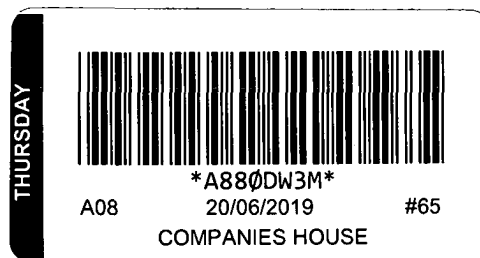


London Security plc

A leader in Europe's fire security industry.

Annual Report and Accounts 2018

Registered number of the Company: 53417



London Security plc

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

Customer focus.

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

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

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

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

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

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Financial highlights

Earnings per share

131.1p

18	131.1p
17	116.7p
16	112.4p
15	100.1p
14	103.4p
13	111.8p

Operating profit

£23.2m

18	£23.2m
17	£21.7m
16	£20.9m
15	£18.5m
14	£19.7m
13	£20.0m

Revenue

£137.7m

18	£137.7m
17	£125.9m
16	£114.8m
15	£101.2m
14	£100.9m
13	£101.4m

Our European group brands

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

Chairman's statement

J.G. Murray, Chairman

Financial highlights

Financial highlights of the audited results for the year ended 31 December 2018 compared with the year ended 31 December 2017 are as follows:

- revenue of £137.7 million (2017: £125.9 million);
- EBITDA of £29.6 million (2017: £27.9 million);
- operating profit of £23.2 million (2017: £21.7 million);
- profit for the year of £16.2 million (2017: £14.3 million); and
- a dividend per share of £0.80 (2017: £0.80).

Trading review

The financial highlights illustrate that the Group's revenue increased by £11.8 million (9.4%) to £137.7 million and operating profit increased by £1.5 million (6.9%) to £23.2 million. These results reflect:

- the positive impact of acquisitions in 2017 and 2018 in the United Kingdom, Austria and Denmark;
- improved performance from our service business in continental Europe;
- continued improvement from newer service offerings (e.g. emergency lights and passive fire protection); and
- the movement in the Euro to Sterling average exchange rate, which had a favourable effect of £1.0 million on reported revenue and £0.2 million on operating profit. A more detailed review of this year's performance is given in the Financial Review and the Strategic Report.

Acquisitions

It remains a principal aim of the Group to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at prices where an adequate return is envisaged by the Board. In the year under review the Group has acquired four established fire protection businesses and strengthened its position in the passive fire protection market with the acquisition of Amberfire Limited. The Group has grown its presence in the Netherlands, Belgium, Austria and the UK with the acquisition of service contracts from smaller well-established businesses for integration into the Group's existing subsidiaries. In addition, with the acquisition of Linde Brandmateriel Aps the Group has expanded its business into Denmark.

Management and staff

2018 was a year in which the staff performed well and, on behalf of the shareholders, I would like to express thanks and appreciation for their contribution. The Group recognises that we can only achieve our aims with talented and dedicated colleagues who provide outstanding customer service in every area of the business.

The Group was saddened by the sad loss of Michael Gailer following a short illness and is grateful to him for his 19 years of service.

Dividends

A final dividend in respect of 2017 of £0.40 per ordinary share was paid to shareholders on 5 July 2018. An interim dividend in respect of 2018 of £0.40 per ordinary share was paid to shareholders on 30 November 2018. The Board is recommending the payment of a final dividend in respect of 2018 of £0.40 per ordinary share to be paid on 5 July 2019 to shareholders on the register on 7 June 2019. The shares will be marked ex-dividend on 6 June 2019.

Future prospects

The Group will continue to grow and consolidate the fire protection industry with the finest customer care.

Annual General Meeting

The Annual General Meeting will be held at 2 Eaton Gate, London SW1W 9BJ, on 18 June 2019 at 2 pm. You will find enclosed a form of proxy for use at that Meeting, which you are requested to complete and return in accordance with the instructions on the form. Your Directors look forward to meeting you at that time.

J.G. Murray
Chairman
8 May 2019


J.G. MURRAY

Financial review

In summary:

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

Consolidated Income Statement

The Group's revenue increased by £11.8 million (9.4%) to £137.7 million. Operating profit increased by £1.5 million (6.9%) to £23.2 million. Of the increased revenue, £2.6 million was generated by the Group's new subsidiaries in 2018 as disclosed in note 26. In 2017 the Group acquired three new subsidiaries; £4.1 million was generated in a full year from these businesses. A further £4.1 million was generated through smaller acquisitions and organic growth in our existing businesses. The market for fire protection is mature and highly competitive; as a result there is a downward pressure on prices which is eroding our margins. We will continue to concentrate on the highest levels of customer service to mitigate this.

These results also reflect the movement in the Euro to Sterling average exchange rate, which has decreased from 1.14 to 1.13. If the 2018 results from the European subsidiaries had been translated at 2017 rates, revenue would have been £136.7 million instead of £137.7 million, which would represent an increase of 8.6% on the prior year. On the same basis, operating profit would have been £23.0 million instead of £23.2 million, an increase of 6.0% compared to 2017.

As an acquisitive Group the effect of past business acquisitions can be seen in our amortisation charge. This charge represents the declining value over time of customer contracts we have acquired over the last few years. Overall depreciation and amortisation charged in deriving operating profit has increased by £0.2 million in 2018 compared to 2017. This increase is largely attributable to the increase in the amortisation of service contracts. It is a factor of the price we pay for service contracts and the length of time we expect to retain those customers within the Group.

Net finance costs have declined by £0.1 million.

This represents the lower interest rates on the Group's borrowings following the refinancing in May 2018. This charge also includes the revaluation of our derivative financial instruments. These financial instruments are the interest rate agreements the Group entered into to mitigate its interest rate risk on its bank borrowings. Their revaluation at each year end has introduced volatility into our net finance costs. In 2018 there was a marginal increase in their value.

The Group's effective income tax rate has declined to 30.0% from 33.3% of operating profit as a result of corporation tax reductions in some of the jurisdictions in which the Group operates.

Consolidated Statement of Financial Position

The Group continues to demonstrate consistently profitable performance and strong cash conversion. This is illustrated by a well-capitalised balance sheet with net cash and a strong asset base.

The Group's borrowings disclosed in these financial statements were refinanced in May 2018 with the Group's existing bankers, Lloyds Bank plc, resulting in a new multi-currency term loan denominated as £3 million in Sterling and €8 million in Euros. The facility will be repaid evenly over five years. The Group incurred £0.1 million in fees in arranging these loans, which was amortised over the life of the loans. The bank loans in the financial statements are stated net of these finance arrangement fees.

Treasury management and policy

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

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

Financial review continued

Treasury management and policy continued

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

Segmental reporting

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

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

Key risks and uncertainties

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

Strategic report

Principal activities

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

Business model

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

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

The Group aims to achieve the highest levels of service and product quality through continued training of our employees to the most stringent servicing standards and the development of the highest performance-rated fire products. These activities are performed whilst considering the preservation of the environment. The Group continues to build on its reputation for service excellence and quality to develop a "safety solutions" business with a well-diversified and loyal customer base. The Board believes that the presence and requirements of a longstanding controlling shareholder helps focus the Group's strategy on long-term shareholder value creation.

Business review and results

The Consolidated Income Statement shows a profit attributable to equity shareholders of the Parent Company for the year ended 31 December 2018 of £16.1 million (2017: £14.3 million). The Group's results are discussed in detail in the Financial Review. The Group paid dividends in the year of £9.8 million comprising a final dividend in respect of the year ended 31 December 2017 of £0.40 per ordinary share and an interim dividend of £0.40 per ordinary share in respect of the year ended 31 December 2018. The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2018 of £0.40 per ordinary share. The Group ended the year with net assets of £110.2 million (2017: £103.6 million).

Key performance indicators

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

Board performance

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

Principal risks and uncertainties

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

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

The UK vote to leave the EU has had little impact on the Group's performance. There is no significant trade between the Group's Sterling and Eurozone subsidiaries which would be subject to uncertainty surrounding access to each other's markets.

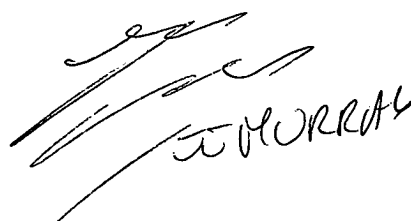
Foreign currency and interest rate risk are discussed in the Financial Review.

Future developments

We expect competition to intensify in our core market. Despite this our successful business model means we are well placed to deal with the challenges that may arise in 2019 and beyond. At the same time the Group continues to carefully control its cost base to ensure satisfactory levels of profit can be achieved.

Signed on behalf of the Board

J.G. Murray
Chairman
8 May 2019



Directors and Company advisers

Executive Directors

Jacques Gaston Murray 99

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 52

Vice Chairman

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

Xavier Mignolet 54

Managing Director

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

Emmanuel Sebag 50

Executive Director

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

Independent Non-Executive Directors

Henry Shouler 81

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.

Non-Executive Directors

Jean-Pierre Murray 50

Non-Executive Director

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

Marie-Claire Leon 55

Non-Executive Director

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

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

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

Corporate governance

The Parent Company's and Group's approach to applying the ten principles set out in Section 3 of QCA Corporate Governance Code is set out in detail on the Group's website, www.londonsecurity.org. Since the adoption of the Quoted Companies Alliance ("QCA") Corporate Governance Code on 20 September 2018 there has been one Board meeting in November 2018. In attendance were: Jean-Jacques Murray, Xavier Mignolet, Emmanuel Sebag, Henry Shouler and Marie-Claire Leon.

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

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

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

Board committees

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

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

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

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

Company information

Company advisers

Company Secretary and registered office

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

Registered number
53417

Chartered accountants and statutory independent auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

Registrars

Link Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Stockbrokers and nominated advisers

WH Ireland Limited
24 Martin Lane
London EC4R 0DR

Report of the Directors

The Directors present their report and the audited Group and Parent Company financial statements for the year ended 31 December 2018. Future developments in the business and dividends paid and proposed are discussed in the Strategic Report. The Group's financial risk management policy is discussed in the Financial Review.

Directors

The Directors of the Parent Company who served during the whole of the year ended 31 December 2018, and up to the date of signing the Group and Parent Company financial statements, were:

Executive Directors

J.G. Murray, J-J. Murray, X. Mignolet and E. Sebag were Directors throughout the whole of the year ended 31 December 2018.

Non-Executive Directors

M-C. Leon, H. Shouler and J-P. Murray were Directors throughout the whole of the year ended 31 December 2018.

M. Gailer (deceased) served as a Director until 5 March 2018.

J-J. Murray, X. Mignolet and M-C. Leon 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 6.

Directors' interests

No Director in office at 31 December 2018 had any disclosable interest in the share capital of the Parent Company or any subsidiary undertaking.

Directors' liability insurance

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

Substantial shareholdings

At 8 May 2019, the Parent Company had been notified of the following interests of 3% or more in its share capital:

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

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

J.G. Murray is a Director of London Security plc as well as EOI Fire SARL. J.G. Murray, J-J. Murray, J-P. Murray and M-C. Leon are Directors of London Security plc as well as Tristar Fire Corp. X. Mignolet is a Director of London Security plc and resigned as a Director of Tristar Fire Corp. on 17 January 2019.

Corporate culture and ethical values

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

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

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

Health, safety and the environment

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

Employment of disabled persons

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

Employee involvement

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

Payment to suppliers

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

At 31 December 2018 Group average creditor days were 56 days (2017: 56 days). The Parent Company had no trade creditors at either year end.

Donations

The Parent Company and the Group made no political donations during the year (2017: £Nil) and made charitable donations of £1,000 (2017: £Nil).

Purchase of own shares and authorities to issue shares

As at 8 May 2019 there remained outstanding general authority for the Directors to purchase a further 500,000 ordinary shares. Resolution 9 is to be proposed at the Annual General Meeting to extend this authority until the 2019 Annual General Meeting.

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

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 Parent 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.

Report of the Directors continued

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

Directors' confirmations

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

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

Independent auditors

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 PricewaterhouseCoopers LLP as independent auditors of the Parent Company and authorising the Directors to set its remuneration.

Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 55 to 57 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 postage paid address. All proxies must be received by 11 am on 16 June 2019. 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
8 May 2019

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

Policy on Executive Directors' remuneration (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 £566,067 (2017: £453,375). This includes an amount paid to the highest paid Director of £381,047 (2017: £247,726).

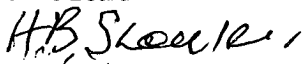
In compliance with the amendment to AIM Rule 19 the following disclosure in respect of Directors' remuneration is made:

	Emoluments and compensation including any cash or non-cash benefits received	
	2018	2017
J.G. Murray	£Nil	£Nil
J-J. Murray	£116,922	£118,156
X. Mignolet	£381,047	£247,726
E. Sebag	£Nil	£Nil
J-P. Murray	£20,000	£21,827
M-C. Leon	£20,000	£20,000
H. Shouler	£24,000	£23,333
M. Gailer	£4,098	£22,333

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

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999 and reviewed annually. The total costs amounted to £800,473 (2017: £951,000) for the year ended 31 December 2018 as per the Services Agreement.

On behalf of the Board



H. Shouler

Chairman of the remuneration committee
8 May 2019

Independent auditors' report

to the members of London Security plc

Report on the audit of the group financial statements

Opinion

In our opinion, London Security plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated statement of financial position as at 31 December 2018; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated statement of changes in equity for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall group materiality: £1,156,000 (2017: £1,075,000), based on 5% of profit before tax. • We, as the Group engagement team performed full scope audits of five UK entities and limited procedures over two further entities, covering 17.2% of the Group's external revenues and 3.8% of the Group's profit before tax.
	• For the three largest non-UK components of the Group, which are audited by PwC component auditors, we were heavily involved at all stages of their audits by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions, review and discussion of audit findings, in particular over our areas of focus.
Audit scope	• As a result of this scoping we obtained coverage over 84.3% of the Group's external revenues and 74.2% of the Group's profit before tax.
Key audit matters	• Goodwill impairment assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Report on the audit of the group financial statements continued

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment The Group holds goodwill with a carrying value of £51.2 million (2017: £49.7 million), which is required to be tested for impairment on an annual basis. We focused on this area because of the magnitude of the balance and due to the judgements made by management when assessing for the possibility of impairment. These judgements include the nature, timing and extent of the projected cash flows within the discounted cash flow model prepared to assess impairment and associated inputs to the model such as discount rate.	We obtained management's discounted cash flow model and assessed its appropriateness in accordance with the requirements of IFRS. We evaluated the process by which the Directors prepared their cash flow forecasts and compared them against the latest Board approved forecasts and found them to be consistent. We evaluated the historical accuracy of forecasts by comparing the forecasts used in the prior year cash flow model to the actual performance in the current year. These procedures enabled us to determine the accuracy of the Directors' forecasting process. We found no issues and were satisfied with the evidence obtained in this regard. We evaluated the assumptions used in the profit and cash flow forecasts included in the Directors' cash flow model. We compared forecast growth rates with historical performance as well as gaining an understanding of key factors and judgements applied in determining the future growth rates. We performed sensitivity analysis over the principal assumptions used in the cash flow model. We found no issues and were satisfied with the evidence obtained in this regard. We assessed the appropriateness of the Directors' discount rates by comparing the rate used to our own independently determined range of what we would consider to be acceptable. We found no issues and were satisfied with the evidence obtained in this regard.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£1,156,000 (2017: £1,075,000).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £26,000 and £935,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £58,500 (2017: £53,750) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the members of London Security plc

Report on the audit of the group financial statements continued

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on the audit of the group financial statements continued**Responsibilities for the financial statements and the audit continued****Auditors' responsibilities for the audit of the financial statements**

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

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

Use of this report

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

Other required reporting**Companies Act 2006 exception reporting**

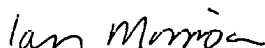
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the parent company financial statements of London Security plc for the year ended 31 December 2018.


Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

8 May 2019

Consolidated income statement

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue		137,711	125,873
Cost of sales		(31,780)	(26,626)
Gross profit		105,931	99,247
Distribution costs		(50,593)	(47,751)
Administrative expenses		(32,163)	(29,757)
Operating profit	23	23,175	21,739
EBITDA*		29,557	27,934
Depreciation and amortisation		(6,382)	(6,195)
Operating profit	23	23,175	21,739
Finance income		131	237
Finance costs		(171)	(392)
Finance costs – net	6	(40)	(155)
Profit before income tax	7	23,135	21,584
Income tax expense	8	(6,945)	(7,239)
Profit for the year		16,190	14,345
Profit is attributable to:			
Equity shareholders of the Company		16,077	14,310
Non-controlling interest		113	35
		16,190	14,345
Earnings per share			
Basic and diluted	9	131.1p	116.7p

* Earnings before interest, tax, depreciation and amortisation.

The notes on pages 21 to 45 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 2018

	Notes	2018 £'000	2017 £'000
Profit for the financial year		16,190	14,345
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
– currency translation differences on foreign currency net investments		361	1,439
Items that will not be reclassified subsequently to profit or loss:			
– actuarial gain recognised in the Nu-Swift Pension Scheme	20	16	734
– movement on deferred tax relating to Nu-Swift Pension Scheme surplus	18	(6)	(257)
– actuarial (loss)/gain recognised in the Ansul Pension Scheme	20	(145)	721
– movement on deferred tax relating to Ansul Pension Scheme deficit	18	36	(313)
Other comprehensive income for the year, net of tax		262	2,324
Total comprehensive income for the year		16,452	16,669

The notes on pages 21 to 45 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2017	123	344	1	2,033	7,031	87,021	—	96,553
Total comprehensive income for the year								
Profit for the financial year	—	—	—	—	—	14,310	35	14,345
Other comprehensive income/(expense):								
– exchange adjustments	—	—	—	—	1,439	—	—	1,439
– actuarial gain on pension schemes	—	—	—	—	—	1,455	—	1,455
– net movement on deferred tax relating to pension asset	—	—	—	—	—	(570)	—	(570)
Total comprehensive income for the year	—	—	—	—	1,439	15,195	35	16,669
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(9,808)	—	(9,808)
Contribution from non-controlling interest on business combination	—	—	—	—	—	—	154	154
At 31 December 2017 and 1 January 2018	123	344	1	2,033	8,470	92,408	189	103,568
Total comprehensive income for the year								
Profit for the financial year	—	—	—	—	—	16,077	113	16,190
Other comprehensive income/(expense):								
– exchange adjustments	—	—	—	—	361	—	—	361
– actuarial loss on pension schemes	—	—	—	—	—	(129)	—	(129)
– net movement on deferred tax relating to pension asset	—	—	—	—	—	30	—	30
Total comprehensive income for the year	—	—	—	—	361	15,978	113	16,452
Contributions by and distributions to owners of the Company:								
– dividends	—	—	—	—	—	(9,809)	—	(9,809)
At 31 December 2018	123	344	1	2,033	8,831	98,577	302	110,211

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

The notes on pages 21 to 45 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	12,077	11,589
Intangible assets	12	63,695	61,724
Deferred tax asset	18	811	589
Retirement benefit surplus	20	4,430	4,397
		81,013	78,299
Current assets			
Inventories	14	13,293	11,749
Trade and other receivables	15	28,732	26,063
Cash and cash equivalents	16	26,110	24,652
		68,135	62,464
Total assets		149,148	140,763
Liabilities			
Current liabilities			
Trade and other payables	17	(22,713)	(19,576)
Income tax liabilities		(1,731)	(1,699)
Borrowings	19	(2,125)	(11,125)
Derivative financial instruments	13	—	(54)
Provision for liabilities and charges	21	(5)	—
		(26,574)	(32,454)
Non-current liabilities			
Trade and other payables	17	(922)	(1,003)
Borrowings	19	(7,441)	—
Derivative financial instruments	13	(41)	—
Deferred tax liabilities	18	(1,898)	(1,830)
Retirement benefit obligations	20	(1,880)	(1,721)
Provision for liabilities and charges	21	(181)	(187)
		(12,363)	(4,741)
Total liabilities		(38,937)	(37,195)
Net assets		110,211	103,568
Shareholders' equity			
Ordinary shares	22	123	123
Share premium	22	344	344
Capital redemption reserve	22	1	1
Merger reserve		2,033	2,033
Other reserves		8,831	8,470
Retained earnings		98,577	92,408
Equity attributable to owners of the Parent Company		109,909	103,379
Non-controlling interest	22	302	189
Total equity		110,211	103,568

The notes on pages 21 to 45 are an integral part of these consolidated financial statements.

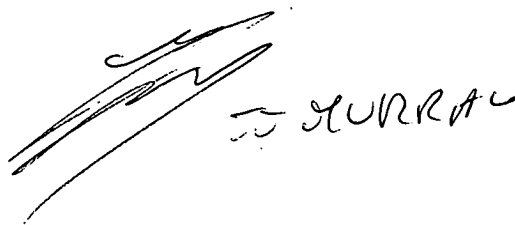
The financial statements on pages 16 to 45 were approved by the Board of Directors on 8 May 2019 and were signed on its behalf by:

J.G. Murray

Chairman

8 May 2019

Registered number of the Company: 53417.



Consolidated statement of cash flows

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	23	28,385	25,182
Interest paid		(147)	(368)
Income tax paid		(7,393)	(7,249)
Net cash generated from operating activities		20,845	17,565
Cash flows from investing activities			
Acquisition of subsidiary undertakings (net of cash acquired)	26	(4,274)	(1,220)
Purchases of property, plant and equipment		(3,551)	(3,384)
Proceeds from the sale of property, plant and equipment		398	349
Purchases of intangible assets	12	(746)	(600)
Interest received		12	30
Net cash used in investing activities		(8,161)	(4,825)
Cash flows from financing activities			
Repayments of borrowings		(1,614)	(1,809)
Dividends paid to Company's shareholders		(9,809)	(9,808)
Contribution from non-controlling interest		—	154
Net cash used in financing activities		(11,423)	(11,463)
Effects of exchange rates on cash and cash equivalents		197	773
Net increase in cash in the year		1,458	2,050
Cash and cash equivalents at the beginning of the year		24,652	22,602
Cash and cash equivalents at the end of the year	16	26,110	24,652

The notes on pages 21 to 45 are an integral part of these consolidated financial statements.

Notes to the financial statements

for the year ended 31 December 2018

1 General information

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

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

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

2 Summary of significant accounting policies

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

Basis of preparation

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

The Directors have prepared these financial statements on the fundamental assumption that the Group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements. In determining whether the Group's accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect 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 number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2018. These are considered either not relevant or to have no material impact on the Group. The following standards have been considered in more detail:

- (a) IFRS 9 "Financial Instruments" incorporating the impairment classification and measurement requirements replaced IAS 39 "Financial Instruments: Recognition and Measurement" from 1 January 2018. The Group has reviewed the composition of its trade receivables and concluded that as the expected term of the receivables is less than one year the receivables do not have a significant financing component. Therefore the Group has measured these assets at their transaction price and the new standard has not had a material impact on the Group.
- (b) IFRS 15 "Revenue from Contracts with Customers" was applicable from 1 January 2018. The Group has conducted an assessment of the impact of the standard and concluded that our current revenue recognition policies comply and the standard has not had a material impact on the Group.
- (c) There are a number of new standards, amendments to standards and interpretations that are effective for the year ended 31 December 2018. These are considered not relevant to the Group.

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending on 31 December 2018:

- (a) IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. We expect that the majority of the Group's lease commitments will be brought onto the balance sheet together with corresponding right of use assets. In the Income Statement, the existing operating lease charge, which is recognised within operating profit, will be replaced by a depreciation charge in respect of the right of use asset. In addition there will be an interest cost in relation to the lease liability which will be recognised within finance costs. This is likely to impact on the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows.

The Group does not intend to restate prior year figures when the new standard is adopted, with lease asset values being set equal to lease liabilities at the date of transition in line with the simplified approach under IFRS 16. The Group has elected to apply the recognition exemptions in respect of short-term leases of less than 12 months and low-value items with an initial purchase price of less than £4,500. A review of the Group's operating lease commitments was undertaken and identified that property and motor vehicles were the only high-value items to which the standard applies.

The Group has based the incremental borrowing rate at which to discount the future lease liabilities on the multi-currency refinancing which was completed in May 2018 in order to set a different rate for leases denominated in Sterling and Euros. The Group has completed its assessment of the impact of the standard on the Group's results and financial position. The lease liability and corresponding right of use asset disclosed in the Statement of Financial Position will be £2.5 million on transition at 1 January 2019 and the impact on the 2019 Income Statement will not be material.

Notes to the financial statements continued

for the year ended 31 December 2018

2 Summary of significant accounting policies continued

Consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The costs directly attributable to the acquisition are expensed, with the exception of those relating to the costs to issue debt or equity securities, which are recognised in accordance with IAS 32 and IAS 39.

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

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

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

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

- (i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- (ii) income and expenses for each Income Statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity and are reported within the Statement of Comprehensive Income.

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the Income Statement as part of the gain or loss on sale.

2 Summary of significant accounting policies continued

Property, plant and equipment

Property is carried at deemed cost at the date of transition to IFRS based on the previous UK GAAP valuations. Plant and equipment held at the date of transition and subsequent additions to property, plant and equipment are stated at purchase cost including directly attributable costs, less accumulated depreciation.

Freehold land is not depreciated. Depreciation on all other assets is calculated using the straight line method to allocate their cost less residual value over their estimated useful lives, as follows:

Freehold buildings	2%–6%
Plant, machinery and extinguisher rental units	10%–33%
Motor vehicles and share in aircraft	5%–33%
Fixtures, fittings and equipment	10%

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in "intangible assets". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Approval costs

Approval costs are the expenses incurred in meeting the regulatory requirements measuring the fire rating of our products. Approval costs are shown at historical cost, have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate their cost over their estimated useful lives (ten to 20 years).

(c) Computer software

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

(d) Service contracts

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

Derivative financial instruments

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

Notes to the financial statements continued

for the year ended 31 December 2018

2 Summary of significant accounting policies continued

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

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

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity.

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

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

Trade payables

Trade payables are initially recognised at fair value.

Borrowings

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

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

Current and deferred income tax

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

Deferred income tax is provided in full, using the net assets approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies continued

Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability and surplus recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for actuarial gains or losses and past service costs. The defined benefit obligation is calculated triennially by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The interest cost and the expected return on the assets are shown within finance cost and finance income respectively within the Consolidated Income Statement. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income. Net defined benefit pension scheme deficit and surplus are presented separately on the Statement of Financial Position within non-current liabilities and non-current assets respectively before tax relief. The attributable deferred tax asset and liability is included within deferred tax and is subject to the recognition criteria as set out in the accounting policy on deferred taxation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Revenue recognition

Revenue 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.

In line with IFRS 15, the Group has identified the performance obligations within its contracts with its customers and recognises revenue when those obligations have been satisfied. Revenue is recognised as follows:

(a) Outright sale of equipment

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

(b) Service

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

(c) Maintenance

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

Notes to the financial statements continued

for the year ended 31 December 2018

2 Summary of significant accounting policies continued

Revenue recognition continued

(d) Equipment rental

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

(e) Long-term installation

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

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

	Outright sale £'000	Service £'000	Maintenance £'000	Rental £'000	Installation £'000	Total £'000
2018						
Timing of recognition:						
At a point in time	86,537	33,562	—	—	8,999	129,098
Over time	—	—	4,183	4,430	—	8,613
Total revenue	86,537	33,562	4,183	4,430	8,999	137,711
2017						
Timing of recognition:						
At a point in time	78,760	31,122	—	—	7,287	117,169
Over time	—	—	4,161	4,543	—	8,704
Total revenue	78,760	31,122	4,161	4,543	7,287	125,873

Cost of sales

Cost of sales includes direct material costs. Other direct costs, largely direct labour, of £52.2 million (2017: £47.8 million) are included within distribution costs.

Leases

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

Dividend distribution

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

3 Financial risk management

Financial risk factors

The Board considers the Group has exposure to the following risks: foreign exchange risk, interest rate risk and capital risk. Risk management is carried out under treasury policies and guidelines authorised and reviewed by the Board of Directors. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. The Board has also considered the Group's exposure to credit risk and liquidity risk. The Group's trade receivables consist of a large number of customers spread across diverse industries and geographical locations. The Group does not have any significant credit risk exposure to any single customer. As a result the Board has concluded that the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. In view of the significant level of cash reserves held by the Group, the Board has concluded that it has minimal exposure to liquidity risk.

3 Financial risk management continued

Financial risk factors continued

(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:

	Sterling £'000	Euro £'000	Total £'000
31 December 2018			
Cash and cash equivalents	5,928	20,182	26,110
Trade and other receivables	6,430	22,302	28,732
Bank loans	(2,788)	(6,778)	(9,566)
Trade and other payables	(5,939)	(16,774)	(22,713)
Income tax liabilities	(347)	(1,384)	(1,731)
Balance sheet exposure	3,284	17,548	20,832
31 December 2017			
Cash and cash equivalents	5,924	18,728	24,652
Trade and other receivables	5,999	20,064	26,063
Bank loans	(3,292)	(7,833)	(11,125)
Trade and other payables	(4,768)	(14,808)	(19,576)
Income tax liabilities	(402)	(1,297)	(1,699)
Balance sheet exposure	3,461	14,854	18,315

A 5% weakening of the Euro against Sterling at 31 December 2018 would have decreased equity and profit or loss by £900,000 (2017: decrease of £755,000). 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 2018 would have had the equal but opposite effect, on the basis that all other variables remain constant.

(b) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. These borrowings were issued at variable rates based on EURIBOR and LIBOR and did expose the Group to cash flow interest rate risk.

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

(c) Capital risk

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

The Group is not subject to external regulatory capital requirements.

	2018 £'000	2017 £'000
Total capital		
Total borrowings	9,566	11,125
Less: cash and cash equivalents	(26,110)	(24,652)
Net funds	(16,544)	(13,527)
Total equity	110,211	103,568
Total capital	93,667	90,041

Notes to the financial statements continued

for the year ended 31 December 2018

4 Significant accounting estimates and judgements

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

Significant estimates

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

(a) Carrying value of goodwill and intangible assets

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

The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2019 and are extrapolated using an estimated growth rate of 1% reflecting the mature nature of the market in which the Group operates. The cash flows are then discounted. The value-in-use calculations did not indicate impairment in any goodwill. If the discount rate had been 5% higher there would still have been no impairment in any goodwill.

(b) Provisions for doubtful debtors

Trade receivables are stated in the Statement of Financial Position at their transaction price less any allowance for expected credit loss under IFRS 9. The Group's approach to the application of IFRS 9 is discussed in note 2 within the accounting policy for trade receivables.

Significant judgements

(a) Pension scheme assumptions and mortality tables

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

(b) Useful economic lives of intangible assets

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

(c) Carrying value of inventory

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

5 Employee benefit expense

	2018 £'000	2017 £'000
Wages and salaries	44,622	41,637
Social security costs	9,782	9,096
Other pension costs (note 20)	1,862	1,676
	56,266	52,409
Number of employees	1,191	1,141

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

5 Employee benefit expense continued

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

	2018 Number	2017 Number
Production	46	46
Administration and management	1,145	1,095
Total	1,191	1,141

6 Finance income and costs

	2018 £'000	2017 £'000
Finance income		
Bank interest receivable	12	19
Expected return on pension scheme assets (note 20)	106	89
Fair value of derivative financial instruments	13	129
Total finance income	131	237
Finance costs		
Bank loans, overdrafts and other loans repayable within five years	(123)	(271)
Amortisation of loan arrangement fees	(27)	(97)
Interest on pension scheme liabilities (note 20)	(21)	(24)
Total finance costs	(171)	(392)
Net finance costs	(40)	(155)

7 Profit before income tax

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

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	2,996	2,814
Amortisation of intangible fixed assets	3,386	3,381
Profit on disposal of plant and equipment	(98)	(78)
Hire charges under operating leases:		
– land and buildings	639	1,247
– other	735	873

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

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

	2018 £'000	2017 £'000
Audit services		
Fees payable to the Parent Company's auditors for the audit of the Group's annual accounts	19	18
Fees payable to the Parent Company's auditors and its network firms for other services:		
– the audit of the Parent Company's subsidiaries pursuant to legislation	218	200
Other services relating to:		
– advisory services	–	6
	237	224

Notes to the financial statements continued

for the year ended 31 December 2018

8 Income tax expense

	2018 £'000	2017 £'000
United Kingdom		
Corporation tax	469	407
	469	407
Foreign tax		
Corporation taxes	6,704	6,942
Total current tax	7,173	7,349
Deferred tax		
Original and reversal of timing differences representing:		
– United Kingdom tax	27	44
– foreign tax	(255)	(154)
Total deferred tax (note 18)	(228)	(110)
Total tax charge	6,945	7,239

The tax for the year is higher (2017: higher) than the standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	23,135	21,584
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19.00% (2017: 19.25%)	4,396	4,155
Effects of:		
– expenses not deductible for tax purposes	379	420
– overseas tax rate in excess of UK standard	2,170	2,664
Total tax charge	6,945	7,239

The Group's effective income tax rate of 30.0% of operating profit is expected to remain constant despite a reduction in the UK's main rate of corporation tax to 19.0%. This is because most of the expense is incurred in overseas jurisdictions which are not affected by this reduction.

9 Earnings per share

The calculation of basic earnings per ordinary share ("EPS") is based on the profit on ordinary activities after taxation of £16,077,000 (2017: £14,310,000) and on 12,261,477 (2017: 12,261,477) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

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

	2018		2017	
	£'000	Pence	£'000	Pence
Profit on ordinary activities after taxation	16,077	131.1	14,310	116.7

10 Dividends per share

	2018 £'000	2017 £'000
Equity – ordinary shares		
Final paid £0.40 (2017: £0.40) per share	4,904	4,904
Interim paid £0.40 (2017: £0.40) per share	4,905	4,904
	9,809	9,808

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2018 of £0.40 per ordinary share (2017: £0.40).

11 Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Extinguisher rental units £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost						
At 1 January 2017	9,781	3,771	10,861	10,678	4,940	40,031
Additions	102	204	369	2,391	318	3,384
On acquisitions of subsidiary undertakings	—	2	—	47	4	53
Disposals	—	(6)	(65)	(1,402)	(269)	(1,742)
Exchange adjustment	261	146	483	426	183	1,499
At 1 January 2018	10,144	4,117	11,648	12,140	5,176	43,225
Additions	112	228	346	2,335	478	3,499
On acquisitions of subsidiary undertakings	—	14	—	163	29	206
Disposals	—	(25)	(53)	(1,567)	(256)	(1,901)
Exchange adjustment	59	35	109	115	44	362
At 31 December 2018	10,315	4,369	12,050	13,186	5,471	45,391
Accumulated depreciation						
At 1 January 2017	5,820	3,058	10,286	5,779	4,151	29,094
Disposals	—	(4)	(58)	(1,146)	(263)	(1,471)
Charge for the year	145	168	275	1,810	416	2,814
Exchange adjustment	225	125	458	233	158	1,199
At 1 January 2018	6,190	3,347	10,961	6,676	4,462	31,636
Disposals	—	(25)	(49)	(1,272)	(255)	(1,601)
Charge for the year	150	178	290	2,014	364	2,996
Exchange adjustment	48	31	102	65	37	283
At 31 December 2018	6,388	3,531	11,304	7,483	4,608	33,314
Net book amount						
At 31 December 2018	3,927	838	746	5,703	863	12,077
At 31 December 2017	3,954	770	687	5,464	714	11,589
At 31 December 2016	3,961	713	575	4,899	789	10,937

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

Notes to the financial statements continued

for the year ended 31 December 2018

12 Intangible assets

	Goodwill £'000	Service contracts £'000	Software £'000	Approval costs £'000	Total £'000
Cost					
At 1 January 2017	65,666	27,266	1,364	2,071	96,367
Additions	—	464	71	65	600
On acquisitions of subsidiary undertakings	104	1,157	—	—	1,261
Exchange differences	1,062	692	59	73	1,886
At 1 January 2018	66,832	29,579	1,494	2,209	100,114
Additions	—	557	92	46	695
On acquisitions of subsidiary undertakings	1,491	3,098	—	—	4,589
Exchange differences	212	156	9	21	398
At 31 December 2018	68,535	33,390	1,595	2,276	105,796
Accumulated amortisation					
At 1 January 2017	16,228	14,698	969	1,723	33,618
Charge for the year	—	3,029	196	156	3,381
Exchange differences	898	369	44	80	1,391
At 1 January 2018	17,126	18,096	1,209	1,959	38,390
Charge for the year	—	3,092	169	125	3,386
Exchange differences	189	107	9	20	325
At 31 December 2018	17,315	21,295	1,387	2,104	42,101
Net book amount					
At 31 December 2018	51,220	12,095	208	172	63,695
At 31 December 2017	49,706	11,483	285	250	61,724
At 31 December 2016	49,438	12,568	395	348	62,749

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

Impairment tests for goodwill and service contracts

The recoverable amount of goodwill and service contracts is determined based on value-in-use calculations for each cash-generating unit ("CGU"). The value-in-use calculations have used pre-tax cash flow projections based on the budget for the year ending 31 December 2019. Subsequent cash flows are extrapolated using an estimated growth rate of 1% (2017: 1%) reflecting the mature nature of the market in which the Group operates. The cash flows have then been discounted using a pre-tax rate of 10% (2017: 10%). The value-in-use calculations did not indicate impairment in any goodwill or service contract. If the discount rate had been 5% higher there would still have been no impairment in any goodwill. The value of goodwill is split into five CGUs to assess indicators of impairment. Of the total goodwill £39,200,000 (2017: £39,081,000) relates to Ansul Group companies, £11,081,000 (2017: £9,802,000) relates to the integrated UK companies and the balance relates to the remaining CGUs which are individually considered insignificant.

13 Derivative financial instruments

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	41	—	54

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

14 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	4,803	5,189
Work in progress	668	488
Finished goods	7,822	6,072
	13,293	11,749

The cost of inventories recognised as an expense and included in cost of sales amounted to £30,912,000 (2017: £25,664,000). No (2017: £Nil) previous inventory write downs have been reversed.

15 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade receivables	26,646	24,681
Less: expected credit loss allowance	(1,562)	(1,776)
Trade receivables – net	25,084	22,905
Amounts owed by related undertakings	31	31
Other receivables	1,115	950
Prepayments and accrued income	1,569	1,593
Income tax recoverable	933	584
	28,732	26,063

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

As of 31 December 2018, trade receivables of £16,010,229 (2017: £15,409,542) were fully performing.

As of 31 December 2018, trade receivables of £6,848,099 (2017: £5,341,276) were past due but not impaired. These relate to a number of independent customers for whom there is no expected credit loss. The ageing analysis of these trade receivables is as follows:

	2018 £'000	2017 £'000
Up to three months	5,837	4,620
Three to six months	1,011	721
	6,848	5,341

As of 31 December 2018, trade receivables of £3,788,063 (2017: £3,930,372) were impaired and an expected credit loss allowance provided for. The amount of the allowance was £1,562,059 (2017: £1,776,000). It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2018 £'000	2017 £'000
Up to three months	1,262	1,031
Three to six months	1,227	1,480
Six months or greater	1,299	1,419
	3,788	3,930

Notes to the financial statements continued

for the year ended 31 December 2018

15 Trade and other receivables continued

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

	2018 £'000	2017 £'000
Sterling	6,430	5,999
Euro	22,302	20,064
Total	28,732	26,063

These are detailed as Sterling equivalent.

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

	2018 £'000	2017 £'000
At 1 January	1,776	1,599
Increase in loss allowance recognised in the year	583	619
Receivables written off in the year as uncollectable	(221)	(261)
Unused amounts reversed	(576)	(181)
At 31 December	1,562	1,776

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

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

The Group does not hold any collateral as security.

16 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	26,110	24,652

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

17 Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	4,053	3,171
Other payables	2,871	2,347
Other taxation and social security	11,226	10,064
Accruals	1,891	1,306
Deferred income	2,672	2,688
	22,713	19,576
Non-current		
Other payables	922	1,003

18 Deferred income tax

	Amount (provided)/recognised		Amount (unprovided)/unrecognised	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax asset				
Pension deficit	470	432	—	—
Decelerated capital allowances	341	157	—	—
Unrecoverable losses	—	—	971	971
	811	589	971	971
Deferred tax liabilities				
Pension surplus	(1,552)	(1,539)	—	—
Short-term timing differences	(346)	(291)	—	—
	(1,898)	(1,830)	—	—
Net deferred tax liability	(1,087)	(1,241)	971	971
				£'000
At 1 January 2018				(1,241)
Exchange differences				(104)
Amount credited to the Consolidated Income Statement (note 8)				228
Amount credited to the Consolidated Statement of Comprehensive Income				30
At 31 December 2018				(1,087)

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

19 Borrowings

	2018 £'000	2017 £'000
Non-current (more than one year but less than five years)		
Bank borrowings:		
– in one to two years	2,125	—
– between two and five years	5,316	—
	7,441	—
Current (one year or less or on demand)		
Bank borrowings	2,125	11,125
Total borrowings	9,566	11,125

The carrying value of borrowings approximates to its fair value.

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 1.7% (2017: 2.3%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £79,000 (2017: £32,000), of which £61,000 (2017: £Nil) is to be amortised after more than one year.

Notes to the financial statements continued

for the year ended 31 December 2018

19 Borrowings continued

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

Financial maturity analysis	2018 £'000	2017 £'000
Bank borrowings:		
– within one year	2,264	11,272
– in one to two years	2,235	—
– between two and five years	5,459	—
	9,958	11,272

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

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

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

Currency	Total 2018 £'000	Weighted average interest rate 2018	Total 2017 £'000	Weighted average interest rate 2017
Sterling	2,788	2.3%	3,292	2.9%
Euro	6,778	1.5%	7,833	2.1%
	9,566	1.7%	11,125	2.3%

20 Retirement benefit obligations

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

Nu-Swift International Pension Scheme

Nu-Swift International Limited operates a funded defined benefit pension scheme, which was closed to new entrants with effect from 1 December 2002 and to further accrual on 30 June 2007, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested with Legal and General Investment Management. The total pension cost of the Group is determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation as at 31 December 2017 showed that the market value of the scheme's assets was £17,909,000 and that the actuarial value of those assets represented 118% of the benefits that had accrued to members. The results of the 2017 valuation have been projected to 31 December 2018 and then recalculated using the assumptions set out below which result in a net surplus position of £4,430,000 (2017: £4,397,000). The scheme's assets are stated at their market value at 31 December 2018.

At 31 December 2018 the scheme had a net defined benefit surplus calculated in accordance with IAS 19 using the assumptions set out of £4,430,000 (2017: net defined benefit surplus of £4,397,000). The surplus is recognised as it is confirmed that the Group does have an unconditional right to a refund of surplus contributions once all pensions have been applied and the scheme winds up. On this basis no liability for minimum funding requirements has been recognised.

The Group paid no contributions to the scheme (2017: £Nil) over the year. No further contributions were payable with effect from 1 May 2015. These payments had been in respect of the recovery plan put in place following the completion of the 2011 valuation.

An allowance has been calculated by the scheme's actuaries in respect of GMP equalisation and disclosed as a past service charge. The allowance has not had a material impact.

20 Retirement benefit obligations continued**Nu-Swift International Pension Scheme continued**

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

	2018	2017	2016
Discount rate	2.60%	2.40%	2.50%
Inflation rate	2.50–3.50%	2.40–3.40%	2.50–3.50%
Salary increase rate	n/a	n/a	n/a
Increases for pensions in payment	3.40%	3.30%	3.40%
Revaluation of deferred pensions	2.50%	2.40%	2.50%

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

	2018	2017
Male	21.8	21.9
Female	23.7	23.8

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:

	2018	2017
Male	22.8	23.1
Female	24.9	25.0

The assets in the scheme were:

	Value at 31 December 2018 £'000	Percentage of scheme assets 2018	Value at 31 December 2017 £'000	Percentage of scheme assets 2017
Equities	—	0.0%	5,707	31.9%
Bonds	14,510	84.3%	12,213	68.3%
Cash/(overdraft)	2,693	15.7%	(46)	(0.2%)
	17,203		17,874	
Present value of the scheme's liabilities	(12,773)		(13,477)	
Surplus in the Nu-Swift Scheme recognised in the Statement of Financial Position	4,430		4,397	
Related deferred tax liability	(1,552)		(1,539)	

Analysis of the amount recognised in the Income Statement

	2018 £'000	2017 £'000
Past service charge relating to GMP equalisation	89	—
Interest credit	(106)	(89)
Total operating credit	(17)	(89)

Notes to the financial statements continued

for the year ended 31 December 2018

20 Retirement benefit obligations continued

Movement in the defined benefit obligation over the year

	2018 £'000	2017 £'000
Start of the year	(13,477)	(13,628)
Past service charge	(89)	—
Interest cost	(316)	(334)
Actuarial gain/(loss) arising from changes in financial assumptions	415	(137)
Actuarial gain arising from changes in demographic assumptions	95	95
Benefits paid	599	527
End of the year	(12,773)	(13,477)

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

	2018 £'000	2017 £'000
Start of the year	17,874	17,202
Interest income	422	423
Return on assets (excluding amount included in net interest expense)	(494)	776
Benefits paid	(599)	(527)
End of the year	17,203	17,874

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

	2018 £'000	2017 £'000
Actuarial gain/(loss) on defined benefit obligation	510	(42)
Actual return less expected return on pension scheme assets	(494)	776
Gain recognised in the Consolidated Statement of Comprehensive Income	16	734

Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% decrease in the inflation rate would be to increase the pension surplus by £45,000 (2017: £44,000); an increase of 0.1% in the inflation rate would decrease the surplus by £41,000 (2017: £49,000). The impact of a 0.1% increase in the discount rate would be to increase the pension surplus by £162,000 (2017: £180,000); a decrease of 0.1% in the discount rate would decrease the surplus by £165,000 (2017: £183,000).

Ansul Pension Scheme

Ansul S.A. operates a number of funded pension schemes, the majority of which are prescribed by the Belgian state. Included within these is a funded pension scheme for which the majority of the Belgian employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Ansul Group, being invested with Delta Lloyd Life. The total pension cost of the Ansul Group scheme is determined by an independent qualified actuary. The most recent valuation was at 31 December 2017. The scheme's assets are stated at their market value at 31 December 2018.

The Group paid contributions to the scheme amounting to £231,000 (2017: £180,000) over the year. There are no minimum contribution requirements for this scheme.

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

	2018	2017	2016
Discount rate	1.88%	1.58%	1.60%
Inflation rate	2.00%	1.60%	2.00%
Salary increase rate	1.00%	1.00%	1.00%

20 Retirement benefit obligations continued**Ansul Pension Scheme continued**

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

	2018	2017
Male	21.9	21.9
Female	25.3	25.3

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

	2018	2017
Male	22.0	22.0
Female	25.4	25.4

The assets in the scheme were:

	Value at 31 December 2018 £'000	Percentage of scheme assets 2018	Value at 31 December 2017 £'000	Percentage of scheme assets 2017
Assets with guaranteed interest with insurer	2,329	100%	2,152	100%
Present value of the schemes' liabilities	(4,209)		(3,873)	
Deficit in the Ansul Scheme recognised in the Statement of Financial Position	(1,880)		(1,721)	
Related deferred tax asset	470		432	

Analysis of the amount recognised in the Income Statement

	2018 £'000	2017 £'000
Current service charge	(22)	37
Interest charge	21	24
Total operating (credit)/charge	(1)	61

Movement in the defined benefit obligation over the year

	2018 £'000	2017 £'000
Start of the year	(3,873)	(3,848)
Current service cost	(209)	(216)
Interest cost	(56)	(51)
Actuarial gain/(loss) arising from changes in financial assumptions	81	(41)
Actuarial (loss)/gain arising from changes in demographic assumptions	(286)	318
Benefits paid	188	145
Exchange movement	(54)	(180)
End of the year	(4,209)	(3,873)

Notes to the financial statements continued

for the year ended 31 December 2018

20 Retirement benefit obligations continued

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

	2018 £'000	2017 £'000
Start of the year	2,152	1,569
Return on assets	35	27
Actuarial (loss)/gain	(13)	383
Employer contributions	231	180
Benefits paid	(98)	(84)
Exchange movements	22	77
End of the year	2,329	2,152

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

	2018 £'000	2017 £'000
Actual return less expected return on pension scheme assets	(145)	721
Actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	(145)	721

Sensitivity of the liability value to changes in the principal assumptions

Prior to the effect of deferred tax, the impact of a 0.1% increase in the inflation rate would be to increase the pension deficit by £20,000 (2017: £22,000); a decrease of 0.1% in the inflation rate would decrease the deficit by £19,000 (2017: £20,000). The impact of a 0.1% increase in the discount rate would be to decrease the pension deficit by £54,000 (2017: £60,000); a decrease of 0.1% in the discount rate would increase the deficit by £60,000 (2017: £68,000).

UK stakeholder scheme

The contributions paid by the Group to the defined contribution stakeholder pension schemes in operation within the UK amounted to £333,000 in the year ended 31 December 2018 (2017: £281,000).

Total pension costs charged to the Income Statement for all schemes in which the Group participates amounted to £1,862,000 for the year ended 31 December 2018 (2017: £1,676,000) and were wholly recognised in administrative expenses.

21 Provisions for liabilities and charges

	Current Rectification provision £'000	Non-current		Total £'000
	Rectification provision £'000	Environmental provision £'000		
At 1 January 2018	—	4	183	187
Movement in the year	4	(4)	(2)	(2)
Amount provided in the year	1	—	—	1
Provision at 31 December 2018	5	—	181	186

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

22 Called up share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,261,477	123	12,261,477	123

There are no outstanding options at 31 December 2018.

The mid-market price of the Company's shares at 31 December 2018 was £19.40 and the range during the year was £19.00 to £21.99.

22 Called up share capital continued
Share premium account

	£'000
At 1 January 2018 and 31 December 2018	344

Capital redemption reserve

	£'000
At 1 January 2018 and 31 December 2018	1

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

Non-controlling interest

	£'000
At 1 January 2018	189
Profit in the year attributable to non-controlling interest	113
At 31 December 2018	302

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

23 Reconciliation of operating profit to cash generated from operations

	2018 £'000	2017 £'000
Operating profit	23,175	21,739
Depreciation of property, plant and equipment	2,996	2,814
Amortisation of intangible assets	3,386	3,381
Profit on disposal of property, plant and equipment	(98)	(78)
Exchange differences	185	249
Difference between pension charge and cash contributions	72	97
Increase in trade and other receivables	(560)	(1,843)
Increase/(decrease) in trade and other payables	565	(614)
(Decrease)/increase in provisions	(2)	22
Increase in inventories	(1,334)	(585)
Cash generated from operations	28,385	25,182

Disposal of assets

	2018 £'000	2017 £'000
Net book value	300	271
Profit on disposal of property, plant and equipment	98	78
Proceeds	398	349

Notes to the financial statements continued

for the year ended 31 December 2018

24 Reconciliation of movement in net funds

	At 1 January 2018 £'000	Cash flow £'000	Non-cash items £'000	At 31 December 2018 £'000
Cash in hand and at bank	24,652	1,261	197	26,110
Debt due within one year	(11,125)	1,614	7,386	(2,125)
Debt due after one year	—	—	(7,441)	(7,441)
Total	13,527	2,875	142	16,544

Reconciliation of increase in cash to movement in net funds

	2018 £'000	2017 £'000
Increase in cash	1,261	1,277
Decrease in debt	1,614	1,809
Change in net debt from cash flows	2,875	3,086
Non-cash changes	142	498
Net funds at 1 January	13,527	9,943
Net funds at 31 December	16,544	13,527

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

25 Commitments and contingent liabilities

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

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

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

	Property		Plant, machinery and equipment	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	664	1,021	683	771
Between two and five years inclusive	652	932	603	987
More than five years	160	—	—	—
	1,476	1,953	1,286	1,758

The Group had no contingent liabilities, no other financial commitments and no capital commitments at 31 December 2018 (2017: £Nil).

26 Acquisitions

On 14 June 2018 the Group purchased the entire share capital of Linde Brandmateriel Aps, a company incorporated in, and which operates in, Denmark. On 22 June 2018 the Group purchased the entire issued share capital of Blusdesign B.V. and Brandpreventie Groep B.V., companies incorporated in, and which operate in, the Netherlands. On 17 September 2018 the Group purchased the entire members' interests of City Fire Protection and Maintenance Services LLP, a partnership which operates in England. On 1 November 2018 Fire Industry Specialists Limited, which is 75% owned by LS UK Fire Group Limited, purchased the entire share capital of Amberfire Limited, a company incorporated in, and which operates in, England.

26 Acquisitions continued

As these acquisitions are individually considered immaterial to the Group the disclosure of the book and provisional fair values of net assets acquired is given in aggregate as follows:

	Book value 2018 £'000	Fair value 2018 £'000	Total 2018 £'000	Total 2017
Property, plant and equipment	206	—	206	53
Service contracts	—	3,098	3,098	1,157
Inventories	210	—	210	69
Receivables	1,760	—	1,760	729
Cash and cash equivalents	390	—	390	395
Payables	(1,525)	—	(1,525)	(506)
Fair value of net assets acquired	1,041	3,098	4,139	1,897
Goodwill	—	1,491	1,491	104
Total consideration	1,041	4,589	5,630	2,001
Cash and cash equivalents acquired			(390)	(395)
Net consideration			5,240	1,606

Satisfied by:

	Provisional consideration 2018 £'000	Provisional consideration 2017 £'000
Cash	4,274	1,220
Deferred consideration	966	386
Net consideration	5,240	1,606

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

The revenue and net profit of Linde Brandmateriel Aps since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 were £1,150,000 and £83,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £2,123,000 and £153,000 had the acquisition taken place on 1 January 2018.

The revenue and net profit of Blusdesign B.V. and Brandpreventie Groep B.V. since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 were £544,000 and £40,000 respectively. On a pro rata basis the revenue and loss would have been expected to be £1,088,000 and £80,000 had the acquisition taken place on 1 January 2018.

The revenue and net profit of City Fire Protection and Maintenance Services LLP since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 were £634,000 and £84,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £2,536,000 and £336,000 had the acquisition taken place on 1 January 2018.

The revenue and net profit of Amberfire Limited since the acquisition date included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 were £251,000 and £47,000 respectively. On a pro rata basis the revenue and profit would have been expected to be £1,506,000 and £188,000 had the acquisition taken place on 1 January 2018.

In addition, the Group acquired contracts from a number of companies and businesses for a total consideration of £557,000. The Directors considered that the consideration equated to the fair value of the contracts acquired and have recognised an intangible asset accordingly. The Group monitors contract retention rates for any indication of impairment.

Due to the integration of these companies and businesses acquired during the year into the existing businesses and operations, the Directors are unable to determine the contribution of the acquisitions to the revenue and net profit of the Group for the year ended 31 December 2018 nor are they able to determine what the impact on revenues and profit of the Group for the year ended 31 December 2018 would have been had the acquisitions taken place on 1 January 2018.

Notes to the financial statements continued

for the year ended 31 December 2018

27 Group undertakings

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

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

27 Group undertakings continued

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

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

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

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

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

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

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

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

Firestop Services Limited is registered at Unit 15, Cedar Parc, Lincoln Road, Doddington, Lincolnshire LN6 4RR.

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 Trusts 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 £800,473 (2017: £951,000) 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 £83,000 (2017: £82,000) in relation to the Service Agreement by Andrews Sykes.

The balance disclosed in note 15 as being due from related undertakings is with EFS Property Holdings Ltd., a company controlled by J.G. Murray. The amount outstanding at the year end relates entirely to transactions in the year.

The Group made sales to Andrews Sykes in relation to fire protection in the year of £11,538 (2017: £10,528).

The Group made sales to fire companies in Switzerland controlled by J.G. Murray in the year of £292,920 (2017: £339,006).

The Group incurred £335,000 (2017: £253,000) of expenditure on behalf of J.G. Murray during the year, of which £59,000 (2017: £Nil) was outstanding at the year end.

The Group incurred £5,000 (2017: £52,000) of expenditure on behalf of J-J. Murray during the year. This was reimbursed in the year.

30 Post balance sheet events

Subsequent to the year end the Group has completed the acquisition of further service contracts for a total of £1,473,000 (2017: £Nil).

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 January 2017	123	344	1	49,157	49,625
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,069	9,069
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
At 1 January 2018	123	344	1	48,418	48,886
Total comprehensive income for the year					
Profit for the financial year	—	—	—	9,489	9,489
Contributions by and distributions to owners of the Company:					
– dividends	—	—	—	(9,808)	(9,808)
At 31 December 2018	123	344	1	48,099	48,567

The notes on pages 51 to 54 are an integral part of these financial statements.

Notes to the Parent Company financial statements

for the year ended 31 December 2018

1 Principal accounting policies

Basis of accounting

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

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

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

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

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

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

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

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

Tangible fixed assets

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

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

Share in aircraft 5%

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

Investments

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

Deferred tax

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

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

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

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

Notes to the Parent Company financial statements

continued for the year ended 31 December 2018

1 Principal accounting policies continued

Finance arrangement costs and interest rate caps

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

Derivative financial instruments

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

Dividend distribution

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

2 Tangible assets

	Share in aircraft £'000
Cost	
At 1 January and 31 December 2018	1,019
Accumulated depreciation	
At 1 January 2018	815
Charge for the year	51
At 31 December 2018	866
Net book amount	
At 31 December 2018	153
At 31 December 2017	204

3 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January and 31 December 2018	49,804

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

A full list of subsidiary undertakings is provided in note 27 of the Group accounts.

4 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts owed by Group undertakings	1,586	2,228
Other debtors	59	—
Income tax recoverable	391	416
	2,036	2,644

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

5 Borrowings

	2018 £'000	2017 £'000
Non-current (amounts falling due in more than one year)		
Bank borrowings:		
– in one to two years	619	—
– between two and five years	1,550	—
	2,169	—
Current (amounts falling due within one year or on demand)		
Bank borrowings	619	3,292
Total borrowings	2,788	3,292

Interest rates (including the bank's margin) on the bank loans in existence during the year averaged 2.30% (2017: 2.85%) per annum. Bank loans are stated net of unamortised finance arrangement costs of £47,000 (2017: £8,000), of which £36,000 (2017: £Nil) is to be amortised after more than one year.

The Directors consider that the fair values of the bank loans are not materially different from their book values.

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

Currency	Total 2018 £'000	Weighted average interest rate 2018	Total 2017 £'000	Weighted average interest rate 2017
Sterling	2,788	2.30%	3,292	2.85%
	2,788	2.30%	3,292	2.85%

6 Creditors

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	1,941	1,295
Accruals and deferred income	137	147
	2,078	1,442

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

7 Deferred tax

The deferred tax asset comprises:

	Amount recognised		Amount unrecognised	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Losses	—	—	(971)	(971)
Deferred tax asset	—	—	(971)	(971)

Deferred tax is measured on a non-discounted basis at the tax rate that is expected to apply in the periods in which timing differences will reverse, based on tax rates and laws substantively enacted at the balance sheet date, being a rate of 17%.

Notes to the Parent Company financial statements

continued for the year ended 31 December 2018

8 Derivative financial instruments

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Interest rate agreements	—	8	—	9

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

9 Called up share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Authorised				
Ordinary shares of 1p each	67,539,188	675	67,539,188	675
Allotted, called up and fully paid				
Ordinary shares of 1p each	12,261,477	123	12,261,477	123

There were no outstanding options at 31 December 2018.

The mid-market price of the Company's shares at 31 December 2018 was £19.40 and the range during the year was £19.00 to £21.99.

The Parent Company had no employees during the year (2017: Nil).

The remuneration paid to the Parent Company auditors in respect of the audit of the Group and Parent Company financial statements for the year ended 31 December 2018 is set out in note 7 to the Group financial statements.

The Board is recommending the payment of a final dividend in respect of the year ended 31 December 2018 of £0.40 per ordinary share (2017: £0.40).

10 Commitments and contingent liabilities

The Parent Company had no financial or other commitments at 31 December 2018 (2017: £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 2018 this guarantee amounted to £6,811,000 (2017: £7,857,000). No loss is expected to arise from this guarantee.

11 Ultimate parent undertaking and controlling party

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

12 Related party transactions

During the year the Company incurred costs amounting to £601,244 (2017: £759,000) in respect of the Executive Directors, including the Head Office and other expenses under the Services Agreement referred to in the Directors' Remuneration Report.

The Company recharged and was reimbursed £83,000 (2017: £82,000) in relation to the Service Agreement by Andrews Sykes.

The Company incurred £335,000 (2017: £253,000) of expenditure on behalf of J.G. Murray during the year, of which £59,000 (2017: £Nil) was outstanding at the year end.

The Company incurred £5,000 (2017: £52,000) of expenditure on behalf of J-J. Murray during the year. This amount was reimbursed in the year.

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

Notice of Annual General Meeting

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc (the "Company") will be held at 2 Eaton Gate, London SW1W 9BJ, on 18 June 2019 at 2 pm for the following purposes:

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

1. To receive the financial statements for the year ended 31 December 2018 and the Reports of the Directors and auditors and the Directors' Remuneration Report for that year.
2. To re-elect J-J. Murray as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
3. To re-elect X. Mignolet as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
4. To re-elect M-C. Leon as a Director, who retires by rotation under article 23.2 of the Company's articles of association.
5. To declare a final dividend in respect of 2018 of £0.40 per ordinary share.
6. That PwC LLP be re-appointed as auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that its remuneration be fixed by the Directors.
7. That the Directors be generally and unconditionally authorised in accordance with Section 549 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 550 of the Act) up to an aggregate nominal value equal to the whole of the authorised but unissued share capital of the Company immediately following the passing of this resolution provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire at the conclusion of five years from the date this resolution is passed provided that such authority shall allow the Company to make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired.

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

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

Independent auditors' report

to the members of London Security plc

Report on the audit of the parent company financial statements

Opinion

In our opinion, London Security plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Parent Company balance sheet as at 31 December 2018; the Statement of changes in equity for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall materiality: £530,000 (2017: £530,000), based on 1.8% of total assets.
- We performed full scope audit procedures over London Security Plc (the Parent Company of the Group).
- We have no key audit matters to report.

Audit scope

Key audit matters

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the parent company to communicate in our report.

Report on the audit of the parent company financial statements continued

Basis for opinion continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the parent company, the accounting processes and controls, and the industry in which it operates.

We performed full scope audit procedures over London Security Plc (the Parent Company of the Group).

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£530,000 (2017: £530,000).
How we determined it	1.0% of total assets.
Rationale for benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the position of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £26,750 (2017: £26,750) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the parent company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report continued

to the members of London Security plc

Report on the audit of the parent company financial statements continued

Reporting on other information continued

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of London Security plc for the year ended 31 December 2018.



Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

8 May 2019

Parent Company balance sheet

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	2	153	204
Investments	3	49,804	49,804
		49,957	50,008
Current assets			
Debtors	4	2,036	2,644
Cash at bank and in hand		1,448	977
		3,484	3,621
Creditors: amounts falling due within one year			
Borrowings	5	(619)	(3,292)
Creditors	6	(2,078)	(1,442)
Derivative financial instruments	8	—	(9)
		(2,697)	(4,743)
Net current assets/(liabilities)		787	(1,122)
Total assets less current liabilities		50,744	48,886
Creditors: amounts falling due after more than one year			
Borrowings	5	(2,169)	—
Derivative financial instruments	8	(8)	—
		(2,177)	—
Net assets		48,567	48,886
Capital and reserves			
Called up share capital	9	123	123
Share premium account		344	344
Capital redemption reserve fund		1	1
Profit and loss account before profit for the year		48,418	49,157
Profit for the year		9,489	9,069
Dividends paid		(9,808)	(9,808)
Total shareholders' funds		48,567	48,886

The registered number of the Company is 53417.

The notes on pages 51 to 54 are an integral part of these financial statements.

The financial statements on pages 49 to 54 were approved by the Board of Directors on 8 May 2019 and were signed on its behalf by:

J.G. Murray
Chairman
8 May 2019



Notice of Annual General Meeting continued

9. That the Company be and is generally and unconditionally authorised for the purposes of Section 701 of the Act to make one or more market purchases (as defined in Section 701(2) of the Act) on the London Stock Exchange of ordinary shares of 1 pence each in the capital of the Company ("ordinary shares") provided that:
- (i) the maximum aggregate number of ordinary shares authorised to be purchased is 500,000 shares;
 - (ii) the minimum price which may be paid for such shares is 1 pence per share;
 - (iii) the maximum price (exclusive of expenses) which may be paid for such shares is not more than 5% above the average of the middle market quotations for the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase of the ordinary shares is contracted to take place;
 - (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is the earlier); and
 - (v) the Company may make a contract to purchase its own shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board


R. Pollard
Company Secretary
8 May 2019

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

Notes

1. If you are a member of the Company you are entitled to appoint one or more proxies to attend, speak and vote at the Meeting and you should have received a form of proxy with the Notice of Meeting. You can appoint a proxy using the procedures set out in these notes and the notes in the form of proxy.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, fill out a copy of the accompanying form of proxy for each proxy. Multiple proxy appointments should be returned in the same envelope.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

5. The notes to the form of proxy explain how to direct your proxy on how to vote on each resolution or withhold their vote. To appoint a proxy using the form of proxy, the form must be:
- (a) completed and signed;
 - (b) sent or delivered to Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY; and
 - (c) received no later than 48 hours before the time of the Meeting.

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

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.

Notes continued**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 Nu-Swift International Limited, Premier House, 2 Jubilee Way, Elland HX5 9DY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

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

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

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

Issued shares and total voting rights

9. As at 11 am on 8 May 2019, the Company's issued share capital comprised 12,261,477 shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11 am on 8 May 2019 was 12,261,477.

Documents on display

10. The register of Directors' interests will be available for inspection at the registered office of the Company from 29 April 2019 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting.

Communication

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

- calling 01422 372852.

You may not use any electronic address provided either:

- (a) in this Notice of Annual General Meeting; or
 - (b) in any related documents (including the form of proxy),
- to communicate with the Company.

Group companies

The United Kingdom

Asco Extinguishers Company Limited

Unit 1.1
Festival Court
Brand Place
Glasgow G51 1DR

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

Beta Fire Protection Limited

Unit 18
Western Road Industrial Estate
Stratford-upon-Avon
Warwickshire CV37 0AH

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

City Fire Protection and Maintenance Services LLP

172a Selsdon Road
South Croydon
Surrey CR2 6PJ

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

Firestop Services Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

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

Fire Industry Specialists Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

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

Amberfire Limited

Unit 15
Cedar Parc
Lincoln Road
Doddington
Lincolnshire LN6 4RR

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

GC Fire Protection Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

GFA Premier Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

Hoyles Fire & Safety Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

L. W. Safety Limited

59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

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

MK Fire Limited

59/69 Queens Road
High Wycombe
Buckinghamshire HP13 6AH

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

Nu-Swift International Limited

Nu-Swift (Engineering) Limited

Premier House
Jubilee Way
Elland
West Yorkshire HX5 9DY

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

Pyrotec Fire Protection Limited

Caburn Enterprise Park
Ringmer
East Sussex BN8 5NP

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

Tunbridge Wells Fire Protection Limited

Caburn Enterprise Park
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East Sussex BN8 5NP

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

TVF (UK) Limited

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Tel: 01494 450 641
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Website: www.tvfltd.co.uk

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Alarm Masters S.A.
50, Z.I. Research Park
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Email: info@alarmmasters.be
Website: www.alarmmasters.be

All-Protec N.V.

Bogaertstraat 16
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Tel: 00 32 9375 2044
Email: info@all-protec.be

Ansul S.A.

Ansul Belgium S.A.
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Tel: 00 32 2467 7211
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Website: www.ansul.be

Assurance Protection Service Sprl

Avenue Mercator 1
1300 Wavre

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

Barkat B.V.B.A.

Ottermesesteenweg 166
9000 Gent

Tel: 00 32 9221 3838
Website: www.barkat.be

Dimex Technics S.A.

42 Rue de l'Eglise
4710 Lontzen Herbesthal

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

Importex S.A.

42 Rue de l'Eglise
4710 Lontzen Herbesthal

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

Security Alarm Service Company Sprl

42 Rue de l'Eglise
4710 Lontzen Herbesthal

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

Somati FIE N.V.

Industrielaan 19a
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Tel: 00 32 5385 2222
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Braco B.V.B.A.

Affligemdreef12
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Email: info@bracofireprotection.be

DC Security B.V.B.A.

Vaarstraat 10
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Tel: 00 31 541 588030
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Nu-Swift Brandbeveiliging B.V.

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Website: www.couwenbergnoodverlichting.nl

NL Brandbeveiliging B.V.

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5582 HA Waalre

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Prevent Brandbeveiliging B.V.

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2291 PJ Wateringen

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Group companies continued

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Braho Brandpreventie B.V.

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2291 PJ Wateringen

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Blusdesign B.V.

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Website: www.blusdesign.com

Brandpreventie Groep B.V.

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507 DT Zaandam

Tel: 0031 75 631 5558
Email: info@brandpreventiegroep.nl
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Industrivej 51 A
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Website: www.total.at

Blesberger Ges.m.b.H.

Hasnerstrasse 12
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Tel: 0043 732 73 32 34
Website: www.blesberger.at

Noris Feuerschutzgeraete G.m.b.H.

Baumkircherstrasse 2
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Tel: 00 43 316 71 18 21
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P.M.P. Feuerlöschgeräte Produktions- und Vertriebsges.m.b.H

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