operates defined benefit pension schemes as disclosed in note 21 to the financial statements. The pension scheme assets do not include investments in equities and therefore the Directors have concluded that the impact of declining stock markets does not have a significant impact on the valuation of the assets at the date of this report. The Directors have reviewed the carrying value of the intangible assets recognised in the Consolidated Statement of Financial Position and the investment recorded in the Parent Company Balance Sheet and concluded that they remain appropriate.

The repercussions surrounding the coronavirus outbreak are discussed in further detail in the Chairman's Statement.

32 Prior year adjustment

While preparing the Group's financial statements for the year ended 31 December 2019 the management of London Security plc noticed that it had failed to account for deferred tax liabilities on the acquisition of certain intangible assets arising through business combinations in accordance with paragraph 19 of IAS12 "Income Taxes" in previous years. Management estimates that a deferred tax liability of £881,000 (2017: £675,000) and goodwill of £2,382,000 (2017: £1,854,000) were not previously recognised at 31 December 2018. Retained earnings at 1 January 2018 have been restated by £1,179,000 from £92,408,000 to £93,587,000. The deferred tax liability at 1 January 2018 has been restated by £675,000 from £1,830,000 to £2,505,000. Goodwill at 1 January 2018 has been restated by £1,854,000 from £61,724,000 to £63,578,000. The analysis below shows a reconciliation of the balance sheet at 31 December 2018 and the income statement for the year ended 31 December 2018 as previously reported and as restated in these financial statements.

Notes to the financial statements continued

for the year ended 31 December 2019

32 Prior year adjustment continued

Balance sheet as at 31 December 2018

	Previously reported £'000	Prior year adjustment £'000	As restated £'000
Assets			
Non-current assets			
Property, plant and equipment	12,077	—	12,077
Intangible assets	63,695	2,382	66,077
Deferred tax asset	811	—	811
Retirement benefit surplus	4,430	—	4,430
	81,013	2,382	83,395
Current assets			
Inventories	13,293	—	13,293
Trade and other receivables	28,732	—	28,732
Cash and cash equivalents	26,110	—	26,110
	68,135	—	68,135
Total assets	149,148	2,382	151,530
Liabilities			
Current liabilities			
Trade and other payables	(22,713)	—	(22,713)
Income tax liabilities	(1,731)	—	(1,731)
Borrowings	(2,125)	—	(2,125)
Provision for liabilities and charges	(5)	—	(5)
	(26,574)	—	(26,574)
Non current liabilities			
Trade and other payables	(922)	—	(922)
Borrowings	(7,441)	—	(7,441)
Derivative financial instruments	(41)	—	(41)
Deferred tax liabilities	(1,898)	(881)	(2,779)
Retirement benefit obligations	(1,880)	—	(1,880)
Provision for liabilities and charges	(181)	—	(181)
	(12,363)	(881)	(13,244)
Total liabilities	(38,937)	(881)	(39,818)
Net assets	110,211	1,501	111,712
Shareholders' equity			
Ordinary shares	123	—	123
Share premium	344	—	344
Capital redemption reserve	1	—	1
Merger reserve	2,033	—	2,033
Other reserve	8,831	—	8,831
Retained earnings	98,577	1,501	100,078
Equity attributable to owners of the Parent Company	109,909	1,501	111,410
Non-controlling interest	302	—	302
Total equity	110,211	1,501	111,712

32 Prior year adjustment continued

Income statement for the year ended 31 December 2018

	Previously reported £'000	Prior year adjustment £'000	As restated £'000
Revenue	137,711	—	137,711
Cost of sales	(31,780)	—	(31,780)
Gross profit	105,931	—	105,931
Distribution costs	(50,593)	—	(50,593)
Administrative expenses	(32,163)	—	(32,163)
Operating profit	23,175	—	23,175
Finance income	131	—	131
Finance costs	(171)	—	(171)
Finance costs – net	(40)	—	(40)
Profit before income tax	23,135	—	23,135
Income tax expense	(6,945)	322	(6,623)
Profit for the year	16,190	322	16,512

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for the basic and diluted earnings per share was an increase of 2.6p per share.

Parent Company balance sheet

as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	2	**102**	153
Investments	3	**49,804**	49,804
		49,906	49,957
Current assets			
Debtors	4	**2,363**	2,036
Cash at bank and in hand		**214**	1,448
		2,577	3,484
Creditors: amounts falling due within one year			
Borrowings	5	**(619)**	(619)
Creditors	6	**(2,194)**	(2,078)
		(2,813)	(2,697)
Net current (liabilities)/assets		**(236)**	787
Total assets less current liabilities		**49,670**	50,744
Creditors: amounts falling due after more than one year			
Borrowings	5	**(1,550)**	(2,169)
Derivative financial instruments	8	**(12)**	(8)
		(1,562)	(2,177)
Net assets		**48,108**	48,567
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		**47,640**	48,099
Total shareholders' funds		**48,108**	48,567

The Parent Company's profit for the year was £9,349,000 (2018: £9,489,000).

The registered number of the Company is 00053417.

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

The financial statements on pages 58 to 63 were approved by the Board of Directors on 21 May 2020 and were signed on its behalf by:

J.G. Murray
Chairman
21 May 2020

Parent Company statement of changes in equity

for the year ended 31 December 2019

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2018	123	344	1	48,418	48,886
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,489	9,489
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
At 1 January 2019	123	344	1	48,099	48,567
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,349	9,349
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
At 31 December 2019	**123**	**344**	**1**	**47,640**	**48,108**

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

Notes to the Parent Company financial statements

for the year ended 31 December 2019

1 Principal accounting policies

Basis of accounting

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

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

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

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

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

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

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

A summary of the more important accounting policies, which have been consistently applied, is set out below.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost or internal production costs, together with any incidental costs of acquisition.

Depreciation is provided for on all tangible fixed assets on the straight line method at rates calculated to write off the cost or valuation less estimated residual values over the estimated lives of the assets. The annual rates are as follows:

Share in aircraft 5%

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in value is charged to the profit and loss account.

Investments

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

Deferred tax

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

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

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

1 Principal accounting policies continued

Deferred tax continued

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

Finance arrangement costs and interest rate caps

Costs of arranging bank loans and interest rate caps are treated as a deduction from the loan liability and are amortised over the lives of the relevant loans.

Derivative financial instruments

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

Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the financial statements when paid, in the case of interim dividends, or in the period in which the dividends are approved by the Parent Company's shareholders, in the case of final dividends.

2 Tangible assets

	Share in aircraft £'000
Cost	
At 1 January 2019 and **31 December 2019**	**1,019**
Accumulated depreciation	
At 1 January 2019	866
Charge for the year	51
At 31 December 2019	**917**
Net book amount	
At 31 December 2019	**102**
At 31 December 2018	153

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2019 and **31 December 2019**	**49,804**

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

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

4 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	**1,853**	1,586
Other debtors	**15**	59
Income tax recoverable	**495**	391
	2,363	2,036

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

Notes to the Parent Company financial statements continued

for the year ended 31 December 2019

5 Borrowings

	2019 £'000	2018 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	**619**	619
– between two and five years	**931**	1,550
	1,550	2,169
Current (amounts falling due within one year or on demand)		
Bank borrowings	**619**	619
Total borrowings	**2,169**	2,788

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.16% (2018: 2.30%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £36,000 (2018: £47,000), of which £25,000 (2018: £36,000) 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 2019 £'000	Weighted average interest rate 2019	Total 2018 £'000	Weighted average interest rate 2018
Currency				
Sterling	**2,169**	**2.16%**	2,788	2.30%
	2,169	**2.16%**	2,788	2.30%

6 Creditors

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	**1,960**	1,941
Accruals and deferred income	**234**	137
	2,194	2,078

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

7 Deferred tax

The deferred tax asset comprises:

	Amount recognised		Amount unrecognised	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Losses	**–**	–	**(971)**	(971)
Deferred tax asset	**–**	–	**(971)**	(971)

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%.

8 Derivative financial instruments

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	12	—	8

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

9 Called up share capital

	2019 Number	2019 £'000	2018 Number	2018 £'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 2019.

The mid-market price of the Company's shares at 31 December 2019 was £21.80 and the range during the year was £18.60 to £24.50.

The Parent Company had no employees during the year (2018: Nil).

The remuneration paid to the Parent Company auditors in respect of the audit of the Group and Parent Company financial statements for the year ended 31 December 2019 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 2019 of £0.20 per ordinary share (2018: £0.40).

10 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2019 (2018: £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 2019 this guarantee amounted to £5,026,000 (2018: £6,811,000). No loss is expected to arise from this guarantee.

11 Ultimate parent undertaking and controlling party

The Parent Company regards EOI Fire SARL, a company registered in Luxembourg, as its ultimate parent undertaking through its 80% interest in London Security plc. The Directors regard the Eden and Ariane Trusts as the ultimate controlling parties through their controlling interest in EOI Fire SARL and Tristar Fire Corp.

12 Related party transactions

During the year the Company incurred costs amounting to £585,976 (2018: £601,244) 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 £86,000 (2018: £83,000) in relation to the Service Agreement by Andrews Sykes. Andrews Sykes is related through common control.

The Company incurred £331,000 (2018: £335,000) of expenditure on behalf of J.G. Murray during the year. This amount was reimbursed in the year (2018: £59,000 was outstanding at the year end).

The Company incurred £Nil (2018: £5,000) of expenditure on behalf of J-J. Murray during the year.

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

Notice of Annual General Meeting

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc (the "Company") will be held at 2 Jubilee Way, Elland, West Yorkshire HX5 9DY, on 30 June 2020 at 11.30 am for the following purposes:

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

1. To receive the financial statements for the year ended 31 December 2019 and the Reports of the Directors and Auditors and the Directors' Remuneration Report for that year.
2. To re-elect J.G. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect J-P. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
4. To re-elect H. Shouler as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
5. To declare a final dividend in respect of 2019 of £0.20 per ordinary share.
6. That Grant Thornton UK LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that its remuneration be fixed by the Directors.
7. That the Directors be generally and unconditionally authorised in accordance with Section 549 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 550 of the Act) up to an aggregate nominal value equal to the whole of the authorised but unissued share capital of the Company immediately following the passing of this resolution provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire at the conclusion of five years from the date this resolution is passed provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired.

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

8. That, subject to the passing of resolution 7 above, the Directors be and are empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 564 of the Act) of the Company for cash pursuant to the authority conferred by resolution 7 above as if Section 561 of the Act did not apply to such allotment, provided that this power shall be limited to:
   (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate in such offer in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and
   (ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £6,131 and such power shall expire on the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired.

9. That the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (as defined in Section 701(2) of the Act) on the London Stock Exchange of ordinary shares of 1 pence each in the capital of the Company ("ordinary shares") provided that:

   (i) the maximum aggregate number of ordinary shares authorised to be purchased is 500,000 shares;

   (ii) the minimum price which may be paid for such shares is 1 pence per share;

   (iii) the maximum price (exclusive of expenses) which may be paid for such shares is not more than 5% above the average of the middle market quotations for the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase of the ordinary shares is contracted to take place;

   (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is the earlier); and

   (v) the Company may make a contract to purchase its own shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board

R. Pollard
Company Secretary
21 May 2020

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

Notes

1. In response to the coronavirus outbreak the UK government has amongst other measures prohibited public gatherings of more than two people. The Board greatly values the opportunity to meet shareholders in person at our AGMs. It is with much regret that I must advise that this year's AGM will take place as a closed meeting and shareholders will not be able to attend in person. The Company will make arrangements such that legal requirements to hold the meeting can be satisfied through the attendance of a minimum number of people and the format of the meeting will be purely functional.

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

3. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy form of proxy

4. The notes to the form of proxy explain how to direct your proxy on how to vote on each resolution or withhold their vote. To appoint a proxy using the form of proxy, the form must be:

   (a) completed and signed;

   (b) sent or delivered to Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY; and

   (c) received no later than 48 hours before the time of the Meeting.

   In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the form of proxy is signed (or a duly certified copy of such power or authority) must be included with the form of proxy.

Notice of Annual General Meeting continued

Notes continued

Appointment of proxy by joint members

5. In the case of appointment of a proxy by joint shareholders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the registrars if the name of the first-named holder is given.

Changing proxy instructions

6. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

7. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received no later than 48 hours before the Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

8. As at 11 am on 21 May 2020, 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 6 May 2020 was 12,261,477.

Documents on display

9. The register of Directors' interests will be available for inspection at the registered office of the Company from 21 May 2020 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting.

Communication

10. Except as provided above, members who have general queries about the Meeting should use the following method of communication (no other methods of communication will be accepted):

    - calling 01422 372852.

    You may not use any electronic address provided either:

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

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

    to communicate with the Company.

Group companies

The United Kingdom

AFS Fire and Security Limited
59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KW Fire Protection Limited
Albion House
Chadderton
Oldham OL9 7PP

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

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

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

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

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

Nu-Swift International Limited

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

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

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

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

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

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

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

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

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

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

Group companies continued

Belgium

Alarm Masters S.A.
Hekkestraat 45
9308 Aalst

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

All-Protec N.V.
Bogaertstraat 16
9910 Knesslare

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

Ansul S.A.

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

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

Assurance Protection Service Sprl
406 Chausee de Wavre
1300 Wavre

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

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

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

HP Fire Prevention Sprl
406 Chausee de Wavre
1300 Wavre

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

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

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

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

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

Somati FIE N.V.
Industrielaan 19a
9320 Erembodegem

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

Le Chimiste Sprl
406 Chausee de Wavre
1300 Wavre

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

Braco B.V.B.A.
Hekkestraat 45
9308 Aalst

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

DC Security B.V.B.A.
Vaartstraat 10
2235 Hulshout

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

Luxembourg

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

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

The Netherlands

Ansul B.V.

Ansul Solutions B.V.
Platinastraat 15
8211 AR Lelystad

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

Boensma Brandbeveiliging B.V.
Burenweg 26
7621 GX Borne

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

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

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

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

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

Prevent Brandbeveiliging B.V.
Maasdijkseweg 107
2291 PJ Wateringen

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

Record Brandbeveiliging B.V.
Oostergracht 24
3763 LZ Soest

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

Braho Brandpreventie B.V.
Maasdijkseweg 107
2291 PJ Wateringen

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

Blusdesign B.V.
Bergweg 35b
3904 HL Veenendaal

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

Brandpreventie Groep B.V.
Daalderweg 22
507 DT Zaandam

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

Denmark

Linde Brandmateriel Aps
Industrivej 51A
4000 Roskilde

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

Austria

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

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

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

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

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

Tel: 00 43 316 71 18 21
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