London Security plc

Annual Report and Accounts 2010

Registered number
53417

Corporate statement

London Security plc is a leader in Europe's fire security industry. Each year we provide fire protection for over 163,000 customers through our local presence in the United Kingdom, Belgium, Holland and Austria.

Our services and products are commercialised through the well and long established brands of 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 through continuing training of our employees to the most stringent servicing standards and the development of the highest performance rated fire products These activities are performed whilst considering the preservation of the environment

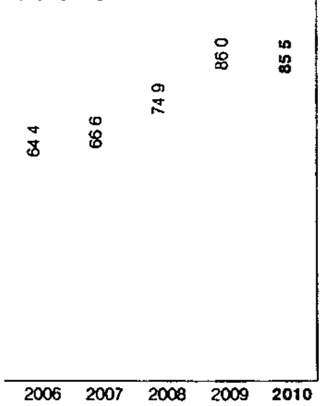
From the largest blue chip companies to governments and private individuals, **our customers know that our name stands for integrity of service** by the best trained and qualified individuals with quality products that have achieved the highest performance ratings

European group brands

London Security plc continues to deliver industry-leading profit margins since acquiring the Ansul and Nu-Swift businesses in December 1999 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

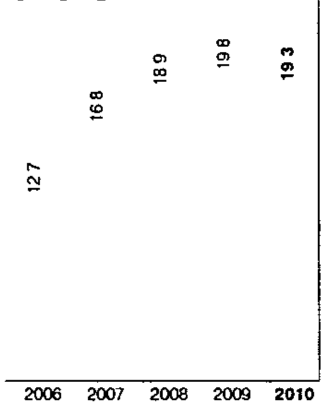
Revenue (£m)

£85.5m



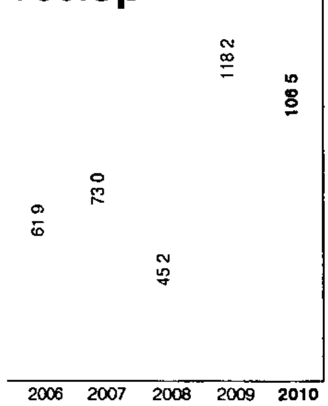
Operating profit (£m)

£19.3m



Earnings per share (p)

106.5p



Chairman's statement

Acquisitions are being sought throughout Europe and the Group will invest where an adequate return is envisaged.

Financial highlights
Financial highlights of the audited results for the year ended 31 December 2010 compared with the year ended 31 December 2009 are as follows

- revenue of £85 5 million (2009 £86 0 million),
- operating profit before depreciation and amortisation of £22 7 million (2009 £23 2 million),
- operating profit of £19 3 million (2009 £19 8 million), and
- profit before income tax of £18 7 million (2009 £18 3 million)

Trading review
The financial highlights illustrate that the Group's revenue decreased by £0 5 million (0 6%) to £85 5 million and operating profit decreased by £0 5 million (2 5%) to £19 3 million However these results partially reflect the movement in the Sterling to Euro average exchange rate which has increased from 1 12 to 1 16 If the 2010 results had been translated at 2009 rates, revenue would have been £87 9 million instead of £85 5 million (increase of 2 2%) On the same basis operating profit would have been £20 0 million instead of £19 3 million (increase of 1 0%) This performance is very satisfactory in this difficult trading environment

Ongoing cost control, cash and working capital management have continued to be priorities for the Group The Group has continued to focus on its stock levels and capital expenditure Cost control has been achieved without any adverse impact on the operational structure of the business

A more detailed review of this year's performance is given in the Operational Review and Financial Review

Acquisitions
We have continued to acquire further contracts to service fire equipment through smaller acquisitions No fixed overhead was added as a result of these acquisitions

It remains a principal aim of the Group to grow through acquisition Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged by the Board

Management and staff
2010 was a year in which the staff performed well and, on your behalf, I would like to express thanks and appreciation for their contribution

Financing
The Group has benefited from the low level of interest rates and has repaid a further £8 3 million of borrowings These two factors have resulted in a reduction in finance costs of £0 3 million

Dividends
An interim dividend in respect of 2010 of £0 17 per ordinary share was paid to shareholders on 10 December 2010

The Board is not recommending the payment of a final dividend in respect of 2010

Dividend policy continues to be reviewed regularly by the Board

Share buy-back programme
As previously announced, the Board continues to believe that shareholder value will be optimised by the purchase by the Company, when appropriate, of its own shares

During the period under review a total of 23,850 ordinary shares were purchased for cancellation for a total consideration of £205,399

The Directors confirm that they intend to actively continue to pursue this policy Any shareholder who is considering taking advantage of the share buy-back programme is invited to contact their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, in order to contact Brewin Dolphin Limited who are operating the buy-back programme on behalf of the Company

Future prospects
In summary 2010 was a difficult year and trading prospects for 2011 will continue to be challenging but, with the effect of past and potential acquisitions and our multi-service offering, we are in a strong position to face the challenges that will invariably be present We therefore expect to continue to deliver strong results in the future

Annual General Meeting
The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London W1J 6PX on 8 June 2011 at 11 am You will find enclosed a form of proxy for use at that Meeting which you are requested to complete and return in accordance with the instructions on the form I shall, along with your Directors, look forward to meeting you at that time

J.G. MURRAY
Chairman
4 May 2011

JS MURRAY

Financial highlights:

Revenue
£85.5 million
2009 £86 0 million

EBITDA*
£22.7 million
2009 £23 2 million

Operating profit
£19.3 million
2009 £19 8 million

* Earnings before interest taxation depreciation amortisation and impairment charges

Financial review

If the 2010 results from the European subsidiaries had been translated at 2009 rates, revenue would have increased by 2.2% and operating profit by 1%.

Consolidated Income Statement
The Group's revenue decreased by £0 5 million (0 6%) to £85 5 million and operating profit decreased by £0 5 million (2 0%) to £19 3 million However these results partially reflect the movement in the Sterling to Euro average exchange rate which has increased from 1 12 to 1 16 If the 2010 results from the European subsidiaries had been translated at 2009 rates, revenue would have been £87 9 million instead of £85 5 million, which would represent an increase of 2 2%

On the same basis operating profit would have been £20 0 million instead of £19 4 million, an increase of 1 0% compared to 2009, reflecting the improved trading experienced in Europe

Net finance costs have decreased from £1 5 million to £0 6 million This movement should be considered in terms of its components

Finance income
Finance income has increased from £0 6 million to £1 1 million This is due to better cash management, the increase in the expected return on pension scheme assets and the gain on the revaluation of the Group's financial derivatives

Finance cost
The interest charged has declined from £2 0 million to £1 7 million reflecting the reduction in the weighted average interest rate from 2 9% in 2009 to 1 8% in 2010, and the repayments of £8 3 million in the year This led to a total reduction of £0 6 million This was partially offset by an increase in interest charged on pension scheme liabilities of £0 3 million

The tax charge for the year has been increased by £1 8 million to an effective rate of 29 9% (2009 20 6%) Last year's tax charge included the release of a tax provision of £1 7 million in respect of a claim against two of the Group's UK subsidiaries which was settled with HMRC

Consolidated Statement of Financial Position
Cash flow from operating activities of £21 8 million represents 96% of operating profit before depreciation and amortisation charges This demonstrates the ability of the Group to convert profitability into positive cash flow The year end cash and cash equivalents have increased by £3 2 million

Borrowings have decreased from £43 2 million to £33 9 million The movement can be analysed as follows

	£m
Opening borrowings	43 2
Loans repaid	(8 3)
Write off of cap fees	0 2
Exchange rate impact	(1 2)
Closing borrowings	33 9

Pension scheme surplus
As set out in the notes to the accounts to the consolidated financial statements as at 31 December 2010 the UK pension scheme valuation calculated in accordance IAS 19 resulted in a surplus of £0 6 million This asset has not been recognised in these financial statements as there is currently no right for the Group to recover the surplus or to reduce future contributions

Key performance indicators:

Average revenue per employee

£106,342

2009 £102,956

Operating cash flow[(1)] as a percentage of operating assets[(2)] employed

101.2%

2009 104 1%

Operating profit divided by interest charge[(3)]

11.5

2009 9 8

Net debt

£11.6 million

2009 £24 1 million

[(1)] Operating cash flow before defined benefit scheme contributions
[(2)] Operating assets are net assets employed excluding pension liabilities loans deferred tax corporation tax balances goodwill and cash
[(3)] Interest charge is stated excluding any exchange differences

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

To fully address the foreign currency translation exposure the Group initiated a restructuring early in 2010 to match the Group's borrowings of £33 9 million which 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 This restructuring did not involve a change in the Group's overall borrowings and existing facilities were not repaid to facilitate the transaction

Regarding the interest risk, the Group's borrowings (£27 7 million denominated in Euros and £6 2 million denominated in Sterling) are subject to floating rates based on EURIBOR and LIBOR plus a margin of between 0 6% and 1 5%

In 2006 and 2008 interest rate caps were taken out for the full amount of the Group's borrowings to minimise the impact of any large increases in EURIBOR and LIBOR and to take advantage of low market interest rates prevailing at the time The effect of these caps is to limit the Group's exposure to EURIBOR to 5 25% and LIBOR to 6 25% The caps remain in place until the loans are repaid in June 2013

Financial review continued

Our service levels are recognised as being the best in the industry, complemented by a diverse base of operations throughout Europe.

Parent Company Balance Sheet
The remaining equity shareholders' deficit of £2 1 million which was caused by fluctuations in the carrying value of Euro denominated loans in 2008 has been extinguished this year This was achieved by the payment of dividends from the Company's subsidiaries The Company took advantage of the enactment of the 2009 Finance Act whereby dividends declared by our overseas subsidiaries and received in the UK are exempted from corporation tax

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

The Group's companies in different European countries operate under similar economic and political conditions with no significant risks associated with any particular area and no exchange control risks The Group's operations are managed on a Pan-European basis and there are close operational relationships between subsidiary companies In addition the nature of products, services, production and distribution is consistent across the region Accordingly, the Directors have concluded that under IFRS 8 the Group operates in a single geographical and market segment

Key risks and uncertainties
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

In addition, acquisition is important to the Group and 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

J-C PILLOIS
Finance Director
4 May 2011

Operational review

The Group continues its evolution from being solely an extinguisher supplier to the customers' safety partner. At the same time the Group will continue to concentrate on its cost base to maintain profitability.

The Group's revenue and operating profit decreased by £0 5 million (0 6%) and by £0 5 million (2 5%) respectively If the 2010 results from the European subsidiaries had been translated at 2009 rates, revenue would have increased by 2 2% and operating profit would have increased by 1 0%

Despite difficult trading conditions the core Group produced a good stable performance demonstrating the strength of our activities In addition, Somati FIE N V, acquired in September 2008, improved its results giving rise to the above reported figures

Further progress has been made in fully integrating past acquisitions and realising the forecasted synergy savings These newly acquired customers are now able to benefit from the wider portfolio of services the Group can offer We have reviewed our pricing strategy to ensure a consistently lower attrition rate year on year

The Group is further developing its fixed suppression systems activity through a number of international projects

Investment was made in 2010 and 2011 in the partial automation of our fire extinguisher assembly line This investment is now complete and should start to pay for itself in 2011 through increased productivity and better quality control

The Group has continued to support and develop its traditional business roots in servicing fire extinguishers hose reels and fire alarms and growing our new activities through our multi-service strategy offering This was achieved through a series of training and employee development programmes The business will continue to develop new sales channels that will enable the Group to take advantage of favourable market conditions and opportunities as they arise The Group continues its evolution from being solely an extinguisher supplier to the customers' safety partner At the same time the Group will continue to concentrate on its cost base to maintain profitability during the difficult economic environment

Directors and company advisers

Executive Directors

Jacques Gaston Murray (91)
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 (44)
Vice Chairman
Jean-Jacques Murray is the son of Jacques Gaston Murray His responsibility is the control and strategic direction of the Group He is a Non-Executive Vice Chairman of Andrews Sykes

Jean-Christophe Pillois (54)
Finance Director
Jean-Christophe Pillois trained as the equivalent of a chartered accountant with Price Waterhouse in France and joined the Nu Swift Group in December 1983 He is an Executive Director of Andrews Sykes

Xavier Mignolet (46)
Operations Director
Xavier Mignolet joined the Group in 1995 He is responsible for the Group's operations He is a Non-Executive Director of Andrews Sykes

Emmanuel Sebag (42)
Executive Director
Emmanuel Sebag has responsibility for review and supervision of Group operations He is a Non-Executive Director of Andrews Sykes

Independent Non-Executive Directors

Henry Shouler (73)
Senior Independent Non-Executive Director
Henry Shouler is a Director of PKL Holdings plc He also has a number of other directorships in private companies

Michael Gailer (75)
Independent Non-Executive Director
Michael Gailer is a Non-Executive Director of Andrews Sykes and a number of private companies

Non-Executive Directors

Jean-Pierre Murray (42)
Non-Executive Director
Jean-Pierre Murray is the son of Jacques Gaston Murray He is a Non-Executive Director of Andrews Sykes and a number of private companies

Marie-Claire Leon (47)
Non-Executive Director
Marie-Claire Leon has been responsible for managing various projects around the world with Jacques Gaston Murray She is a Non-Executive Director of Andrews Sykes

Company advisers

Company Secretary
and Registered Office
Richard Pollard
Wistons Lane
Elland
West Yorkshire HX5 9DT

Registered number
53417

Chartered accountants and statutory auditors
KPMG Audit Plc
1 The Embankment
Neville Street
Leeds LS1 4DW

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Bankers
Lloyds Banking Group plc

Solicitors
Salans
Millennium Bridge House
2 Lambeth Hill
London EC4V 4AJ

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Stockbrokers and nominated advisers
Brewin Dolphin Limited
34 Lisbon Street
Leeds LS1 4LX

Report of the directors

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2010

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

Results and dividends
The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2010 of £13 2 million (2009 £14 5 million) The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2010 (2009 £Nil) An interim dividend of £2 1 million was paid in the year (2009 £Nil)

Research and development
The Group continues to maintain its involvement in research and development activities, thus ensuring that the existing products and production facilities take advantage of the latest technological advances in the field Expenditure in 2010 amounted to £13,000

Business review and future prospects
The information that fulfils the requirements of the Business Review (as required by Section 417 of the Companies Act 2006), which is incorporated in this Report of the Directors by reference, including the review of the Group's business and future prospects, is included in the Chairman s Statement and the Financial Review on pages 2 to 6 Key performance indicators are shown on page 5

Directors
The Directors of the Parent Company who served during the whole of the year ended 31 December 2010, and up to the date of signing the Group and Parent Company financial statements, except where stated, were

Executive Directors
J G Murray, J-J Murray, J-C Pillois, X Mignolet and E Sebag

Non-Executive Directors
M Gailer, M-C Leon, H Shouler and J-P Murray were Directors through the whole of the year ended 31 December 2010
R King resigned 11 May 2010

J-C Pillois, H Shouler and M Gailer 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 2010 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking

Substantial shareholdings
At 4 May 2011, 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 39%
Tristar Fire Corp	2,256,033	18 39%

In so far as it is aware, the Parent Company has no institutional shareholders

Report of the directors continued

Directors' share options
The Directors held the following options to subscribe for ordinary shares at 31 December 2010 under the Group's Inland Revenue unapproved share option scheme

	Number of ordinary shares at 31 December 2010 and 31 December 2009	Dates normally exercisable	Exercise price £
X Mignolet	**30,000**	14/01/06 – 14/01/13	11 50

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, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff If members of staff become disabled the Group continues employment wherever possible and arranges retraining

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

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

At 31 December 2010 Group average creditor days were 39 days (2009 39 days) The Parent Company had no trade creditors at either year end

Donations
The Parent Company and Group made no political donations during the year (2009 £Nil) and made no charitable donations (2009 £2,500)

Purchase of own shares and authorities to issue shares
As at 4 May 2011 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares Resolution 8 is to be proposed at the Annual General Meeting to extend this authority until the 2012 Annual General Meeting

The special business to be proposed at the 2011 Annual General Meeting also includes, at resolution 7, a special resolution to authorise the Directors to issue shares for cash, other than pro rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £6,147 being 5% of the Parent Company's issued ordinary share capital This authority will expire on the earlier of the date of next year's Annual General Meeting or 15 months after the passing of the resolution The passing of that resolution is subject to resolution 6, being an ordinary resolution, being approved to authorise the Directors to have the power to issue ordinary shares

Statement of disclosure of information to auditors
The Directors of the Parent Company at the date of this report confirm that

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

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 their profit or loss for that period In preparing each of the Group and Parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU,
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent 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 KPMG Audit Plc as 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 45 to 47 and all shareholders are invited to attend in person if they wish or by proxy if they are unable to attend A form of proxy is enclosed for you to complete according to the instructions printed on it and send to the Parent Company's registrars All proxies must be received by the registrar by 11 am on 6 June 2011 Appointment of a proxy will not prevent you from attending and voting at the Meeting if you subsequently find that you are able to do so

By order of the Board

R Pollard
Company Secretary
4 May 2011

Directors' remuneration report

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

Remuneration committee (unaudited)
The remuneration committee comprises H Shouler, M Gailer and J-J Murray, the majority being Non-Executive Directors of the Company who are independent of management The committee is chaired by H Shouler The remuneration of Non-Executive Directors is set by a committee of the other Directors No Director is involved in deciding his or her own remuneration

Policy on Executive Directors' remuneration (unaudited)
It is the Parent Company's policy to provide the packages needed to attract, retain and motivate Directors of the quality required, bearing in mind the size and resources of the Parent Company and its position relative to other companies

Directors' remuneration (audited)
Directors' emoluments totalled £620,394 (2009 £822,000) This includes an amount paid to the highest paid Director of £217,724 (2009 £319,000)

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
J G Murray	£nil
J-J Murray	£75,423
J-C Pillois	£132,752
X Mignolet	£217,724
E Sebag	£107,182
J-P Murray	£20,000
M-C Leon	£20,000
H Shouler	£20,000
M Gailer	£19,000
R King	£8,313

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

Details of Directors' share options are given in the Directors' Report

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999 and reviewed annually The total costs amounted to £1,853,000 (2009 £2,090,000) for the year ended 31 December 2010 as per the Services Agreement

On behalf of the Board

H Shouler
Chairman of the remuneration committee
4 May 2011

Independent auditors' report
to the members of London Security plc

We have audited the financial statements of London Security plc for the year ended 31 December 2010 set out on pages 14 to 44 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 EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' 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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements
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 2010 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 EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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

DJ Hutchinson

D.J Hutchinson (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc,
Statutory Auditor and Chartered Accountants
Leeds
4 May 2011

Consolidated income statement
for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Revenue	5	**85,499**	85,968
Cost of sales		**(15,254)**	(14,507)
Gross profit		**70,245**	71,461
Distribution costs		**(31,755)**	(32,520)
Administrative expenses		**(19,162)**	(19,177)
Operating profit		**19,328**	19,764
EBITDA*		**22,679**	23,171
Depreciation and amortisation		**(3,351)**	(3,407)
Operating profit		**19,328**	19,764
Finance income		**1,093**	560
Finance costs		**(1,726)**	(2,021)
Finance costs – net	7	**(633)**	(1,461)
Profit before income tax	8	**18,695**	18,303
Income tax expense	9	**(5,613)**	(3,772)
Profit for the year attributable to equity shareholders of the Company		**13,082**	14,531
Earnings per share			
Basic and diluted	10	**106.5p**	118 2p

* Earnings before interest tax depreciation amortisation and impairment charges

The notes on pages 18 to 38 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 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		**13,082**	14,531
Other comprehensive income			
– currency translation differences on foreign currency net investments, net of tax		**(357)**	(1,366)
– foreign currency loan hedges, net of tax		**465**	2,552
– actuarial gain/(loss) recognised in pension scheme	21	**151**	(397)
– movement on deferred tax relating to pension scheme	19	**(21)**	(177)
– net pension asset not recognised due to uncertainty over future recoverability	21	**(653)**	—
Other comprehensive (loss)/income for the year, net of tax		**(415)**	612
Total comprehensive income for the year		**12,667**	15,143

Consolidated statement of changes in equity
for the year ended 31 December 2010

	Share capital £ 000	Merger reserve £ 000	Other reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2009	123	2,033	5,124	23,234	30,514
Total comprehensive income for the year					
Profit for the financial period	—	—	—	14,531	14,531
Other comprehensive income					
– exchange adjustments	—	—	(1,366)	—	(1,366)
– actuarial loss on pension scheme	—	—	—	(397)	(397)
– movement on deferred tax relating to pension asset	—	—	—	(177)	(177)
– foreign currency loan hedges net of tax	—	—	2,552	—	2,552
At 1 January 2010	123	2,033	6,310	37,191	45,657
Total comprehensive income for the year					
Profit for the financial period	—	—	—	13,082	13,082
Other comprehensive income					
– exchange adjustments	—	—	(357)	—	(357)
– actuarial gain on pension scheme	—	—	—	151	151
– movement on deferred tax relating to pension asset	—	—	—	(21)	(21)
– net pension asset not recognised due to uncertainty over future recoverability	—	—	—	(653)	(653)
– foreign currency loan hedges net of tax	—	—	357	108	465
Total comprehensive income for the year	—	—	—	12,667	12,667
Contributions by and distributions to owners of the Company					
– dividends	—	—	—	(2,086)	(2,086)
– purchase of own shares	—	—	—	(205)	(205)
Total contributions by and distributions to owners of the Company	—	—	—	(2,291)	(2,291)
At 31 December 2010	**123**	**2,033**	**6,310**	**47,567**	**56,033**

The merger reserve is not a distributable reserve

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

Consolidated statement of financial position
as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**7,719**	8,552
Intangible assets	13	**51,960**	52,427
Deferred tax asset	19	**589**	604
		60,268	61,583
Current assets			
Inventories	15	**7,611**	7,804
Trade and other receivables	16	**16,604**	16,840
Cash and cash equivalents	17	**22,286**	19,070
		46,501	43,714
Total assets		**106,769**	105,297
Liabilities			
Current liabilities			
Trade and other payables	18	**(14,498)**	(14,525)
Income tax liabilities		**(968)**	(902)
Borrowings	20	**(7,126)**	(7,597)
Provision for liabilities and charges	22	**(9)**	(18)
		(22,601)	(23,042)
Non-current liabilities			
Trade and other payables	18	**(457)**	(18)
Borrowings	20	**(26,730)**	(35,596)
Derivative financial instruments	14	**(30)**	(296)
Deferred tax liabilities	19	**(286)**	(83)
Retirement benefit obligations	21	**(632)**	(605)
Provision for liabilities and charges	22	**—**	—
		(28,135)	(36,598)
Total liabilities		**(50,736)**	(59,640)
Net assets		**56,033**	45,657
Shareholders' equity			
Ordinary shares	23	**123**	123
Merger reserve		**2,033**	2,033
Other reserves		**6,310**	6,310
Retained earnings		**47,567**	37,191
Total shareholders' equity		**56,033**	45,657

The financial statements on pages 14 to 38 were approved by the Board of Directors on 4 May 2011 and were signed on its behalf by

JG MURRAY

J G Murray
Chairman
4 May 2011

Consolidated statement of cash flow
for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash generated from operations	24	**21,845**	25,003
Interest paid		**(713)**	(1,422)
Income tax paid		**(4,900)**	(4,386)
Net cash generated from operating activities		**16,232**	19,195
Cash flows from investing activities			
Acquisition of subsidiary undertakings		**—**	(375)
Purchases of property, plant and equipment		**(1,746)**	(1,777)
Proceeds from sale of property, plant and equipment		**259**	271
Purchases of intangible assets		**(883)**	(607)
Interest received		**171**	120
Net cash used in investing activities		**(2,199)**	(2,368)
Cash flows from financing activities			
Repayments of borrowings	25	**(8,337)**	(7,984)
Purchase of own shares		**(205)**	—
Dividends paid to Company's shareholders		**(2,086)**	—
Net cash used in financing activities		**(10,628)**	(7,984)
Effects of exchange rates on cash and cash equivalents		**(189)**	(648)
Net increase in cash in the year		**3,216**	8,195
Cash and cash equivalents at beginning of the year		**19,070**	10,875
Cash and cash equivalents at end of the year	17	**22,286**	19,070

Notes to the financial statements
for the year ended 31 December 2010

1 General Information
London Security plc (the "Parent Company") is a leader in the European fire security industry, providing fire protection for over 163,000 (2009 173,000) customers through a local presence in the UK, Belgium, Holland and Austria

The Parent Company is a public limited liability company incorporated and domiciled in England The registered office is Wistons Lane, Elland, West Yorkshire HX5 9DT

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 with those parts of the Companies Act 2006 applicable to companies reporting under IFRS These Group financial statements have been prepared under the historical cost convention, as modified by accounting for derivative financial instruments at fair value through profit or loss

The Directors have prepared these financial statements on the fundamental assumption that the Group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements In determining whether the Group's accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect the future performance The Directors have reviewed trading and cash flow forecasts as part of the going concern assessment and based on this have the expectation that the Group has adequate resources to continue in operational existence for the foreseeable future

Accounting developments
(a) The Group has adopted the following new and amended IFRS as at 1 January 2010
- amendment to IAS 39 "Financial instruments recognition and measurement eligible hedged items",
- IFRIC 16 "Hedges of a net investment in a foreign operation" – amendment to the restriction on the entity that can hold hedging instruments,
- IAS 36 "Impairment of assets" – unit of accounting for goodwill impairment test, and
- IFRS 8 "Operating segments" – disclosure about information about segment assets

(b) Standards, amendments and interpretations effective for the year ended 31 December 2010 but not relevant
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but have no material impact on the Group

- amendments to IFRIC 9 and IAS 39 "Embedded derivatives",
- IFRS 1 (revised) "First-time adoption of IFRS",
- IFRS 3 (revised 2008) "Business combinations",
- IAS 27 (amended 2008) "Consolidated and separate financial statements",
- IFRIC 17 "Distributions of non-cash assets to owners",
- IFRIC 18 "Transfers of assets from customers",
- IFRS 2 "Share-based payment" – scope of IFRS 2 and revised IFRS 3 "Business combinations",
- IAS 38 "Intangible assets" – additional consequential amendments arising from revised IFRS 3,
- IFRIC 9 "Reassessment of embedded derivatives" – scope of IFRIC 9 and revised IFRS 3,
- amendment to IFRS 2 "Group cash-settled share-based payment transactions",
- amendment to IFRS 1 "Additional exemptions for first time adopters" (issued 23 July 2009),
- IFRS 5 "Non-current assets held for sale and discontinued operations" – disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations,
- IAS 1 "Presentation of financial statements" – current/non-current classification of convertible instruments,
- IAS 7 "Statement of cash flows" – classification of expenditures on unrecognised assets,
- IAS 17 "Leases" – classification of leases of land and buildings,
- IAS 18 "Revenue" – determining whether an entity is acting as principal or agent,
- IAS 38 "Intangible assets" – measuring the fair value of an intangible asset acquired in a business combination,

2 Summary of significant accounting policies continued
Accounting developments continued
(b) Standards, amendments and interpretations effective for the year ended 31 December 2010 but not relevant continued
- IAS 39 "Financial instruments recognition and measurement" – treating loan prepayment penalties as closely related embedded derivatives,
- IAS 39 "Financial instruments recognition and measurement" – scope exemption for business combination contracts, and
- IAS 39 "Financial instruments recognition and measurement" – cash flow hedge accounting

(c) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not adopted them early
- amendment to IAS 32 "Classification of rights issues",
- IFRIC 19 "Extinguishing financial liabilities with equity instruments",
- amendment to IFRS 1 – limited exemption from comparative IFRS 7 disclosures for first-time adopters,
- IFRS 3 "Business combinations" – transitional requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS,
- IFRS 3 "Business combinations" – measurement of non-controlling interests,
- IFRS 3 "Business combinations" – unreplaced and voluntarily replaced share-based payment awards,
- IAS 24 (revised 2009) "Related party disclosures",
- amendment to IFRIC 14 "Prepayments of a minimum funding requirement",
- IFRS 1 "First-time adoption of IFRSs" – accounting policy changes in the year of adoption,
- IFRS 1 "First-time adoption of IFRSs" – revaluation basis as deemed cost,
- IFRS 1 'First-time adoption of IFRSs" – use of deemed cost for rate-regulated operations,
- IFRS 7 "Financial instruments disclosures" – amendments to disclosures,
- IAS 1 "Presentation of financial statements" – presentation of statement of changes in equity,
- IAS 27 "Consolidated and separate financial statements" – transition requirements for amendments made as a result of IAS 27 (2008) to IAS 21, IAS 28 and IAS 31,
- IAS 34 "Interim financial reporting" – significant events and transactions,
- IFRIC 13 "Customer loyalty programmes" – fair value of award credit,
- amendment to IFRS 7 "Disclosures – transfers of financial assets", and
- IFRS 9 "Financial instruments"

None of the above are expected to have a material impact on the results or financial position of the Group

Consolidation
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date that control ceases All subsidiaries share the same reporting date, being 31 December, and same accounting policies as London Security plc

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange The costs directly attributable to the acquisition are expensed, with the exception of those relating to the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39 Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill

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

Notes to the financial statements continued

for the year ended 31 December 2010

2 Summary of significant accounting policies continued

Segment reporting

An operating segment is a group of assets and operations for which discrete financial information is available that is regularly reviewed by the CODM The Directors have concluded that there is a single operating segment as defined by IFRS 8, being the provision and maintenance of fire protection equipment in Europe

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, except when deferred in equity as qualifying net investment hedges

(c) Group companies

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

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity 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

Subsequent costs are recognised when it is probable that future economic benefits associated with the items will flow to the Group and the costs of the item can be measured reliably

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%
Vehicles and share in aircraft	5 – 33%
Fixtures, fittings and equipment	10%

The assets' residual values and useful lives are reviewed 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

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) Other trademarks and licences

Trademarks and licences are shown at historical cost Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives (15 – 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 (3 – 5 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 (5 – 10 years) based on information available to the Directors on average attrition rates

Derivative financial instruments and hedging activities

The Group's borrowings of £33 9 million (£27 6 million denominated in Euros and £6 2 million denominated in Sterling) are subject to floating rates based on LIBOR and EURIBOR plus a margin of between 0 6% and 1 5% The Group uses financial derivatives to cap the total exposure to LIBOR to a maximum of 5 5% and EURIBOR to a maximum of 4 25% The caps took effect from September 2006 and continue until the loans are repaid in June 2013

In 2009 the Group implemented a net investment hedge Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income Any gain or loss relating to an ineffective portion is recognised immediately in the Income Statement Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold The Group's policy is not to hedge against other foreign currency transactions The Group does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes

Derivative financial instruments are initially measured at cost and are re-measured at fair value at the Statement of Financial Position date with any valuation adjustment being reflected in the Income Statement

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Notes to the financial statements continued
for the year ended 31 December 2010

2 Summary of significant accounting policies continued
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 recognised at fair value

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

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

Current and deferred income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Company's subsidiaries operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is provided in full, using the net assets approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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 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 unrecognised 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

2 Summary of significant accounting policies continued
Employee benefits continued
Pension obligations continued
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 deficits are presented separately on the Statement of Financial Position within non-current liabilities before tax relief The attributable deferred tax asset 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 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

Exceptional items
Significant transactions which occur outside the normal scope of business are classified as exceptional items

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

(a) Outright sale of equipment
Revenue from the outright sale of equipment is recognised upon delivery to the customer

(b) Installation and service
Revenue from the installation and servicing of equipment is recognised when the installation or service has been performed

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

(d) Equipment leases
Revenue from the equipment leased to customers under an operating lease is recognised over the term of the lease on a pro rata basis All contracts are cancellable

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

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

Notes to the financial statements continued
for the year ended 31 December 2010

3 Financial risk management
Financial risk factors
The Board considers foreign currency translation exposure and interest rates to be the only potential financial risks Risk management is carried out under treasury policies and guidelines authorised and reviewed by the Board of Directors

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

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

31 December 2010	**Sterling £'000**	**Euro £'000**	**Total £'000**
Cash and cash equivalents	**4,917**	**17,369**	**22,286**
Trade receivables	**3,847**	**12,757**	**16,604**
Bank loans	**(6,232)**	**(27,624)**	**(33,856)**
Trade payables	**(2,905)**	**(11,593)**	**(14,498)**
Other payables	**(179)**	**(789)**	**(968)**
Balance sheet exposure	**(552)**	**(9,880)**	**(10,432)**

31 December 2009	Sterling £ 000	Euro £ 000	Total £ 000
Cash and cash equivalents	6,939	12,131	19,070
Trade receivables	3,743	13,097	16,840
Bank loans	(7,990)	(35,203)	(43,193)
Trade payables	(2,931)	(11,594)	(14,525)
Other payables	(133)	(769)	(902)
Balance sheet exposure	(372)	(22,338)	(22,710)

A 5% weakening of the Euro against Sterling at 31 December 2010 would have increased equity and profit or loss by £482,000 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 2010 would have had the equal but opposite effect to the amounts shown above, 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 expose the Group to cash flow interest rate risk

The Group manages its cash flow interest rate risk by using interest rate caps The effect of these caps is to limit the Group's exposure to EURIBOR to a maximum of 5 25% and LIBOR to a maximum of 6 25% The caps took effect from September 2006 and provide interest rate cover until the loans are repaid in June 2013

A change of 50 basis points in interest rates at the prior Statement of Financial Position date would have decreased equity and profit or loss by £179,000 (2009 £245,000) This calculation assumes that the change occurred at the prior Statement of Financial Position date and had been applied to risk exposures existing at that date This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates

(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	**2010 £'000**	2009 £ 000
Total borrowings	**33,856**	43,193
Less cash and cash equivalents	**(22,286)**	(19,070)
Net debt	**11,570**	24,123
Total equity	**56,142**	45,657
Total capital	**67,712**	69,780

4 Critical accounting estimates and judgements
Fair value estimation
The fair value of interest rate caps is calculated as the present value of the estimated future cash flows

The nominal value less impairment provision of trade receivables and payables are assumed to approximate to their fair values

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

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

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy The recoverable amounts of cash-generating units have been determined based on value-in-use calculations

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2011 and agreed business plans for the two years ending 31 December 2012 and 31 December 2013 Subsequent cash flows are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates The cash flows have then been discounted using a pre-tax rate of 12% for the year ended 31 December 2011 A single discount rate has been applied as the risk associated with each element of goodwill is considered to be similar The value-in-use calculations did not indicate impairment in any goodwill If the discount rate had been 5% higher there would still have been no impairment in any goodwill

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

Prior to the effect of deferred tax, the impact of a 0 5% increase in the inflation rate would be to decrease the pension surplus by £192,000, a decrease of 0 5% in the inflation rate would be to increase the surplus by £181,000 The impact of a 0 5% increase in the discount rate would be to increase the pension surplus by £592,000 a decrease of 0 5% in the discount rate would be to decrease the surplus by £659,000

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

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

5 Revenue
The Directors are of the opinion that there is one operating segment, being the provision and maintenance of fire protection equipment, and that the Group operates in one geographical market, being Europe Consequently, the results for the year and assets and liabilities relate to the one operating segment and one geographical area

Notes to the financial statements continued
for the year ended 31 December 2010

6 Employee benefit expense

	2010 £'000	2009 £'000
Wages and salaries	**27,668**	27,924
Social security costs	**5,944**	5,817
Other pensions costs (note 21)	**1,262**	1,323
	34,874	35,064
Number of employees	**804**	835

Directors' remuneration is reported within audited sections of the Directors' Remuneration Report on page 12 under the heading "Directors' Remuneration (audited)"

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

	2010 Number	2009 Number
Production	**50**	58
Administration and management	**754**	777
Total	**804**	835

7 Finance income and costs

	2010 £'000	2009 £'000
Finance income		
Bank interest receivable	**(171)**	(120)
Expected return on pension scheme assets (note 21)	**(656)**	(440)
Fair value of derivative financial instruments	**(266)**	—
Total finance income	**(1,093)**	(560)
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	**713**	1,353
Amortisation of interest cap fees	**217**	70
Fair value of derivative financial instruments	**—**	84
Exchange loss on foreign currency balances	**39**	32
Interest on pension scheme liabilities	**757**	482
Total finance costs	**1,726**	2,021
Net finance costs	**633**	1,461

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

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment	**2,170**	2,315
Amortisation on intangible fixed assets	**1,181**	1,092
Profit on disposal of property, plant and equipment	**(39)**	(54)
Loss on disposal of intangible assets	**4**	61
Hire charges under operating leases		
– land and buildings	**228**	107
– other	**353**	358

8 Profit before income tax continued

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 at costs as detailed below

	2010 £'000	2009 £'000
Audit services		
Fees payable to the Parent Company's auditors for the audit of Group's annual accounts	**14**	15
Fees payable to the Parent Company's auditors and their network firms for other services		
– the audit of the Parent Company's subsidiaries pursuant to legislation	**132**	176
Services relating to taxation		
– compliance services	**—**	36
– advisory services	**—**	93
	146	320

9 Income tax expense

	2010 £'000	2009 £'000
United Kingdom		
Corporation tax	**308**	117
Adjustment in respect of prior periods	**(114)**	(1,726)
	194	(1,609)
Foreign tax		
Corporation taxes	**5,285**	5,379
Total current tax	**5,479**	3,770
Deferred tax		
Original and reversal of timing differences representing		
United Kingdom	**32**	(3)
– foreign tax	**102**	5
Total deferred tax (note 19)	**134**	2
Total tax charge	**5,613**	3,772

The tax for the year is higher (2009 lower) than the standard rate of corporation tax in the United Kingdom 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	**18,804**	18,303
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 28%)	**5,265**	5,125
Effects of		
– expenses not deductible for tax purposes	**71**	73
– adjustment in respect of ACT claim settlement	**—**	(1,652)
– deferred tax relating to pension contributions	**24**	177
– overseas tax in excess of UK standard	**367**	123
– prior year over provision	**(114)**	(74)
Total tax charge	**5,613**	3,772

The Group expects to pay similar levels of taxation going forward It has been announced that the main UK rate of corporation tax will reduce from 28% to 26% with effect from 1 April 2011

Notes to the financial statements continued
for the year ended 31 December 2010

10 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £13,082,000 (2009 £14,531,000) and on 12,284,170 (2009 12,294,798) 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 The only potential ordinary shares in the Group are in respect of the unapproved share option scheme (see note 23) The revised weighted average number of shares is 12,284,170 (2009 12,294,798) After taking into account the effect of dilutive securities, the basic EPS and adjusted EPS figures are unaltered

	2010		2009	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	**13,082**	**106 5**	14,531	118 2

11 Dividends per share

	2010 £'000	2009 £'000
Equity – ordinary shares		
Interim paid £0 17 (2009 £Nil) per share	**2,086**	—

The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2010 (2009 £Nil)

12 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 2009	7,754	7,995	10,320	8,584	4,485	39,138
Additions	18	57	361	1,118	223	1,777
On acquisition of subsidiary undertakings	—	—	—	9	—	9
Disposals	—	(18)	(135)	(1,000)	(29)	(1,182)
Exchange adjustment	(479)	(558)	(797)	(449)	(235)	(2,518)
At 1 January 2010	7,293	7,476	9,749	8,262	4,444	37,224
Additions	28	87	339	1,148	144	1,746
Disposals	—	(3,819)	(135)	(1,227)	(243)	(5,424)
Exchange adjustment	(201)	(184)	(156)	(147)	(95)	(783)
At 31 December 2010	**7,120**	**3,560**	**9,797**	**8,036**	**4,250**	**32,763**
Accumulated depreciation						
At 1 January 2009	5,138	7,453	9,523	3,576	3,661	29,351
Disposals	—	(18)	(107)	(814)	(26)	(965)
Charge for the year	164	146	350	1,367	288	2,315
Exchange adjustment	(397)	(509)	(743)	(186)	(194)	(2,029)
At 1 January 2010	4,905	7,072	9,023	3,943	3,729	28,672
Disposals	—	(3,817)	(110)	(1,039)	(239)	(5,205)
Charge for the year	153	119	319	1,330	249	2,170
Exchange adjustment	(162)	(170)	(139)	(43)	(79)	(593)
At 31 December 2010	**4,896**	**3,204**	**9,093**	**4,191**	**3,660**	**25,044**
Net book amount						
At 31 December 2010	**2,224**	**263**	**797**	**3,845**	**590**	**7,719**
At 31 December 2009	2,388	404	726	4,319	715	8,552
At 31 December 2008	2,616	635	704	5,008	824	9,787

Depreciation and profit/loss on disposal have been charged to the Income Statement through administrative expenses

13 Intangible assets

	Goodwill £'000	Contracts £'000	Software £'000	Other £'000	Total £'000
Cost					
At 1 January 2009	61,988	6,724	560	1,870	71,142
Additions	—	526	38	43	607
On acquisitions of subsidiary undertakings	—	265	—	—	265
Disposals	—	(47)	(52)	—	(99)
Exchange differences	(28)	(436)	(28)	(149)	(641)
At 1 January 2010	61,960	7,032	518	1,764	71,274
Additions	—	819	13	51	883
Disposals	—	(4)	—	—	(4)
Exchange differences	7	(178)	(12)	(61)	(244)
At 31 December 2010	**61,967**	**7,669**	**519**	**1,754**	**71,909**
Accumulated amortisation					
At 1 January 2009	15,871	1,052	391	618	17,932
Disposals	—	(38)	—	—	(38)
Charge for the year	—	829	45	218	1,092
Exchange differences	—	(67)	(21)	(51)	(139)
At 1 January 2010	15,871	1,776	415	785	18,847
Charge for the year	—	990	7	184	1,181
Exchange differences	—	(42)	(9)	(28)	(79)
At 31 December 2010	**15,871**	**2,724**	**413**	**941**	**19,949**
Net book amount					
At 31 December 2010	**46,096**	**4,945**	**106**	**813**	**51,960**
At 31 December 2009	46,089	5,256	103	979	52,427
At 31 December 2008	46,117	5,672	169	1,252	53,210

Amortisation has been charged to the Income Statement through administrative expenses

During the year the Group made a number of acquisitions of contracts As none of these were limited companies all the excess of purchase price over the fair value of net assets acquired has been assigned to the intangible assets category of contracts

Impairment tests for goodwill

The recoverable amount of goodwill is determined based on value-in-use calculations for each CGU The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2011 and agreed business plans for the two years ending 31 December 2012 and 31 December 2013 Subsequent cash flows are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates The cash flows have then been discounted using a pre-tax rate of 12% for the year ending 31 December 2011 which reflects the expected long-term average growth rate for the industry in which the Group operates A single discount rate has been applied as the risk associated with each element of goodwill is considered to be similar The value-in-use calculations did not indicate impairment in any goodwill The value of goodwill is split into seven CGUs to assess indicators of impairment Of the total goodwill £36,893,000 relates to Ansul S A and Ansul B V, £7,017,000 relates to TVF (UK) Limited with the balance relating to the remaining five CGUs which are individually considered insignificant

14 Derivative financial instruments

	2010		2009	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Interest rate cap	—	**30**	—	296

The Group has taken out an interest rate cap to limit the exposure to LIBOR to 6 25% and to EURIBOR to 5 25% The caps took effect from September 2006 and remain in effect until the loans are repaid in 2013 The liability represents the net of the cap values and the outstanding premium

Notes to the financial statements continued
for the year ended 31 December 2010

15 Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**3,912**	3,487
Work in progress	**325**	340
Finished goods	**3,374**	3,977
	7,611	7,804

The cost of inventories recognised as expense and included in cost of sales amounted to £14,475,000 (2009 £13,833,000) No (2009 £Nil) previous inventory write downs have been reversed

16 Trade and other receivables

	2010 £'000	2009 £ 000
Amounts falling due within one year		
Trade receivables	**16,333**	15,881
Less provision for impairment of receivables	**(1,092)**	(1,069)
Trade receivables – net	**15,241**	14,812
Amounts owed by related undertakings	**236**	236
Other receivables	**334**	579
Prepayments and accrued income	**781**	796
Taxation recoverable	**12**	417
	16,604	16,840

Amounts owed by related undertakings do not attract interest and no security is held in respect of these balances

As of 31 December 2010, trade receivables of £10,537,000 (2009 £10,273,000) were fully performing

As of 31 December 2010, trade receivables of £3,235,000 (2009 £2,882,000) were past due but not impaired These relate to a number of independent customers for whom there is no recent history of default The ageing analysis of these trade receivables is as follows

	2010 £'000	2009 £ 000
Up to three months	**2,898**	2,722
Three to six months	**337**	160
	3,235	2,882

As of 31 December 2010, trade receivables of £2,561,000 (2009 £2,726,000) were impaired and provided for The amount of the provision was £1,092,000 (2009 £1,069,000) It was assessed that a portion of the receivables is expected to be recovered The ageing of these receivables is as follows

	2010 £'000	2009 £ 000
Up to three months	**1,124**	1,164
Three to six months	**720**	739
Six months or greater	**717**	823
	2,561	2,726

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

	2010 £'000	2009 £'000
Sterling	**3,847**	3,743
Euro	**12,757**	13,097
Total	**16,604**	16,840

These are detailed as Sterling equivalent

16 Trade and other receivables continued

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

	2010 £'000	2009 £'000
At 1 January	**1,069**	1,056
Provision for receivables' impairment	**326**	465
Receivables written off in the year as uncollectable	**(261)**	(348)
Unused amounts reversed	**(42)**	(104)
At 31 December	**1,092**	1,069

The creation and release of the provision for impaired receivables has been included in administrative expenses in the Income Statement Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash The other classes within trade and other receivables do not contain impaired assets The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above

Following a review of trade receivables and trade payables at the year end a reclassification has taken place to more accurately reflect the substance of transactions The 2009 figures have been restated accordingly which has reduced trade debtors by £1,009,000 and reduced trade payables by £1,009,000

The carrying value of trade and other receivables approximates to fair value

There is no impairment of other receivables

The Group does not hold any collateral as security

17 Cash and cash equivalents

	2010 £'000	2009 £'000
Cash at bank and in hand	**22,286**	19,070

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

18 Trade and other payables

	2010 £'000	2009 £'000
Current		
Trade payables	**1,634**	1,631
Other payables	**3,171**	3,251
Other taxation and social security	**5,751**	5,456
Accruals	**1,490**	1,663
Deferred income	**2,452**	2,524
	14,498	14,525

Following a review of trade receivables and trade payables at the year end a reclassification has taken place The 2009 figures have been restated accordingly (see note 16)

	2010 £'000	2009 £'000
Non-current		
Other payables	**457**	18

Notes to the financial statements continued
for the year ended 31 December 2010

19 Deferred income tax

	Amount (provided)/recognised		Amount (unprovided)/unrecognised	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Deferred tax asset				
Pension deficit	**198**	177	**—**	—
Accelerated capital allowances	**391**	427	**—**	—
Losses	**—**	—	**1,542**	2,239
	589	604	**1,542**	2,239
Deferred tax liabilities				
Short-term timing differences	**(286)**	(83)	**—**	—
	(286)	(83)	**—**	—
Net deferred tax asset	**303**	521	**1,542**	2,239

	£'000
At 1 January 2010	521
Exchange differences	(60)
Amount charged to the Consolidated Income Statement (note 9)	(134)
Amount charged to the Consolidated Statement of Comprehensive Income	(24)
At 31 December 2010	**303**

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences will reverse, based on tax rates and laws substantively enacted at the Statement of Financial Position date, being a rate of 27% An announcement has been made since the Statement of Financial Position date that UK corporation tax will be reduced to 26% with effect from 1 April 2011

20 Borrowings

	2010 £'000	2009 £'000
Non-current (more than one year but less than five years)		
Bank borrowings		
– in one to two years	**7,124**	7,482
– between two and five years	**19,606**	28,114
	26,730	35,596
Current (one year or less or on demand)		
Bank borrowings	**7,126**	7,597
	7,126	7,597
Total borrowings	**33,856**	43,193

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1 81% (2009 2 85%) per annum Borrowings in 2009 are stated net of unamortised cap fee costs of £216,000 which have been fully expensed in 2010

The table below analyses the Group's financial liabilities 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	**2010 £'000**	2009 £'000
Bank borrowings		
– within one year	**7,674**	8,305
– in one to two years	**7,549**	8,062
– between two and five years	**19,774**	28,739
	34,997	45,106

The above values have been affected by the continuing low interest rates and appreciation in Sterling between the 2009 and 2010 balance sheet dates

20 Borrowings continued
The Directors consider that the fair value of the bank loans are not materially different from their book values The estimated fair value of the interest rate caps has been included in the Statement of Financial Position as disclosed in note 14

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

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

	Total 2010 £'000	Weighted average interest rate 2010	Total 2009 £'000	Weighted average interest rate 2009
Currency				
Sterling	**6,232**	**1 7%**	8,206	2 6%
Euro	**27,624**	**1 9%**	34,987	2 9%
	33,856	**1 8%**	43,193	2 9%

Borrowing facilities
At 31 December 2010 the Group had an undrawn committed borrowing facility of £1 8 million (2009 £1 8 million), which expires in more than one year

21 Retirement benefit obligations
The Group operates a number of pension schemes Details of the major schemes are set out below

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 valuation was at 31 December 2008 The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pensions It was assumed that the investment returns would be 5 4% per annum and that present and future pensions would increase at the rate of 3 3% per annum

The most recent actuarial valuation as at 31 December 2008 showed that the market value of the scheme's assets was £7,926,000 and that the actuarial value of those assets represented 75% of the benefits that had accrued to members

The move in the underlying measure for deferred pension revaluation from RPI to CPI has been included in the figures presented at 31 December 2010 as the scheme rules require this change However, due to the wording of the scheme rules, the pension increases in payment which are linked to inflation will not automatically move to CPI and therefore the link to RPI for pension increases has been retained

At 31 December 2010 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out overleaf of £653,000 (2009 net liability £202,000) This asset has not been recognised in these financial statements due to the uncertainty of its future recoverability in future periods This is due to the scheme being closed to further accrual and the Group not having an unconditional right to a refund of surplus contributions

In addition there is a defined contribution stakeholder pension scheme in operation within the UK

The Ansul Group operates a number of funded pension schemes, the majority of which are prescribed by the 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 2010

In respect of the Nu-Swift International and Ansul schemes (the "schemes"), the valuations used for IAS 19 in order to assess the liabilities of the schemes are based on actuarial valuations at 31 December 2008 and 31 December 2010 respectively The results of these valuations have been projected to 31 December 2010 and then recalculated using the assumptions set out overleaf which result in a net liability position of £434,000 (2009 £428,000) The schemes' assets are stated at their market value at 31 December 2010

Notes to the financial statements continued
for the year ended 31 December 2010

21 Retirement benefit obligations continued
Expected contributions to retirement benefit obligations for the year ending 31 December 2011 are £774,000

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

	2010	2009	2008
Discount rate	**4 50% – 5 50%**	5 50% – 5 80%	5 50% – 6 00%
Inflation rate	**2.00% – 3 50%**	2 00% – 3 60%	2 00% – 3 40%
Salary increase rate	**0.00% – 1 00%**	0 00%	0 00%
Increases for pensions in payment	**3 30%**	3 40%	3 00%
Revaluation of deferred pensions	**3.00%**	3 60%	3 00%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory The average life expectancy in years of a pensioner retiring at age 65 at the Statement of Financial Position date is as follows

	2010	2009
Male	**20.4**	20 3
Female	**23 2**	23 2

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

	2010	2009
Male	**21.3**	21 3
Female	**24.1**	24 1

The assets in the schemes and the expected rates of return were

	Long-term return expected at 31 December 2010	Value at 31 December 2010 £'000	Percentage of scheme assets 2010	Long-term return expected at 31 December 2009	Value at 31 December 2009 £ 000	Percentage of scheme assets 2009
Equities	**6 90%**	**3,151**	**28 46%**	7 50%	2,746	28 00%
Assets with guaranteed interest with insurer	**4 00%**	**1,205**	**10.88%**	4 00%	1,126	11 00%
Bonds	**4.70%**	**6,653**	**60.09%**	4 90%	5,944	60 00%
Cash	**4 00%**	**63**	**0 57%**	4 40%	26	1 00%
		11,072			9,842	
Present value of the schemes' liabilities		**(11,051)**			(10,447)	
Surplus/(deficit) in the schemes in accordance with stated assumptions		**21**			(605)	
Net pension asset not recognised due to uncertainty over future recoverability		**(653)**			—	
Deficit in the schemes recognised in the Statement of Financial Position		**(632)**			(605)	
Related deferred tax asset		**198**			177	
Net pension deficit		**(434)**			(428)	

Expected returns on equity reflect long-term real rates of return experienced in the markets The expected yields on bonds and assets with guaranteed interest with insurer are based on gross redemption yields as at the Statement of Financial Position date

21 Retirement benefit obligations continued
The following disclosures relate to the schemes

Analysis of the amount recognised in the Income Statement

	2010 £'000	2009 £'000
Current service cost	**300**	—
Interest cost	**757**	482
Expected return on plan assets	**(656)**	(440)
Total operating charge	**401**	42

Movement in the defined benefit obligation over the year

	2010 £'000	2009 £'000
Start of the year	**(10,447)**	(9,879)
Current service cost	**(300)**	—
Interest cost	**(757)**	(482)
Actuarial loss	**(297)**	(591)
Exchange movement	**54**	132
Benefits paid	**696**	373
End of the year	**(11,051)**	(10,447)

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

	2010 £'000	2009 £'000
Start of the year	**9,842**	9,137
Expected return on plan assets	**656**	440
Actuarial gain	**448**	194
Employer contributions	**864**	540
Benefits paid	**(696)**	(373)
Exchange movements	**(42)**	(96)
End of the year	**11,072**	9,842

The history of the plan

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of plan liabilities	**(11,051)**	(10,447)	(9,879)	(9,582)	(15,397)
Fair value of plan assets	**11,072**	9,842	9,137	8,633	11,264
Net pension asset not recognised due to uncertainty over future recoverability	**(653)**				
Retirement benefit obligation	**(632)**	(605)	(742)	(949)	(4,133)
Experience (loss)/gain on defined benefit obligation	**(297)**	(591)	207	2,384	309
Percentage of plan liabilities	**(2.69%)**	(5 66%)	2 10%	24 88%	2 01%
Experience gain/(loss) on plan assets	**448**	194	(915)	(911)	(257)
Percentage of plan assets	**4 05%**	1 97%	(1 00%)	(9 51%)	(2 28%)
Net actuarial gain/(loss) recognised in the year	**151**	(397)	(708)	1,473	52

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

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	**151**	(397)
Actuarial gain/(loss) recognised in the Consolidated Statement of Comprehensive Income	**151**	(397)

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £162,000 in the year ended 31 December 2010 (2009 £166,000)

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,238,000 for the year ended 31 December 2010 (2009 £1,323,000) and was wholly recognised in administrative expenses

Notes to the financial statements continued
for the year ended 31 December 2010

22 Provisions for liabilities and charges

	Current Rectification provision £'000	Total £'000
At 1 January 2010	18	18
Amount provided utilised in the year	(9)	(9)
Provision at 31 December 2010	**9**	**9**

23 Called up share capital

	2010 Number	2010 £'000	2009 Number	2009 £'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	**12,270,948**	**123**	12,294,798	123

Certain Senior Executives hold options to subscribe for shares in the Company under the unapproved share option scheme The share options are exercisable three years after the date of grant, subject to EBITDA exceeding £13,694,000 in the preceding year's financial statements The share price at date of grant and the exercise price was £11 50

During the period under review a total of 23,850 ordinary shares were purchased for cancellation for a total consideration of £205,399

The only outstanding options at 31 December 2010 are those under the unapproved share option scheme granted to employees as follows

Date granted	At 1 January 2010	Cancelled in the year	At 31 December 2010	Exercise price £	Dates normally exercisable
14/01/03	30,000	—	**30,000**	11 50	14/01/06 – 14/01/13

The mid-market price of the Company's shares at 31 December 2010 was £9 88 and the range during the year was £7 75 to £9 88

24 Reconciliation of operating profit to cash generated from operations

	2010 £'000	2009 £'000
Operating profit	**19,328**	19,764
Amortisation of intangible assets	**1,181**	1,092
Loss on disposal of intangible assets	**4**	61
Depreciation of property, plant and equipment	**2,170**	2,315
Profit on disposal of property, plant and equipment	**(39)**	(54)
Exchange differences	**(602)**	241
Difference between pension charge and cash contributions	**(624)**	(576)
Decrease in trade and other receivables	**840**	4,074
Decrease in trade and other payables	**(597)**	(2,633)
Decrease in provisions	**(9)**	(28)
Decrease in inventories	**193**	747
Cash generated from operations	**21,845**	25,003

24 Reconciliation of operating profit to cash generated from operations continued

Disposal of assets

	2010 £'000	2009 £'000
Net book value	**224**	278
Loss on disposal of intangible assets	**(4)**	(61)
Profit on disposal of property, plant and equipment	**39**	54
Proceeds	**259**	271

25 Reconciliation of movement in net debt

	At 1 January 2010 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2010 £'000
Cash in hand and at bank	19,070	3,405	(189)	**22,286**
Debt due within one year	(7,597)	289	182	**(7,126)**
Debt due after one year	(35,596)	8,048	818	**(26,730)**
Total	(24,123)	11,742	811	**(11,570)**

Reconciliation of decrease in cash to movement in net debt

	2010 £'000	2009 £'000
Increase in cash	**3,405**	8,195
Decrease in debt	**8,337**	7,984
Change in net debt from cash flows	**11,742**	16,179
Non-cash changes	**811**	2,552
Net debt at 1 January	**(24,123)**	(42,854)
Net debt at 31 December	**(11,570)**	(24,123)

Non-cash changes relate to the amortisation of cap fees and foreign exchange movements

26 Commitments and contingent liabilities

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

The lease expenditure charged to the Income Statement during the year is disclosed in note 8

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

	2010 £'000	2009 £'000
Within one year	**942**	816
Between two and five years inclusive	**1,562**	1,356
More than five years	**81**	163
	2,585	2,335

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2010 (2009 £Nil)

Notes to the financial statements continued
for the year ended 31 December 2010

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

	Activity	Country of registration or incorporation and operation
All-Protec N V	Fire protection	Belgium
Ansul B V	Fire protection	Holland
Ansul S A	Fire protection	Belgium
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Dimex Technics S A	Fire protection	Belgium
Fire Protection Holdings Limited	Sub-holding	England
Fire Reliant Limited	Fire protection	England
GFA Premier Limited	Fire protection	England
Hoyles Fire & Safety Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Importex S A	Fire protection	Belgium
L W Safety Limited	Fire protection	England
M K Fire Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B V	Fire protection	Holland
Nu-Swift International Limited	Fire protection	England
Nu-Swift Limited	Sub-holding	England
SAS Sprl	Fire protection	Belgium
Somati FIE N V	Fire Protection	Belgium
Toldwell Limited	Sub-holding	England
Total Firestop G m b H	Fire protection	Austria
TVF (UK) Limited	Fire protection	England
United Fire Alarms Limited	Alarms	England

With the exception of the Parent Company's 100% interest in Fire Protection Holdings Limited, M K Fire Limited and TVF (UK) Limited, the shares in the remaining Group undertakings are held by subsidiary undertakings

All of these entities have been included within the consolidation

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

29 Related party transactions
During the year the Group incurred costs amounting to £1,853,000 (2009 £2,090,000) in respect of the Executive Directors including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report

The Group recharged and was reimbursed £210,000 (2009 £210,000) in relation to the Service Agreement by Andrews Sykes

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 fire companies in Switzerland controlled by J G Murray in the year of £271,000 (2009 £282,000)

The Group incurred £122,000 (2009 £279,000) of expenditure on behalf of J G Murray during the year

Parent company balance sheet
as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	2	**561**	611
Investments	3	**58,756**	55,572
		59,317	56,183
Current assets			
Debtors	4	**5,687**	1,710
Cash at bank and in hand		**2,230**	4,572
		7,917	6,282
Creditors amounts falling due within one year			
Finance debt	5	**(1,500)**	(5,253)
Creditors	6	**(11,886)**	(30,122)
		(13,386)	(35,375)
Net current liabilities		**(5,469)**	(29,093)
Total assets less current liabilities		**53,848**	27,090
Creditors amounts falling due after more than one year			
Finance debt	5	**(4,732)**	(29,225)
Net assets/(liabilities)		**49,116**	(2,135)
Capital and reserves			
Called up share capital	8	**123**	123
Profit and loss account	9	**48,993**	(2,258)
Equity shareholders' funds/(deficit)	10	**49,116**	(2,135)

The registered number of the Company is 53417

The notes on pages 40 to 44 are an integral part of these financial statements

The financial statements on pages 39 to 44 were approved by the Board of Directors on 4 May 2011 and were signed on its behalf by

J G Murray
Chairman
4 May 2011

JJ MURRAY

Notes to the parent company financial statements
for the year ended 31 December 2010

1 Principal accounting policies

Basis of accounting

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

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

Tangible fixed assets

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

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

Share in aircraft 5%

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

Investments

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date Deferred tax is measured on an undiscounted basis

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 During the year the outstanding value of these fees were written off

Cash flow statement

The cash flows of the Parent Company are included in the Consolidated Statement of Cash Flow of London Security plc Consequently, the Parent Company is exempt under the terms of FRS 1 (revised) "Cash flow statements" from publishing a cash flow statement

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

2 Tangible assets

	Share in aircraft £'000
Cost	
At 1 January and **31 December 2010**	1,019
Depreciation	
At 1 January 2010	408
Charge for the year	50
At 31 December 2010	**458**
Net book amount	
At 31 December 2010	**561**
At 31 December 2009	611

3 Investments

	Shares in subsidiary undertakings £'000	Long-term loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2010	35,956	19,616	55,572
Decrease in long-term loans provided to subsidiary undertakings	—	(19,616)	(19,616)
Increase in investment in subsidiary undertakings	22,800	—	22,800
At 31 December 2010	**58,756**	**—**	**58,756**

The above transactions in the year all relate to Fire Protection Holdings Limited A schedule of subsidiary undertakings, all of which are wholly owned subsidiary undertakings of the Parent Company, is included in note 27 to the Group financial statements

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

4 Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**4,619**	713
Amounts owed by related undertakings	**204**	204
Other debtors	**122**	399
Taxation recoverable	**742**	394
	5,687	1,710

Amounts owed by subsidiary and related undertakings are unsecured, interest free and 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 2010

5 Finance debt

	2010 £'000	2009 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings		
– in one to two years	**1,500**	5,253
– between two and five years	**3,232**	23,972
	4,732	29,225
Current (amounts falling due within one year or on demand)		
Bank borrowings	**1,500**	5,253
Total borrowings	**6,232**	34,478

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1 7% (2009 2 9%) per annum

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 2010 £'000	Weighted average interest rate 2010	Total 2009 £'000	Weighted average interest rate 2009
Currency				
Sterling	**6,232**	**1.7%**	7,898	2 6%
Euro	**—**	**—**	26,580	3 0%
	6,232	**1.7%**	34,478	2 9%

Borrowing facilities
The Company has undrawn committed borrowing facilities of £1 8 million (2009 £1 8 million)

6 Creditors amounts falling due within one year

	2010 £'000	2009 £'000
Amounts owed to subsidiary undertakings	**11,548**	29,652
Other creditors	**118**	111
Accruals	**220**	359
	11,886	30,122

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

7 Deferred tax

The deferred tax asset comprises

	Amount recognised		Amount unrecognised	
	2010 £'000	2009 £ 000	**2010 £'000**	2009 £ 000
Losses	**—**	—	**(1,599)**	(2,239)
Deferred tax asset	**—**	—	**(1,599)**	(2,239)

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences will reverse, based on tax rates and laws substantively enacted at the Statement of Financial Position date being a rate of 28% An announcement has been made since the Statement of Financial Position date that UK corporation tax will be reduced to 26% with effect from 1 April 2011

8 Called up share capital

	2010 Number	**2010 £'000**	2009 Number	2009 £'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	**12,270,948**	**123**	12,294,798	123

Certain Senior Executives hold options to subscribe for shares in the Company under the unapproved share option scheme The share options are exercisable three years after the date of grant, subject to EBITDA exceeding £13,694,000 in the preceding year's financial statements The share price at date of grant and the exercise price was £11 50

During the period under review a total of 23,850 ordinary shares were purchased for cancellation for a total consideration of £205,399

The only outstanding options at 31 December 2010 are those under the unapproved share option scheme granted to employees as follows

Date granted	At 1 January 2010	Cancelled in the year	**At 31 December 2010**	Exercise price £	Dates normally exercisable
14/01/03	30,000	—	**30,000**	11 50	14/01/06 – 14/01/13

The mid-market price of the Company's shares at 31 December 2010 was £9 88 and the range during the year was £7 75 to £9 88

9 Profit and loss account

	£'000
At 1 January 2010	(2,258)
Profit for the financial year	51,251
At 31 December 2010	**48,993**

London Security plc has not presented its own profit and loss account as the Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 The profit for the financial year of the Parent Company included within the consolidated profit for the year attributable to the equity shareholders is £51,251,000 (2009 £4,414,000)

The Parent Company had no employees during the year (2009 Nil)

The remuneration paid to the Parent Company auditors in respect of the audit of Group and Parent Company financial statements for the year ended 31 December 2010 is set out in note 8 to the Group financial statements

Notes to the parent company financial statements continued
for the year ended 31 December 2010

10 Reconciliation of movements in equity shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	**53,077**	4,414
Dividends paid	**(2,086)**	—
Net exchange gain on foreign currency loans	**466**	—
Purchase of own shares	**(206)**	—
Net increase in equity shareholders' funds	**51,251**	4,414
Opening equity shareholders' deficit	**(2,135)**	(6,549)
Closing equity shareholders' funds/(deficit)	**49,116**	(2,135)

11 Commitments and contingent liabilities
The Parent Company had no financial or other commitments at 31 December 2010 (2009 £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 2010 this guarantee amounted to £27,624,000 (2009 £8,711,000) No loss is expected to arise from this guarantee

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

13 Related party transactions
During the year the Parent Company incurred costs amounting to £1,853,000 (2009 £2,090,000) in respect of the Executive Directors, including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report The balances disclosed in note 4 as being due from related undertakings are with companies controlled by J G Murray

The Parent Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" from disclosing transactions between related parties within the London Security plc group of companies

The Group incurred £122,000 (2009 £279,000) of expenditure on behalf of J G Murray during the year

Notice of annual general meeting

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc (the "Company") will be held at 10 Bruton Street, 5th Floor, London W1J 6TX on 8 June 2011 at 11 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 2010 and the Reports of the Directors and auditors and the Directors' Remuneration Report for that period

2 To re-elect J-C Pillois as a Director, who retires by rotation under article 23 2 of the Company's articles of association

3 To re-elect H Shouler as a Director, who retires by rotation under article 23 2 of the Company's articles of association

4 To re-elect M Gailer as a Director, who retires by rotation under article 23 2 of the Company's articles of association

5 That KPMG Audit Plc be re-appointed as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors

6 That the Directors be generally and unconditionally authorised in accordance with Section 549 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 550 of the Act) up to an aggregate nominal value equal to the whole of the authorised but unissued share capital of the Company immediately following the passing of this resolution provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire at the conclusion of five years from the date this resolution is passed provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution has not expired

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

7 That, subject to the passing of resolution numbered 6 above, the Directors be and are empowered pursuant to Section 570 of the Act to allot equity securities (within the meaning of Section 564 of the Act) of the Company for cash pursuant to the authority conferred by the resolution numbered 6 above as if Section 561 of the Act did not apply to such allotment, provided that this power shall be limited to

(i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate in such offer in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory, and

(ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £6,147 and such power shall expire on the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired

Notice of annual general meeting continued

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

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

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

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

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

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

By order of the Board

R. Pollard
Secretary
4 May 2011

Registered office
Wistons Lane
Elland
West Yorkshire
HX5 9DT

Notes

1 If you are a member of the Company you are entitled to appoint one or more proxies to attend, speak and vote at the Meeting and you should have received a form of proxy with the Notice of Meeting You can appoint a proxy using the procedures set out in these notes and the notes in the form of proxy

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you Details of how to appoint the Chairman of the Meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares You may not appoint more than one proxy to exercise rights attached to any one share To appoint more than one proxy, fill out a copy of the accompanying form of proxy for each proxy Multiple proxy appointments should be returned in the same envelope

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

Notes continued

Appointment of proxy using hard copy proxy form

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

(a) completed and signed,

(b) sent or delivered to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, and

(c) received by Capita Registrars 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

Appointment of proxy by joint members

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

Changing proxy instructions

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

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

Termination of proxy appointments

8 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice

The revocation notice must be received by Capita Registrars no later than 48 hours before the Meeting

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

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

Issued shares and total voting rights

9 As at 7 am on 4 May 2011, the Company's issued share capital comprised 12,267,748 ordinary 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 7 am on 4 May 2011 is 12,267,748

Documents on display

10 The register of Directors' interests will be available for inspection at the registered office of the Company from 4 May 2011 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting

Communication

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

(a) calling 01422 372852,

(b) you may not use any electronic address provided either

(i) in this notice of Annual General Meeting, or

(ii) any related documents (including the form of proxy), to communicate with the Company

Group companies

United Kingdom

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

Tel 0141 427 1144
Fax 0141 427 6644
Email customer service@asco uk com
Website www asco uk com

GFA Premier Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel 01422 377 521
Fax 01422 377 524
Email customer service@gfapremier co uk

Hoyles Fire & Safety Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel 01422 314 351
Fax 01422 314 311
Email customer service@hoyles co uk
Website www hoyles co uk

L W Safety Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel 01422 314 350
Fax 01422 314 311
Email customer service@lwsafety co uk
Website www lwsafety co uk

M K Fire Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel 01494 769 744
Fax 01494 465 378
Email customer service@mkfire co uk
Website www mkfire co uk

Nu-Swift International Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel 01422 372 852
Fax 01422 379 569
Email customer service@nuswift co uk
Website www nu-swift co uk

TVF (UK) Limited
56/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

Tel 01494 450 641
Fax 01494 465 378
Email customer service@tvfltd co uk
Website www tvfltd co uk

United Fire Alarms Limited
Wistons Lane
Elland
West Yorkshire HX5 9DT

Tel 0845 601 5836
Fax 0845 601 5837
Email customer service@utdfa co uk
Website www unitedfirealarm com

Belgium

All-Protec N V
Bogaertstraat 16
9910 Knesslare

Tel 00 32 9375 2044
Fax 00 32 9374 6895
Email info@all-protec be

Ansul S A
Industrialaan 35
B-1702 Groot-Bijgaarden

Tel 00 32 2467 7211
Fax 00 32 2466 4456
Email mail@ansul be
Website www ansul be

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

Tel 00 32 8788 0242
Fax 00 32 8788 3766
Email info@dimex-technics be

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

Tel 00 32 8788 0242
Fax 00 32 8788 3766
Email info@importex be

SAS Sprl
42 Rue de l Eglise
4710 Lontzen Herbesthal

Tel 00 32 8788 0242
Fax 00 32 8788 3766
Email info@dimex-technics be
Website www sas-company com

Somati FIE N V
Industrielaan 19a
9320 Erembodegem

Tel 00 32 5385 2222
Fax 00 32 5385 2221
Email info@somati be
Website www somati be

Holland

Ansul B V
Platinastraat 15 NL 8211
AR Lelystad

Tel 00 31 320 240864
Fax 00 31 320 247707
Email info@ansul nl
Website www ansul nl

Nu-Swift Brandbeveiliging B V
Ringoven 45
6826 TP Arnhem

Tel 00 31 263 630330
Fax 00 31 263 640828
Email info@nu-swift nl
Website www nu-swift nl

Austria

Total Firestop G m b H
Tillmanngasse 5
1220 Wien

Tel 00 431 259 36310
Fax 00 431 259 363118
Email info@total at
Website www total at

London Security plc
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HX5 9DT

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