

LEGION GROUP PLC

Interim Report 2009



LEGION GROUP PLC

ABOUT US

Legion is the United Kingdom's longest established provider of security and parking services.

With a highly-trained, fully-licensed team of security professionals, we provide innovative integrated security solutions to industry, commerce and public sector organisations nationwide.

Highlights >

- Turnover of £31.2m for six months ended 30 September 2009 (six months ended 30 September 2008: £15.3m)

- Gross profit of £5.1m for six months ended 30 September 2009 (six months ended 30 September 2008: £2.7m)

- EBITDA of £1.4m for six months ended 30 September 2009 (six months ended 30 September 2008: £0.6m)

- Profit before taxation of £964,000 for six months ended 30 September 2009 (six months ended 30 September 2008: £129,000)

- Acquired and integrated the contracts of the Craft Services Group

- Non-recurring costs in period of £560,000

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CHAIRMAN'S STATEMENT

Non-executive chairman's statement

These results represent the period during which the business has acquired the contracts of CS Group Ltd (trading as Craft Services Group), integrated these contracts with SectorGuard plc and Legion Group plc and rebranded as Legion Group plc. The business is now firmly established as a major supplier in the manned guarding sector supported by parking services and electronic security systems divisions operating throughout the United Kingdom.

During this period management has concentrated on the integration of the two businesses and the incorporation of the contracts of Craft Services Group into a single entity. This has involved the successful migration of all control, finance and HR functions into a single centralised location and formalising a national network of field based operational management that meets and exceeds our clients' requirements.

We can now concentrate on delivering quality service and continue looking at ways in which we can fulfil and exceed our clients' requirements. The company has identified within its current client portfolio niche security sectors where quality of service and specialisation are at the forefront of client requirements and predicts strong growth within these areas.

Operations

The field based operational management model is now firmly in place with all reporting systems now fully centralised. There is an experienced management team in place at all levels that are able to deliver the customer service that this type of business demands, that is able to respond to changing client needs effectively. We now have the ability to deliver a consistently high level of service across the country.

Corporate and social responsibility

The business remains committed to training at all levels to develop our people to meet and exceed their employment expectations. Recruitment, selection, vetting and training are all done to a level beyond the prevailing British Standards to ensure that we provide the best people available to our clients. We have an ongoing commitment to ensure the working conditions of our people are of the highest standards. We work closely with our clients to ensure that all necessary steps are undertaken to promote this practice.

Financial

Turnover for the six months ended to 30 September 2009 was £31.2m (six months ended 30 September 2008: £15.3m) generating a gross profit of £5.1m (six months ended 30 September 2008: £2.7m). The EBITDA for the period was £1.4m (six months ended 30 September 2008: £0.6m). The profit before tax for the period was £964,000 (six months ended 30 September 2008: £129,000). The Legion Group business model and the strength of the brand has resulted in benefits to all of our stakeholders, be they shareholders, clients or colleagues.

Outlook

The repositioning of the company as Legion Group plc has been seen as a very positive change. Legion Group is trading and developing well which has been underpinned by the continued support of its diverse client list and its strong portfolio of long-term public sector contracts. The board believes there may be further opportunities arising from the current market conditions. We are well placed to react to these.

We are pleased to announce these figures which show the transformation of the company and we would like to take this opportunity to thank all our advisers, our clients and our people who have contributed to this transformation.



Stephen Thomas
Non-executive chairman
26 November 2009

“Legion Group is trading and developing well which has been underpinned by the continued support of its diverse client list and its strong portfolio of long term public sector contracts.”

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	Six months ended 30 September 2009 (unaudited) £000s	Six months ended 30 September 2008 (unaudited) £000s	Year ended 31 March 2009 (audited) £000s
Revenue		31,161	15,290	28,898
Cost of sales		(26,058)	(12,631)	(24,846)
Gross profit		5,103	2,659	4,052
Operating expenses		(3,881)	(2,262)	(4,764)
Operating profit/(loss)	3	1,222	397	(712)
Finance income		—	—	3
Finance costs		(258)	(268)	(651)
Profit/(loss) before tax		964	129	(1,360)
Taxation		(270)	(27)	356
Profit/(loss) for the period		694	102	(1,004)
Profit/(loss) per share attributable to the equity holders of the group during the period (pence)	4			
Basic		0.12	0.03	(0.25)
Diluted		0.12	0.03	(0.25)

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2009

	As at 30 September 2009 (unaudited) £000s	As at 30 September 2008 (unaudited and restated) £000s	As at 31 March 2009 (audited) £000s
Non-current assets			
Intangible assets	15,450	10,510	14,732
Property, plant and equipment	651	494	844
	16,101	11,004	15,576
Current assets			
Inventories	220	274	123
Trade and other receivables	11,838	7,028	9,337
Current tax recoverable	—	274	—
Cash and cash equivalents	506	174	988
	12,564	7,750	10,448
Total assets	28,665	18,754	26,024
Current liabilities			
Trade and other payables	10,041	4,495	10,494
Current tax liabilities	13	—	13
Loans and overdrafts	5,984	3,757	3,503
Obligations under finance leases	41	48	56
Provisions	2,228	1,456	1,118
	18,307	9,756	15,184
Non-current liabilities			
Loans and overdrafts	2,180	2,768	2,376
Deferred tax liabilities	1,844	544	1,401
Obligations under finance leases	—	31	8
Provisions	542	1,335	1,957
	4,566	4,678	5,742
Total liabilities	22,873	14,434	20,926
Equity			
Share capital	2,969	1,979	2,969
Share premium account	6,338	5,387	6,338
Share-based payment reserve	99	157	99
Merger reserve	1,274	1,274	1,274
Own shares in employee trust	(293)	(293)	(293)
Retained earnings	(4,595)	(4,184)	(5,289)
Total equity	5,792	4,320	5,098
Total liabilities and equity	28,665	18,754	26,024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Share capital £000s	Share premium account £000s	Share-based payment reserve £000s	Merger reserve £000s	Own shares in employee trust £000s	Retained earnings £000s	Total £000s
At 1 April 2008	1,779	4,787	157	1,274	(293)	(4,285)	3,419
Loss for the year	—	—	—	—	—	(1,004)	(1,004)
Proceeds from shares issued	1,190	1,589	—	—	—	—	2,779
Costs associated with share issue	—	(38)	—	—	—	—	(38)
Share-based payment	—	—	(58)	—	—	—	(58)
At 1 April 2009	2,969	6,338	99	1,274	(293)	(5,289)	5,098
Profit for the period	—	—	—	—	—	694	694
At 30 September 2009	2,969	6,338	99	1,274	(293)	(4,595)	5,792

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	Six months ended 30 September 2009 (unaudited) £000s	Six months ended 30 September 2008 (unaudited and restated) £000s	Year ended 31 March 2009 (audited) £000s
Operating activities				
Cash flow from operations	5	(2,000)	(1,795)	(312)
Taxation paid		—	—	104
Net cash outflow from operating activities		(2,000)	(1,795)	(208)
Investing activities				
Acquisition of businesses		(455)	—	—
Acquisition of subsidiaries net of cash acquired		(45)	(13)	722
Payments to acquire tangible fixed assets		(38)	(30)	(33)
Proceeds from disposal of tangible fixed assets		53	127	122
Net cash (outflow)/inflow from investing activities		(485)	84	811
Financing activities				
Interest received		—	—	3
Interest paid		(222)	(251)	(545)
Interest element of finance leases		—	(10)	(4)
Issue of equity share capital		—	800	2,740
Repayment of loans		(400)	(400)	(1,805)
Increase in loans and overdrafts		2,649	2,989	—
Repayment of capital element of finance leases		(24)	(69)	(84)
Net cash inflow from financing activities		2,003	3,059	305
(Decrease)/increase in cash and cash equivalents		(482)	1,348	908
Cash and cash equivalents at beginning of period		988	(1,174)	80
Cash and cash equivalents at end of period		506	174	988
Cash and cash equivalents at end of period comprise:				
Cash at bank		506	174	988

NOTES TO THE INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1 General information and accounting policies

This interim report for the six months ended 30 September 2009 and the comparative information for the periods ended 30 September 2008 and 31 March 2009 do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

A copy of the statutory accounts for the year ended 31 March 2009 has been delivered to the Registrar of Companies. The financial statements included two emphases of matter paragraphs in respect of the completeness of the related party transactions and in respect of the timings of the impairments of intangibles assets and goodwill in the prior reporting periods. Both emphases of matters related to historical events and transactions that have not recurred in this accounting period.

The financial information for the six months ended 30 September 2009 and 30 September 2008 are unaudited. The financial information for the year ended 31 March 2009 is derived from the group's audited annual report and accounts. As a result of misstatements identified and disclosed in note 33 of the audited annual report and accounts for March 2009 relating to March 2008, the balance sheet and cash flow statement for six months ended 30 September 2008 have been adjusted as the opening balances were impacted by these adjustments. No adjustments are however necessary to the comparative consolidated income statement for the six months ended 30 September 2008. The resultant changes are set out in note 7 of this interim report.

The annual financial statements of Legion Group plc are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as were applied in the group's latest annual audited financial statements.

2 Segmental information

Primary reporting format – business segments

The group is organised into three main business segments: security personnel, parking services and electronic security systems. The group operates exclusively in the United Kingdom and therefore no geographical analysis is presented.

The segment results for the six months ended 30 September 2009 were as follows:

	Security personnel (unaudited) £000s	Parking services (unaudited) £000s	Electronic security systems (unaudited) £000s	Total (unaudited) £000s
Revenue	28,558	1,846	757	31,161
Operating profit/(loss)	1,172	201	(151)	1,222

The segment results for the six months ended 30 September 2008 were as follows:

	Security personnel (unaudited) £000s	Parking services (unaudited) £000s	Electronic security systems (unaudited) £000s	Total (unaudited) £000s
Revenue	14,231	—	1,059	15,290
Operating profit	392	—	5	397

2 Segmental information continued

Primary reporting format – business segments continued

The segment results for the year ended 31 March 2009 were as follows:

	Security personnel (audited) £000s	Parking services (audited) £000s	Electronic security systems (audited) £000s	Total (audited) £000s
Revenue	27,238	—	1,660	28,898
Operating loss	(372)	—	(340)	(712)

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Six months ended 30 September 2009 (unaudited) £000s	Six months ended 30 September 2008 (unaudited) £000s	Year ended 31 March 2009 (audited) £000s
Depreciation	171	94	180
Amortisation	472	154	409
Exceptional items	(477)	(77)	405

Exceptional costs during the period consist of £518,000 profit arising on recognition of intangible assets on acquisition of the Craft Services Group less £41,000 for legal and professional costs in respect of the departure of the previous directors.

Exceptional costs for the six months ended September 2008 and for the year ended 31 March 2009 consisted mainly of legal and professional costs in respect of the departure of the previous directors.

4 Earnings per share

The basic earnings per ordinary share (EPS) is calculated by dividing profit/(loss) for the period by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per ordinary share is calculated by dividing profit/(loss) for the period by the weighted average number of shares outstanding during the period after adjusting both figures for the effect of dilutive potential ordinary shares.

	Six months ended 30 September 2009 (unaudited) Number	Six months ended 30 September 2008 (unaudited) Number	Year ended 31 March 2009 (audited) Number
Weighted average number of ordinary shares for the purpose of basic EPS	585,666,248	381,183,393	402,006,482
Effect of dilutive potential ordinary shares: share options	598,436	598,436	598,436
Weighted average number of ordinary shares for the purpose of diluted EPS	586,264,684	381,781,829	402,604,918
Basic EPS			
Profit/(loss) after taxation (£000s)	694	102	(1,004)
Earnings/(loss) per share (pence)	0.12	0.03	(0.25)
Diluted EPS			
Profit/(loss) after taxation (£000s)	694	102	(1,004)
Earnings/(loss) per share (pence)	0.12	0.03	(0.25)

NOTES TO THE INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 CONTINUED

5 Cash flow statement

Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities

	Six months ended 30 September 2009 (unaudited) £000s	Six months ended 30 September 2008 (unaudited) £000s	Year ended 31 March 2009 (audited) £000s
Operating profit/(loss) for the period	1,222	397	(712)
Depreciation of property, plant and equipment	171	94	180
Amortisation of intangible assets	472	154	409
Profit on goodwill recognition	(518)	—	—
Movement in share-based payment reserve	—	—	(58)
Loss/(profit) on disposal of property, plant and equipment	6	(6)	3
(Increase)/decrease in inventories	(97)	(122)	29
(Increase)/decrease in receivables	(2,500)	181	2,061
Decrease in trade and other payables	(451)	(2,305)	(2,044)
Decrease in provisions	(305)	(188)	(180)
Cash generated by operations	(2,000)	(1,795)	(312)
Corporation tax received	—	—	104
Net cash outflow from operations	(2,000)	(1,795)	(208)

6 Significant events

On 16 April 2009 the group acquired the customer contracts, work in progress and goodwill from CS Group Ltd (in Administration), formerly trading as Craft Services Group.

On 1 July 2009, the SectorGuard plc company name was changed to Legion Group plc. This followed the acquisition of Legion Group plc by SectorGuard plc on 20 March 2009. The former Legion Group plc changed its name to Legion FM Limited on 1 July 2009.

7 Adjustments to restate comparative financial information

The group identified misstatements in the previous financial periods and these adjustments affect the balance sheet reported for the six months ended 30 September 2008 due to the restatement of the opening balance sheet for the period. The impact of these adjustments are shown below. A detailed analysis of the adjustments to the balance sheet to 31 March 2008 can be found in the audited annual reports and accounts for the year ended 31 March 2009 at note 33.

7 Adjustments to restate comparative financial information continued

(a) Balance sheet at 30 September 2008

	Previously reported in interim report 2008 (unaudited) £000s	Adjustments for misstatements (unaudited) £000s	Restated for six months ended 30 September 2008 (unaudited)* £000s
Non-current assets			
Intangible assets	17,318	(6,808)	10,510
Property, plant and equipment	494	—	494
Deferred tax recoverable	37	(37)	—
	17,849	(6,845)	11,004
Current assets			
Inventories	274	—	274
Trade and other receivables	7,209	(181)	7,028
Current tax recoverable	66	208	274
Cash and cash equivalents	174	—	174
	7,723	27	7,750
Total assets	25,572	(6,818)	18,754
Current liabilities			
Trade and other payables	4,393	102	4,495
Current tax liabilities	—	—	—
Loans and overdrafts	3,757	—	3,757
Obligations under finance leases	48	—	48
Provisions	1,456	—	1,456
	9,654	102	9,756
Non-current liabilities			
Loans and overdrafts	2,768	—	2,768
Deferred taxation	804	(260)	544
Obligations under finance leases	31	—	31
Provisions	1,335	—	1,335
	4,938	(260)	4,678
Total liabilities	14,592	(158)	14,434
Equity			
Share capital	1,979	—	1,979
Share premium account	5,387	—	5,387
Share-based payment reserve	157	—	157
Merger reserve	1,274	—	1,274
Own shares in employee trust	(293)	—	(293)
Retained earnings	2,476	(6,660)	(4,184)
Total equity	10,980	(6,660)	4,320
Total liabilities and equity	25,572	(6,818)	18,754

* Following a review of the financial statements for the 18 month period ended 31 March 2008, certain balances at 31 March 2008 have been restated and this impacted the balance sheet as 30 September 2008 as above.

The consolidated income statement to 30 September 2008 is not affected as the misstatements related to prior periods.

NOTES TO THE INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 CONTINUED

7 Adjustments to restate comparative financial information continued

The Group identified misstatements in the previous financial periods and these adjustments affect the cash flow reported for the six months ended 30 September 2008 due to the restatement of the opening balance sheet for the period.

The impact of these adjustments is shown below. A detailed analysis of the adjustments can be found in the audited Annual Reports and Accounts for the year ended 31 March 2009 at note 33.

(b) Consolidated cash flow statement at 30 September 2008

	Note	Previously reported in interim report 2008 (unaudited) E000s	Adjustments for misstatements (unaudited) E000s	Restated for six months ended 30 September 2008 (unaudited)* E000s
Operating activities				
Cash flow from operations	5	(1,795)	—	(1,795)
Taxation paid		—	—	—
Net cash outflow from operating activities		(1,795)	—	(1,795)
Investing activities				
Acquisition of subsidiaries net of cash acquired		(13)	—	(13)
Payments to acquire tangible fixed assets		(30)	—	(30)
Proceeds from disposal of tangible fixed assets		127	—	127
Net cash inflow from investing activities		84	—	84
Financing activities				
Interest paid		(251)	—	(251)
Interest element of finance leases		(10)	—	(10)
Issue of equity share capital		800	—	800
Repayment of loans		(400)	—	(400)
Increase in loans and overdrafts		—	2,989	2,989
Repayment of capital element of finance leases		(69)	—	(69)
Net cash inflow from financing activities		70	2,989	3,059
(Decrease)/increase in cash and cash equivalents		(1,641)	2,989	1,348
Cash and cash equivalents at beginning of period		(1,174)	—	(1,174)
Cash and cash equivalents at end of period		(2,815)	2,989	174
Cash and cash equivalents at end of period comprise:				
Cash at bank		174	—	174
Bank working capital facility		(2,989)	2,989	—
		(2,815)	2,989	174

* Following a review of the financial statements for the 18 month period ended 31 March 2008, certain balances at 31 March 2008 have been restated and this impacted the balance sheet at 30 September 2008 as above.

The consolidated income statement to 30 September 2008 is not affected as the misstatements related to prior periods.

8 Interim report

Copies of this interim report are being sent to all shareholders and will be available to the public from the company's Head Office: Hanover House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF.

The Report is also available to view on the Legion Group plc website, www.legiongroup.co.uk.



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