

London Security PLC ('The Company')
5 May 2005

Tender Offer

The Company announces it has today issued a circular to shareholders setting out details of a proposed tender offer of up to £30.1 million. What follows is an unedited extract of Part I of this circular entitled 'Letter from the Senior Independent Non-Executive Director'.

PART I
LETTER FROM THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

London Security plc

(Registered in England No. 53417)

Directors:

***Registered
Office:***

Jacques Gaston Murray (Chairman)
Jean-Jacques Murray (Executive Director)
Jean-Christophe Francois Georges Pillois (Finance Director)
Emmanuel David Oliver Adrien Sebag (Operations Director)
Henry Bonner Shouler (Senior Independent Non-Executive
Director)
Francis Michael Benjamin Gailer (Independent Non-Executive
Director)

Wistons Lane
Elland
West Yorkshire
HX5 9DS

5 May 2005

Dear Shareholder

**Tender Offer for up to 2,183,393 Ordinary Shares at 1375p per Ordinary
Share, Capital Reduction and announcement of Preliminary Results**

Introduction

Your Board has been examining ways of returning value to Shareholders and it is pleased to announce that it now proposes, subject to the Company receiving the approval of the Capital Reduction by the Shareholders and confirmation of the same by the High Court, to return to Shareholders by way of a Tender Offer up to £30.1 million. Subject to the consent of Shareholders and the terms of the Tender Offer, your Board intends that each Shareholder be given the opportunity to sell to Brewin Dolphin, Ordinary Shares held by him/her on the Record Date at a price of 1375p per Ordinary Share. These Ordinary Shares will then be sold by way of an on-market transaction by Brewin Dolphin to the Company, for cancellation at the Tender Price.

The Tender Offer requires the consent of Shareholders in the first instance. The Company does not have sufficient distributable reserves to effect the Tender Offer and therefore it is conditional on the Capital Reduction being implemented so that the Company's balance sheet is reconstructed to allow the Tender Offer to be completed. The Capital Reduction requires not only the approval of Shareholders but also confirmation of the High Court.

The Board believes that a tender offer is an appropriate means of returning funds to Shareholders as (subject to the provisions relating to certain Overseas Shareholders set out in Part III of this document) it gives all Shareholders the choice of whether or not to participate in the return of capital. Shareholders may opt to tender none, some or all of their Basic Entitlement and, to the extent their shareholding is in excess of 10 Ordinary Shares their Maximum Entitlement, in return for cash, or they may choose to retain their Ordinary Shares and thereby increase their percentage of the Company's issued share capital in the event that the Tender Offer is completed successfully.

The Company also announced today its preliminary results for the twelve months ended 31 December 2004. The full text of the Preliminary Results is set out in Part IV of this document.

The purpose of this letter is to seek your approval to grant authority to implement the Capital Reduction and the Tender Offer at the EGM convened to take place on 31 May 2005, notice of which is set out at the end of this document.

Background to and reasons for the Tender Offer

The Preliminary Results show that, as at 31 December 2004, the Group had cash of £7.7 million (2003: £13.5m) and total indebtedness of £15.4 million (2003: £12.3m). The Group has continued to perform robustly with good levels of profitability and strong cash generation. Interest cover for 2004 was 18.75 times and total debt servicing costs (interest plus repayments of principal) were covered 3.0 times by operating cash flow. For some time now the economy has been relatively stable in the UK with moderate levels of interest rates which we expect to continue for the foreseeable future. One consequence of this is that cash generative, profitable companies, such as London Security, are able to secure term bank funding at attractive rates in order to return capital to shareholders and, thereby, enhance total shareholder return.

The Tender Offer, if fully taken-up, will result in pro-forma total indebtedness at 31 December 2004 increasing to £45.4 million. A new term loan facility has been agreed for £30 million with, among others, Lloyds TSB Bank plc, repayable over a period of 5 years. On the basis of the 2004 financial results, had the new debt been in place over the whole year, interest cover would have been 4.2 times and total debt servicing costs would have been covered 1.9 times by operating cash flow.

Your Directors view this level of interest and debt servicing cover as adequate given the above comments on the Group's stability and strong operating cash flows.

If the Tender Offer is fully taken up, earnings per share for the year ended 31 December 2004 would reduce from 37.3p to 35.2p. However earnings per share adjusted to eliminate the amortisation of goodwill would increase from 56.5p to 57.8p. The Directors consider the adjusted earnings per share to be a more meaningful measure of earnings per share as it is more closely aligned to future cash generation of the Group.

Your Directors have considered various ways of returning cash to Shareholders and concluded that the Tender Offer provides flexibility in that Shareholders may choose to tender all, some, or none of his/her Ordinary Shares subject to their Basic and Maximum Entitlements.

Capital Reduction – Explanation and Background

As explained, it is a condition of the Tender Offer that the Capital Reduction is effected. This requires not only the approval of Shareholders but also confirmation by the High Court. The Capital Reduction is required to create sufficient distributable reserves so that the Company can purchase those Ordinary Shares which are tendered to Brewin Dolphin pursuant to the Tender Offer. In addition, the Capital Reduction is considered prudent to protect the ability of the Company to pay dividends in the future.

Under the Act, the Company can, with the approval of the Shareholders given by way of a special resolution and with the confirmation of the High Court, reduce or cancel its share premium account, capital redemption reserve and 90% of its issued nominal share capital. Such a reduction or cancellation creates a reserve which can, subject to the protection of creditors, be credited to the Company's profit and loss account.

The share premium account and the capital redemption reserve of the Company, which amount to £27,475,388 and £116,691 respectively are to be cancelled pursuant to the Capital Reduction. In addition, 9 pence of each issued Ordinary Share of 10 pence is to be cancelled and the nominal value reduced to 1p. In addition, the unissued share capital is to be sub-divided so that each Ordinary Share of 10 pence nominal value is to be sub-divided into 10 Ordinary Shares of 1p each.

As soon as practicable after the EGM, and subject to the Resolution having been approved by Shareholders, the Company will petition the High Court for an order to confirm the Capital Reduction. The High Court is likely to require that the Company take appropriate steps for the protection of creditors of the Company. These steps are likely to include certain creditors consenting to the Capital Reduction and the balance being protected by the use of blocked bank accounts and/or bank guarantees. However, provided the creditors are protected, it is likely that the Company will be permitted to implement the Tender Offer.

The Capital Reduction, as such, will not involve any distribution or repayment of capital or share premium by the Company other than pursuant to the Tender Offer, and will not reduce the underlying net assets of the Company. Its principal effect will be to increase distributable reserves so that the Company will be able to fulfil any obligations to acquire shares pursuant to the Tender Offer. The Capital

Reduction does not affect the Shareholders' voting or dividend rights or rights on any return of capital to Shareholders.

You will find set out at the end of this document a notice of EGM including a resolution to approve the Capital Reduction and the Tender Offer. If the Capital Reduction is approved by the requisite majority, the Company shall apply to the High Court for confirmation of the Capital Reduction following the EGM. If the High Court makes the order sought, the Company will proceed as quickly as reasonably possible to implement the Capital Reduction by registering the court order with the Registrar of Companies. It is expected that following the EGM the Capital Reduction, including receipt of confirmation from the High Court, will take between four and six weeks to complete.

As a consequence of the Capital Reduction it is necessary for the Company to amend its borrowing restrictions contained in the articles of association of the Company. The current articles of association of the Company permit the Company to borrow up to the greater of £25,000,000 and three times the capital and reserves of the Company. The Directors propose to raise the fixed borrowing limit to £50,000,000. The required amendment is contained in the Notice of EGM.

The Directors are also seeking the authorisation of Shareholders to allot up to a number of Shares representing approximately 5% of the Company's issued share capital without pre-emption rights applying and the required approvals required under sections 80 and 95 of the Act are contained in the notice of EGM contained at the back of this document. Notwithstanding the similar resolutions to be proposed at the annual general meeting of the Company to be held on 9 June 2005 this part of the Resolution is intended to reflect the adjusted share capital post-completion of the Capital Reduction and will supersede the resolutions to be passed at such annual general meeting.

Tender Offer

The Tender Offer is conditional on the passing of the Resolution and, in view of the Capital Reduction, Court confirmation as well. **The Tender Offer is only available to Qualifying Shareholders on the Register at the close of business on 21 June 2005 and in respect of Ordinary Shares held by them on that date.** The Tender Offer is conditional on the matters set out in paragraph 2 of Part II of this document and the Tender Offer may be terminated on or before the Closing Date in the circumstances set out in paragraph 4 of Part II of this document.

The terms of the Tender Offer are set out in the letter from Brewin Dolphin contained in Part II of this document and in the Tender Form and are summarised as follows:

- the Tender Offer will require in respect of the Capital Reduction exercise:
 - (a) approval by Shareholders at the EGM; and
 - (b) confirmation by the High Court;

- all Qualifying Shareholders are being given the opportunity to participate in the Tender Offer;
- Brewin Dolphin will purchase as principal up to 2,183,393 Ordinary Shares for a total aggregate consideration of up to £30,021,654;
- Ordinary Shares will be purchased by way of an on-market transaction from Qualifying Shareholders by Brewin Dolphin at the Tender Price of 1375 pence per Ordinary Share following which an equal number of Ordinary Shares will be sold by way of an on-market transaction by Brewin Dolphin to the Company, for cancellation, at the Tender Price;
- Qualifying Shareholders who wish to participate in the Tender Offer must return a completed Tender Form to be received by the Receiving Agent by no later than 5.00pm on 21 June 2005;
- Qualifying Shareholders do not have to tender any Ordinary Shares if they do not wish to do so;
- subject to the Tender Offer becoming unconditional, tenders from Qualifying Shareholders will be accepted to the extent a Qualifying Shareholder validly tenders his/her Basic Entitlement and, to the extent their shareholding is in excess of 10 Shares, up to his/her Maximum Entitlement as at the Record Date;
- Brewin Dolphin will not charge Qualifying Shareholders commission or dealing charges on any Ordinary Shares purchased pursuant to the Tender Offer;
- the Tender Offer opens on 5 May 2005 and closes at 5.00pm on 21 June 2005 unless extended in accordance with paragraph 6 of Part II of this document;
- Tender Forms will become irrevocable at the time of receipt by the Receiving Agent; and
- all transactions will be carried out on the London Stock Exchange.

It is proposed that Ordinary Shares will be purchased under the Tender Offer at a price of 1375 pence per Ordinary Share which was the price of an Ordinary Share at the close of business on 4 May 2005, the latest practicable date prior to the publication of this document.

Taxation

A summary of the taxation consequences of the Tender Offer for UK resident Qualifying Shareholders is set out in paragraph 7 of Part II of this document. The information is intended only as a general guide to the current law and practice in the UK.

UK tax resident Qualifying Shareholders are advised to consult their own professional advisers regarding their own tax position without delay. All

Overseas Shareholders who are Qualifying Shareholders should consult their own tax advisers as to the possible tax consequences to them of participating in the Tender Offer.

Overseas Shareholders

The attention of all Overseas Shareholders is drawn to the section entitled "Information for Overseas Shareholders" set out in paragraph C of Part III of this document and the relevant provisions of the Tender Form.

It is the responsibility of all Overseas Shareholders to satisfy themselves as to the observance of any legal requirements in their jurisdiction, including, without limitation, any relevant requirements in relation to the ability of such Overseas Shareholders to complete and return a Tender Form and Form of Proxy.

Current Trading and Prospects

The Preliminary Results included the following statement.

"The outlook for 2005 is cautiously optimistic.

MK Fire and TVF have immediately contributed to the Group's profits. We are continuing to expand the alarm operations in the UK and Belgium.

The Group is actively developing new improved ranges of extinguishers and plans to launch these products in 2005. As well as being better extinguishers, we expect to achieve cost efficiencies from implementation of these new ranges."

Dividend Policy

In the light of the proposed Tender Offer described in this document the Directors have concluded that no final dividend should be proposed in respect of the financial period ended 31 December 2004. Thereafter, the Board next intends to review its dividend policy at the time of the interim results for the six months ending 30 June 2005 at which point it will communicate its decision to Shareholders. Any decision on payment of a dividend will be based on the ongoing operating performance of the Group; its financing obligations following the proposed Tender Offer and any other investment opportunities available to the Group from retained funds.

City Code

The Tender Offer gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford to Shareholders are described in paragraph E of Part III.

Extraordinary General Meeting

The implementation of the Tender Offer, which, for this purpose, includes the Capital Reduction, is subject to the approval of Shareholders at the Extraordinary General Meeting.

At the Extraordinary General Meeting the approval of Shareholders will be sought to approve the Capital Reduction, to authorise the on-market purchase by the Company from Brewin Dolphin of up to 2,183,393 Ordinary Shares representing 15.1% of the Company's Ordinary Share capital in issue as at 4 May 2005 (the latest practicable date prior to posting of this document) at the Tender Price, to approve a change to the fixed borrowing limit of the Company as contained in its articles of association and to grant the Directors power to allot Shares without pre-emption applying.

As the resolutions relating to the Capital Reduction and the Tender Offer are inter-conditional, there will only be one resolution put to shareholders which is a special resolution and requires the approval of 75% of the Shareholders voting at the EGM, or on a poll, 75% of the votes cast.

Action to be taken

(a) Extraordinary General Meeting

You will find set out at the end of this document a notice convening an EGM to be held at 10 Bruton Street, London, W1J 6PX convened for 11.30am on 31 May 2005 at which the Resolution will be proposed to approve the Capital Reduction (including associated matters) and, subject to and conditional upon the Capital Reduction being approved by Shareholders and confirmed by the Court, to grant authority to the Company in accordance with the provisions of the Act to purchase its own Ordinary Shares.

A reply-paid Form of Proxy is enclosed. Whether or not you wish to tender any of your Ordinary Shares and regardless of whether or not you intend to be present at the Extraordinary General Meeting you are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so that it is received no later than 11.30am on 29 May 2005. The completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person if you wish to do so.

(b) To complete the Tender Form

Qualifying Shareholders who wish to tender their Ordinary Shares in respect of their Basic Entitlement and, if applicable, up to their Maximum Entitlement should complete the Tender Form in accordance with the instructions printed on it and in Part II of this document and return it by post in the accompanying reply-paid envelope (for use in the UK only) as soon as possible but, in any event, so that it is received by the Company's Receiving Agent, Capita Registrars, Corporate Actions, PO Box 166, 34 Beckenham Road, Beckenham, Kent, BR3 4TH not later than 5.00pm on 21 June 2005.

Qualifying Shareholders who hold their Ordinary Shares in certificated form should also return with the Tender Form their share certificate(s) in respect of the Ordinary Shares tendered.

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form should also transfer the relevant Ordinary Shares to an escrow balance as described in Part II of this document and in the Tender Form.

Qualifying Shareholders who do not wish to sell any Ordinary Shares under the Tender Offer need take no action in relation to the Tender Form. However, it is important that Shareholders, whether or not they intend to participate in the Tender Offer, return the completed Form of Proxy.

COMPLETED TENDER FORMS MUST BE RECEIVED BY NO LATER THAN 5.00PM ON 21 JUNE 2005.

Further details as to the procedures for tendering and settlement are set out in Parts II and III of this document and on the Tender Form.

Directors' Intentions

Mr J.G Murray, Chairman, the only Director interested in Ordinary Shares, has irrevocably undertaken to procure that the shareholders in the Company, over which he exercises control, vote in favour of the Resolution and tender for their Maximum Entitlement in respect of in aggregate 14,222,083 Ordinary Shares under the Tender Offer.

Further Information

Your attention is also drawn to the additional information set out in Parts II, III, IV and V of this document and the Tender Form.

Recommendation

As described in the section headed "Tender Offer" above, the Directors believe that the Tender Offer and the immediate purchase by the Company from Brewin Dolphin of the tendered Ordinary Shares for cancellation, offers Shareholders an excellent opportunity to realise all or part of their investment in the Company (depending on the size of their holdings).

The Directors believe that the proposed Tender Offer and purchase by the Company of its Ordinary Shares from Brewin Dolphin is in the best interests of the Company and Shareholders as a whole. Accordingly the Board unanimously recommends Shareholders to vote in favour of the Resolution, as Jacques Gaston Murray has undertaken to do so in respect of his beneficial and non-beneficial Ordinary Shares totalling 14,222,083 Ordinary Shares (representing approximately 98.2% of the issued share capital of the Company).

The Board is making no recommendation to Qualifying Shareholders in relation to participation in the Tender Offer itself. Whether or not Qualifying Shareholders decide to tender their Ordinary Shares will depend, amongst other things, on their view of the Company's prospects and their own individual circumstances, including their tax position. Qualifying Shareholders are recommended to consult a duly authorised independent financial adviser and make their own decision.

Yours faithfully

Henry Bonner Shouler

Senior Independent Non-Executive Director

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2005

Opening of Tender Offer	5 May
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	11.30 am on 29 May
Extraordinary General Meeting	11.30 am on 31 May
Latest time and date for receipt of Tender Forms	5.00 pm on 21 June
Record Date for Tender Offer	21 June
Expected date for the court hearing of the petition to confirm the Capital Reduction	22 June
Expected date on which Capital Reduction becomes effective	23 June
Announcement of take-up level under the Tender Offer and related details	23 June
Payment of Tender Offer consideration in respect of sold certificated Ordinary Shares and payments made through CREST for Tender Offer consideration in respect of sold uncertificated Ordinary Shares	4 July
Balance share certificates despatched in respect of any unsold certificated Ordinary Shares and CREST accounts credited in respect of any unsold uncertificated Ordinary Shares	4 July

DEFINITIONS

In this document the following expressions have the following meanings unless the context otherwise requires:

“Act”	Companies Act 1985, as amended.
“AIM”	the alternative investment market operated by the London Stock Exchange.
“Basic Entitlement”	up to 10 Ordinary Shares held by a Qualifying Shareholder on the Record Date
“Brewin Dolphin”	Brewin Dolphin Securities Limited which is regulated by The Financial Services Authority Limited and is a member of the

	London Stock Exchange.
“Board” or “Directors”	the directors of London Security, whose names appear on page 3 of this document.
“Business Day”	any day other than a Saturday, Sunday or a UK Bank Holiday.
“Capita Registrars”	a trading division of Capita IRG Plc.
“Capital Reduction”	the cancellation of the share premium account and capital redemption reserve of the Company and reduction in nominal value of the Ordinary Shares.
“City Code”	the City Code on Takeovers and Mergers.
“Closing Date”	has the meaning given to it in paragraph 6 of Part II of this document.
“Court” or “High Court”	the High Court of Justice in England and Wales.
“Court Hearing”	the hearing of the petition to confirm the Capital Reduction expected to be on 22 June 2005.
“CREST member”	a person who has been admitted by CRESTCo as a system member (as defined in the CREST Regulations).
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations).
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755).
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor being a sponsoring system participant (as defined in the CREST Regulations).
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member.
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations).
“CRESTCo”	CRESTCo Limited.
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on 31 May 2005, or any adjournment or postponement thereof, notice of which is set out at the end of this document.
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the EGM.
“Group”	the Company and its subsidiary undertakings.
“London Security” or “Company”	or London Security plc.
“London Stock Exchange”	London Stock Exchange plc.
“Maximum Entitlement”	15% of the Ordinary Shares held by a Qualifying Shareholder on the Record Date, after deduction of their Basic Entitlement of 10

	Shares rounded up to the nearest whole number of Shares.
“Member Account ID”	the identification code or number attached to any member account in CREST.
“Notice of EGM”	the notice of EGM set out at the end of this document.
“Ordinary Shares” “Shares”	or ordinary shares in the capital of the Company.
“Overseas Shareholders”	Shareholders who are citizens or nationals of, or who are resident in, jurisdictions outside the United Kingdom.
“Panel”	The Panel on Takeovers and Mergers.
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant.
“Preliminary Results”	the preliminary results for the Company for the year ended 31 December 2004 as shown in Part IV of this document.
“Qualifying Shareholders”	holders of Ordinary Shares on the Register at the Record Date, excluding certain Overseas Shareholders, subject to the sole discretion of the Company and Brewin Dolphin in relation to Overseas Shareholders.
“Receiving Agent”	Capita Registrars, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
“Record Date”	close of business on 21 June 2005.
“Register”	the register of members of the Company.
“Resolution”	the resolution in respect of the Capital Reduction, the Tender Offer, the amendment to the Company's articles of association and authority to allot Shares set out in the Notice of EGM to be proposed as a special resolution at the Extraordinary General Meeting.
“Share Option Scheme”	London Security plc Unapproved Executive Share Option Scheme.
“Shareholders”	holders of issued Ordinary Shares.
“Tender Form”	the tender form issued for use by Qualifying Shareholders in connection with the Tender Offer.
“Tender Offer”	the invitation by Brewin Dolphin Securities Limited to Qualifying Shareholders to tender up to 2,183,393 Ordinary Shares on the terms and subject to the conditions set out in Part II of this document and the Tender Form.
“Tender Price”	1375p per Ordinary Share.
“TFE instruction”	a transfer from escrow instruction (as defined by the CREST manual issued by CRESTCo).
“TTE instruction”	a transfer to escrow instruction (as defined by the CREST manual issued by CRESTCo).
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland.

“United States”

the United States of America, its territories and possessions, the District of Columbia, and all other areas subject to its jurisdiction and all political subdivisions thereof.

Enquiries:

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ENDS