



SECURITY
BUSINESS SALES

Add-backs: which security business costs really stop?

Show the cost of the work that stays

2027 edition 9-minute read

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A practical guide with an add-back evidence worksheet

Images are illustrative.

The whole guide on one page

An add-back is a proposed change to reported profit. Start with the accounts, then show why a cost stops and what replaces it. A smaller, supported adjustment is easier to explain than an unpriced gap in the rota.

The check	What good looks like	Ask for
1. Reconcile the starting profit	One period and one agreed starting figure	Accounts, ledger and payroll tie-out
2. Price the owner's actual work	The role continues with a named person and a cost	Duties, rota and replacement proposal
3. Keep continuing obligations in the cost	Licensing and scheme work mapped to the activity	Licence map, approval scope and training plan
4. Test the claim that a cost is finished	Evidence of closure and no unpriced repeat work	Invoice, job record and forward schedule
5. Give every adjustment one home	Each amount appears once in the reconciliation	Numbered schedule with open questions

Use the two-page worksheet to record the evidence and the replacement plan. Leave an unsupported amount open rather than guessing it.

Bring the schedule to a free first conversation with Simon on 01285 704466. You can also keep the business and improve its records before considering a sale.

01285 704466

Arrange a free first conversation

Start with the work, not the expense label

An owner's pay line can look removable. The night escalation calls, guarding rota and installation quotations behind it need a separate answer.

Cost label	Question that tests the adjustment
Owner pay	Who takes each duty, and what does that cost?
Licence administration	Which continuing activities need the work?
Relief cover	Is the underlying absence or vacancy resolved?
Equipment repair	Has the fault closed, or does the service obligation continue?

For UK private security, SIA licensing depends on activity and circumstances. A person doing licensable front-line work needs the appropriate front-line licence regardless of their job title. [1]

That distinction matters when describing a replacement role. Write down the actual duties before deciding who could perform them. Do not treat an alarm installer, a guarding operative and a control-room manager as interchangeable jobs.

The practical test throughout this guide is simple: trace the original cost, explain what changes, and attach evidence for what remains. It is a documentary test, not a percentage allowance for the sector.

Meet Alderfen Security Services

Alderfen Security Services is invented. Its figures are illustrative and are not a salary benchmark.

Profit bridge	Amount
Reported operating profit	£180,000
Add owner pay already charged	£40,000
Less cost of replacing the owner's work	£80,000
Adjusted operating profit	£140,000

The calculation is £180,000 + £40,000 less £80,000 = £140,000. The owner pay and replacement cost are different amounts doing different jobs. Removing the pay does not remove the work.

Alderfen's annual revenue is £1,200,000: staffed guarding £600,000, maintenance £360,000 and installations/reactive work £240,000. Its replacement plan needs to explain who carries the owner's responsibilities across those services.

For this illustration alone, three times adjusted profit gives a business value of £420,000. That assumption is not market evidence. This guide stops at adjusted profit and illustrative business value; it does not calculate seller proceeds.

Keep that bridge beside the worksheet. Each proposed adjustment should make the connection between the accounts and the future work clearer.

1. Reconcile the starting profit

Choose the reporting period before reviewing a single add-back. Otherwise an invoice, a payroll total and a forecast can describe different periods without anyone noticing.

What good looks like

For your own records, trace every proposed change to an entry included in the starting profit. Mark its date and ledger reference. A payment on a bank statement alone does not establish which profit period contains the cost.

Alderfen Security Services

Illustrative

Start with £180,000 reported operating profit. The £40,000 owner pay is already charged in that figure. It is added back once, before the £80,000 replacement cost is deducted.

Record

Check to make

Period accounts

Which profit line starts the schedule?

Guarding payroll

Does the total tie to the same period?

Monitoring or service invoice

Is it included in that period's costs?

The buyer's view

A traceable starting figure lets the buyer examine the proposed change. Show unresolved differences separately instead of hiding them inside a single adjusted total.

What to check

- ☐ Label the period and starting profit line.
- ☐ Tie each cost to the ledger before proposing its removal.
- ☐ Keep a forecast for later trading separate from this reconciliation.

2. Price the owner's actual work

Split the job into tasks. Selling an installation, changing a guard rota and answering an overnight escalation are different responsibilities, even when one owner handles all three.

What good looks like

Map each duty to its intended replacement and check the licensing position for the activity. SIA guidance distinguishes front-line duties from relevant management and director roles; the title alone does not settle the licence needed. [1]

Alderfen Security Services

Illustrative

The illustration removes £40,000 owner pay and allows £80,000 for replacement work. The result is £140,000 adjusted profit. Neither amount establishes the cost of replacing your own role.

Duty to describe

Evidence to request

Guarding rota and absence cover

Task log, authority and cover plan

Night escalation

Named duty holder and response arrangements

Installation sales and handover

Role description and priced proposal

The buyer's view

If the buyer proposes using an existing manager, ask how the extra duties fit. Keep a claimed saving separate until the capacity and cost are supported.

What to check

- ☐ Include the owner's work outside normal office hours.
- ☐ Record the replacement's duties, permission, capacity and cost.
- ☐ Ask your accountant to check the full employment-cost basis.

3. Keep continuing obligations in the cost

A recurring task does not stop because the owner used to organise it. Check licence administration, training, relief cover and servicing against the work you intend to keep delivering.

What good looks like

Separate individual SIA licensing from the voluntary Approved Contractor Scheme. ACS approval covers specified activities; it is not a substitute for individual licensing. Alarm installation and consultancy are outside the scheme's approved activities. [1]
[2]

Alderfen Security Services

Illustrative

Its £600,000 guarding revenue and £240,000 installations/reactive revenue describe different work. The profit bridge includes no extra saving for ending administration, training or servicing. Ask for evidence before proposing one.

Continuing work

Record that tests the cost

Licensing administration

Activity map and named-person checks

Scheme administration

Actual approval scope and forward tasks

Training and relief cover

Planned activity, rota and cost records

The buyer's view

An approval badge does not explain who completes next month's work. Show the tasks, their owner and the resources allowed for them after the handover.

What to check

- ☐ Separate guarding from alarm installation in the task list.
- ☐ Ask the scheme or issuer about the proposed transaction.
- ☐ Keep a continuing cost unless an evidenced change removes it.

4. Test the claim that a cost is finished

Start with the reason for the expense. A repair invoice can close one fault while the maintenance agreement still requires future visits. The two questions need separate records.

What good looks like

Use a closure test on your own costs: identify the event, trace the invoice into the accounts, confirm what finished, then read the forward work schedule. An unusual invoice is not by itself evidence that no replacement cost remains.

Alderfen Security Services

Illustrative

The model contains no additional one-off adjustment. A proposed equipment-remediation claim would stay open until its invoice, completion record and continuing service work had been checked. No invented allowance enters the £140,000 adjusted profit.

Proposed removal

Record to put beside it

One repair job

Invoice, completion note and remaining work

Temporary relief cover

Cause of cover and current staffing plan

One training event

Course record and future competence plan

The buyer's view

Give the buyer the record that answers the repeat-cost question. If the fault is unresolved, show the next action rather than describing the whole expense as finished.

What to check

- ☐ Search earlier periods for the same cause, not just the supplier name.
- ☐ Check current service commitments before removing a cost.
- ☐ Leave disputed amounts visible for discussion.

5. Give every adjustment one home

Number the adjustments and keep one version of the schedule. A replacement supervisor's cost should not also appear as a second reduction for the same rota duties.

What good looks like

For each proposed change, identify the original account entry, the evidence, the replacement cost and any overlap with another line. Recalculate the bridge from the starting profit after each agreed change.

Alderfen Security Services

Illustrative

£180,000 + £40,000 less £80,000 gives £140,000 adjusted profit. The £80,000 is one replacement-role allowance. Any split into tasks must fit inside it, not become an additional deduction.

Schedule column

Purpose

Original ledger reference

Finds the cost in the starting accounts

Proposed change and replacement

Shows both sides of the adjustment

Overlap and open question

Prevents a second claim for the same work

The buyer's view

Separate agreed figures from proposals. A question beside an amount gives both sides something specific to resolve before relying on the adjusted total.

What to check

- ☐ Give each adjustment a reference used on its evidence.
- ☐ Check for overlap with payroll, servicing and relief cover.
- ☐ Keep unresolved entries out of any total labelled agreed.

Public proof at an owner-managed scale

In March 2026, a security group announced completion of its purchase of a Poole business from its owner-manager. The target had revenue of £1.04m for the year ended December 2025, 12 staff and one trading outlet. [3]

What the record supports

What to establish for your own sale

An owner-managed acquisition

Who takes your operational responsibilities?

Revenue of £1.04m in the stated year

Which accounts support your starting profit?

12 staff and one trading outlet

Which duties remain after the owner leaves?

The disclosed revenue is close to Alderfen's illustrative £1.2m. The acquired business principally provided electronic security and specialist locksmith services, so its work differs from a guarding-led firm. [3] Similar revenue does not establish comparable operations, value or add-backs.

Use that distinction when preparing your schedule. Describe the services and continuing duties behind each cost instead of borrowing a profit adjustment from another transaction.

Complete the worksheet before deciding whether to discuss a sale. Keeping the business while improving the cover plan is a reasonable choice too.

If you would like to discuss the schedule, arrange a free first conversation with Simon. Bring the cost you can explain and the question you cannot yet settle.

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Arrange a free first conversation

Security add-back evidence worksheet

Use this sheet for one business and one accounts period. Fill the fields, save a copy, reopen it and check your answers. You can also print it and write by hand.

Business and accounts period

Cost to examine	Proposed change (£)	Evidence and period
Owner pay		
Licence or scheme work		
Training or relief cover		
Repair or remediation		
Other cost to describe		

Which proposed cost has not yet been traced into reported profit?

The labels are prompts, not approved add-backs. In each evidence field, include the ledger reference, period and document location. Keep the supporting documents with your saved copy.

Replacement cost and buyer questions

Use the same business and period as the first sheet. Record the cost of work that continues and the question that needs settling. Add the agreed changes yourself; the PDF does not calculate a total.

Business and accounts period

Same cost reference	Replacement cost (£)	Buyer question and overlap check
Owner pay		
Licence or scheme work		
Training or relief cover		
Repair or remediation		
Other cost to describe		

Agreed adjusted profit, unresolved items, next action and person responsible

For your check: reported profit plus supported removals, less replacement costs, equals adjusted profit. Do not use the same cost twice. Keep proposed and agreed amounts distinct.

Sources and scope

1. Security Industry Authority, [Find out if you need an SIA licence](#). Updated Jan 2026. UK private security; activity, circumstances, in-house distinctions and exemptions matter. Alarm installation is not presented here as an SIA-licensed activity. Vehicle immobilisation rules concern Northern Ireland only.
2. Security Industry Authority, [Learn about our Approved Contractor Scheme](#). Published Aug 2020. Voluntary company approval for specified licensable activities, separate from individual licences. No automatic transfer or continuation of approval is asserted.
3. Croma Security Solutions Group plc, [Acquisition of Southern Security Services](#). Issuer-authored regulatory announcement, March 2026, RNS 6562W, reproduced by Investigate. Completion of the purchase of Southern Security Services Limited in Poole from its owner-manager was announced that day; the legal completion day is not separately identified. Revenue £1.04m for the year ended December 2025, 12 staff and one trading outlet support the scale example. Electronic security and specialist locksmith services differ from guarding. No multiple, finance availability, handover outcome or Reads involvement is inferred. The issuer text, not the host's AI summary, supplies the facts.

Checked Oct 2026. We review every guide after the Autumn Budget in October 2026.

The checks and worksheets are practical documentary tests, not industry ratios or legal conclusions. Use your actual accounts, terms and adviser input. No salary benchmark, tax treatment or valuation multiple is offered as market evidence.

Alderfen Security Services is invented; its figures are illustrative. £180,000 reported operating profit plus £40,000 owner pay, less £80,000 replacement cost, gives £140,000 adjusted profit. Three times that figure gives £420,000 illustrative business value. No further adjustment amount is assumed. Public transactions do not validate these teaching figures.

Bring the cost and the question



Start with one expense you think will stop. Put the invoice, the work behind it and the replacement plan together.

Arrange a free first conversation with Simon to discuss your next step.

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