THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised pursuant to the Financial Services Act 1986.

Your attention is specifically drawn to, and all statements relating to the Enlarged Group's business, financial position and prospects should be viewed in the light of Year 2000 compliance issues which are set out in paragraph 16 of Part VII of this document.

If you have sold or otherwise transferred all your Ordinary Shares in London Securities Plc, please send this document together with the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares you should retain these documents.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL from the date of this document until 14 days from the time and date on which Admission takes place, which is expected to be 30 December 1999.

Application will be made for the existing Ordinary Shares to be re-admitted and for the Consideration Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for re-admission of the existing Ordinary Shares and admission of the Consideration Shares to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document.

Persons receiving this document should note that, in connection with the Admission and the Proposals, KPMG Corporate Finance, a division of KPMG which is authorised to carry on investment business by the Institute of Chartered Accountants in England & Wales, is acting exclusively for London Securities Plc as nominated adviser. Teather & Greenwood Limited, which is regulated by the Securities & Futures Authority Limited, is acting exclusively for London Securities Plc as nominated broker. Neither KPMG Corporate Finance nor Teather & Greenwood Limited will be responsible to any other person for providing the protections afforded to clients of KPMG Corporate Finance or Teather & Greenwood Limited nor for providing advice in relation to the Admission and the Proposals or in relation to the contents of this document or any transaction or arrangement referred to in this document.

LONDON SECURITIES PLC

(Incorporated in England and Wales under the Companies Act 1985 and Registered No 53417)

Proposed acquisition of Ansul S.A.

Proposed disposal of the Property Companies

Application for Re-admission to trading on the Alternative Investment Market

Nominated adviser

KPMG Corporate Finance

Nominated broker

Teather & Greenwood Limited

Notice of an Extraordinary General Meeting of London Securities Plc to be held at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL on 29 December 1999 at 9.30 am is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. To be valid, the Form of Proxy must be completed in accordance with the instructions printed on it and should be returned as soon as possible, but in any event so as to reach IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9.30 am on 27 December 1999.

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Expected Timetable of Principal Events

Latest time and date for receipt of Forms of Proxy	9.30 am on 27 December 1999
Extraordinary General Meeting	9.30 am on 29 December 1999
Anticipated completion of the Acquisition	29 December 1999
Dealings expected to commence in the Consideration Shares and to recommence in the existing Ordinary Shares on the Alternative Investment Market	30 December 1999

Directors, Secretary and Advisers of London

Directors and Proposed Directors	The existing Board comprises:		*Aged*
	Peter Michael Evans	*Chairman and Finance Director*	45
	Keith Watson	*Property Director*	52
	Henry Bonner Shouler	*Non-Executive Director*	61
	Francis Michael Benjamin Gailer	*Non-Executive Director*	64
	Jean-Jacques Murray	*Non-Executive Director*	32
	Matthew John Roberts	*Non-Executive Director*	37
	André Chudnoff	*Non-Executive Director*	75
	Following Completion the board of London will comprise:		
	Jacques Gaston Murray	*Chairman*	
	Jean-Jacques Murray	*Executive Director*	
	Jean-Christophe François Georges Pillois	*Finance Director*	
	Emmanuel David Olivier Adrien Sebag	*Executive Director*	
	Henry Bonner Shouler	*Non-Executive Director*	
	Francis Michael Benjamin Gailer	*Non-Executive Director*	
	All of Wistons Lane, Elland, West Yorkshire HX5 9DS		
Company Secretary	Richard John Pollard		
Registered Office	Wistons Lane Elland West Yorkshire HX5 9DS		
Nominated Adviser	KPMG Corporate Finance 1 The Embankment Neville Street Leeds LS1 4DW		
Nominated Broker	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR		
Auditors	PricewaterhouseCoopers Benson House 33 Wellington Street Leeds LS1 4JP		
Reporting Accountants	KPMG 1 The Embankment Neville Street Leeds LS1 4DW		
Solicitors to the Company	Walker Morris Kings Court 12 King Street Leeds LS1 2HL		
Solicitors to the Nominated Adviser	Eversheds Cloth Hall Court Infirmary Street Leeds LS1 2JB		
Solicitors to European Fire Protection Holding B.V.	Rakisons Clements House 14-18 Gresham Street London EC2V 7JE		
Bankers	Lloyds TSB Bank Plc 5th Floor 6-7 Park Row Leeds LS1 1NX	Artesia Banking Corporation S.A. Jacqmainlaan 162 1000 Brussels, Belgium	
Registrars	IRG plc Bourne House 34 Beckenham Road Beckenham, Kent BR3 4TU		

Definitions

The following definitions apply in this document unless the context otherwise requires:

"Acquisition"	the proposed acquisition by the Company of Ansul pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 10 December 1999 between the Company and EFPH, details of which are set out in paragraph 10 of Part VII, in respect of the Acquisition
"the Act"	Companies Act 1985 (as amended)
"Admission"	the re-admission of the existing Ordinary Shares and the admission of the Consideration Shares to trading on AIM
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the AIM Admission Rules set out in chapter 16 of the Rules of the London Stock Exchange
"Ansul"	Ansul S.A., a wholly owned subsidiary of EFPH
"Ansul Group"	Ansul and its subsidiaries, excluding the Nu-Swift Group
"Board" or "Directors"	the directors of London at the date of this document whose names appear on page 3
"Cash Consideration"	the sum of £23.9 million to be paid to EFPH in partial satisfaction of the consideration for the Acquisition
"Completion"	completion of the Property Disposals and the Acquisition Agreement
"Consideration Shares"	the 9,496,124 new Ordinary Shares to be allotted and issued by the Company to EFPH in partial satisfaction of the consideration for the Acquisition
"EFPH" or "Vendor"	European Fire Protection Holding B.V., a company registered in the Netherlands of which Mr J G Murray is ultimately the sole beneficial owner
"EFS Property"	EFS Property Holdings Limited, an indirect wholly owned subsidiary of EFPH
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held on 29 December 1999
"Enlarged Group"	after Completion, the Group (excluding the Property Companies) and the Fire Group
"EOI"	E.O.I. European and Overseas Investments SARL
"Fire Group"	together the Nu-Swift Group and the Ansul Group
"Form of Proxy"	the form of proxy accompanying this document, for use at the EGM
"Group"	London and its subsidiaries prior to Completion
"Independent Directors"	Henry Shouler, Michael Gailer, Matthew Roberts and Keith Watson and, where the context permits, the independent committee of directors which they comprise
"Investment Properties"	the investment properties owned and managed by the Property Companies
"London" or "Company"	London Securities Plc
"London Stock Exchange"	London Stock Exchange Limited
"Nu-Swift"	Nu-Swift Limited, which prior to completion of the Reorganisation Agreements is a wholly owned subsidiary of EFPH
"Nu-Swift Group"	Nu-Swift and its subsidiaries
"Ordinary Shares"	ordinary shares of 10p each in London

Definitions *continued*

"Property Companies"	Evenprofit Limited, Majorcredit Limited, Nu-Swift Finchley Limited, Nu-Swift Sovereign Limited, Nu-Swift Glenthorn Limited and Nu-Swift Chalfont Limited, all wholly owned subsidiaries of London and where the context permits shall mean the entire issued share capital of each of the Property Companies
"Property Companies Sale Agreement"	the conditional agreement dated 10 December 1999 between London and EFS Property pursuant to which London has agreed to sell the Property Companies to EFS Property, details of which are set out in paragraph 10 of Part VII
"Property Disposals"	the proposed disposal of the Property Companies to EFS Property pursuant to the Property Companies Sale Agreement
"Property Revaluation"	the revaluation of the Investment Properties by Knight Frank dated 7 December 1999 a copy of which is set out in Part II
"Proposals"	the Acquisition and the Property Disposals
"Proposed Directors"	Jacques Gaston Murray, Jean-Christophe Pillois and Emmanuel Sebag
"Relationship Agreement"	the agreement to be entered into on Completion between, among others, London and EFPH, details of which are set out in paragraph 10 of Part VII
"Reorganisation"	the proposed acquisition of Nu-Swift by Ansul pursuant to the terms of the Reorganisation Agreements
"Reorganisation Agreements"	the conditional agreements dated 10 December 1999 between Ansul and EFPH, details of which are set out in paragraph 11 of Part VII, in respect of the Reorganisation
"Services Agreement"	the agreement to be entered into on Completion between London and EFPH, details of which are set out in paragraph 10 of Part VII
"Shareholders"	holders of Ordinary Shares
"UK"	United Kingdom

PART 1

Letter from Henry Shouler, the senior Independent Director of London

London Securities Plc

(Incorporated and registered in England and Wales under No. 53417)

Registered office:
Wistons Lane
Elland
West Yorkshire
HX5 9DS

Directors:
Peter Michael Evans *(Chairman and Finance Director)*
Keith Watson *(Property Director)*
Henry Bonner Shouler *(Non-Executive Director)*
Francis Michael Benjamin Gailer *(Non-Executive Director)*
Jean-Jacques Murray *(Non-Executive Director)*
Matthew John Roberts *(Non-Executive Director)*
André Chudnoff *(Non-Executive Director)*

13 December 1999

Dear Shareholder

Proposed acquisition of Ansul
Proposed disposal of the Property Companies
Re-admission of existing Ordinary Shares and admission of Consideration Shares to AIM

1. Introduction

It was announced today that the Company had entered into a conditional agreement to acquire the entire issued share capital of Ansul for a consideration of £48.4 million. Ansul is a wholly owned subsidiary of EFPH, which is ultimately (through EFS Property) the beneficial owner of 3,840,370 Ordinary Shares, representing 75.4 per cent. of the issued share capital of London.

The consideration for the Acquisition is to be satisfied as to:

(i) £24.5 million by the allotment and issue, credited as fully paid, of the Consideration Shares at a price of 258p per share; and

(ii) a cash payment of £23.9 million.

In order to provide part of the Cash Consideration, the Company has entered into an agreement, conditional, *inter alia*, on Shareholders' approval, to dispose of the Property Companies to EFS Property for a consideration of approximately £11.0 million, payable in cash on Completion, which represents the estimated aggregate net asset value of the Property Companies as at 31 December 1999, incorporating the Property Revaluation. The non-recourse borrowings of the Property Companies, which amount to approximately £10.1 million, will remain the responsibility of the Property Companies after Completion, and the Enlarged Group will have no continuing responsibility for them.

Michael Evans, André Chudnoff and Jean-Jacques Murray are all connected with EFPH and this is the reason why I am writing to you today, on behalf of the Independent Directors, to provide details of the Acquisition, the Property Disposals and the Independent Directors' recommendation that you vote in favour of the resolutions to be proposed at the EGM. Michael Evans, André Chudnoff and Jean-Jacques Murray have taken no part in the decisions of the Board in relation to the Acquisition and the Property Disposals.

In view of the size of the Acquisition, this transaction, which represents a reverse takeover, requires the approval of the Shareholders and an EGM is being convened for this purpose on 29 December 1999. Because of the connection of certain of the Directors with EFPH and EFS Property, and the interest of EFPH and EFS Property in the Proposals, EFPH has agreed that neither EFPH, EFS Property nor any person connected with them will exercise their voting rights at the EGM.

The purpose of this document is to provide you with details of the Proposals, to explain why the Independent Directors consider the Proposals to be in the best interests of London and its Shareholders as a whole and to recommend that you vote in favour of the resolutions to be proposed at the EGM.

2 Background to the Proposals

In common with many property investment companies, London suffered from falling asset values, high gearing and high interest rates during the recession of the early 1990's. London's financial position was such that in October 1992 it entered into a creditors' voluntary arrangement which was accompanied by an issue of Ordinary Shares to provide working capital. An orderly disposal of most of the properties and other assets held by London took place and the proceeds of sale were used to repay in part its secured lenders. The creditors' voluntary arrangement expired in October 1994.

In November 1994 the Company announced that it would run out of funds by January 1995 unless action was taken. To address this, London acquired Suitsort Limited from Nu-Swift in exchange for the issue of Ordinary Shares and undertook a capital reorganisation to eliminate the deficit on the profit and loss account and to enable the Company to pay dividends. As a result of this transaction, EFPH increased its indirect shareholding in London from 29.15 per cent. to 74.99 per cent.

Suitsort Limited, through its subsidiaries, owned a portfolio of six properties valued in November 1994 at £17.6 million and had property related debt of £11.2 million. Its acquisition by London increased the net assets of London from £14,000 to £6.5 million on a pro forma basis. The Group has continued to own these properties and has not made any further acquisitions or disposals of property since the acquisition of Suitsort Limited. At 30 June 1999 the net asset value of London had increased to £11.0 million, representing a net asset value of 215.8 p per Ordinary Share. Taking account of the Property Revaluation the net asset value per Ordinary Share at 30 June 1999 would have increased to 252p.

However, in common with many small quoted property companies, and compounded by the presence of a substantial shareholder, there is little liquidity in the market for Ordinary Shares. The mid-market price of an Ordinary Share at the close of business on 7 December 1999 (the last practical date before the publication of this document) was 91.5p, representing a 57.6 per cent. discount to its net asset value as at 30 June 1999.

In July 1999, the Company undertook a purchase of own shares, buying 25,000 Ordinary Shares at 83 p each. This buy-back reduced the public interest in the Company below the 25 per cent. required by the London Stock Exchange for a full listing and in August 1999 the Company transferred to AIM.

EFPH has approached the Board with a view to London acquiring the Fire Group. On 30 September 1999 the Board formally appointed a committee of Independent Directors to consider the Proposals. The Independent Directors subsequently appointed KPMG Corporate Finance to act as independent financial adviser to London and to advise the Independent Directors as to whether it considers the terms of the Proposals are fair and reasonable so far as the Shareholders are concerned.

The Fire Group operates in the portable fire extinguisher market in the UK, Holland, Belgium, Austria and Switzerland. The Fire Group is profitable and operates a cash generative business which requires a relatively small amount of working capital.

The Directors have been advised by the management of the Fire Group that they believe that the fire extinguisher market in Europe is mature, the sector is consolidating and that opportunities for growth will be mainly through acquisitions. The Fire Group has a successful track record of making acquisitions and is regularly reviewing potential acquisition opportunities.

The Independent Directors believe that the acquisition of the Fire Group should have a beneficial impact on London in that it should no longer be valued by reference to its net asset value, but rather by reference to its earnings.

The Proposals will also result in London realising its property portfolio at full open market value, based on the Property Revaluation, a copy of which is set out in Part II of this document.

£24.5 million of the consideration is to be satisfied by the allotment and issue of the Consideration Shares to EFPH. The issue price of these new Ordinary Shares (at 258p per Ordinary Share) represents the estimated net asset value per Ordinary Share of London as at 31 December 1999 taking account of the Property Revaluation (which was carried out for the purposes of the Proposals), and represents an increase of 182.0 per cent. over the mid-market price of an Ordinary Share at the close of business on 7 December 1999.

3. Fire Group re-organisation

As part of a re-organisation within EFPH prior to completion of the Acquisition, Ansul has entered into the Reorganisation Agreements whereby it has conditionally agreed to acquire the whole of the issued share capital of Nu-Swift from EFPH for a total consideration of £33.4 million, to be satisfied by the issue and allotment to EFPH of new shares in Ansul and by a cash payment to EFPH of £11.0 million. This cash payment is to be made from a bank facility of £11.0 million to be made available to Ansul by Lloyds TSB Bank Plc and Artesia Banking Corporation S.A., further details of which are set out in paragraph 10 of Part VII of this document.

In addition, a dividend amounting to £8.6 million has been declared by Nu-Swift and will be paid to EFPH prior to Completion. Furthermore, the intra-group balances between the Fire Group and EFPH and its associated companies will be settled at or prior to Completion; at 31 August 1999 the net balances due from EFPH and its associated companies amounted to £1.5 million. The result of these transactions will still leave the Fire Group with net cash balances.

The Reorganisation Agreements are conditional upon, amongst other things, the Acquisition being approved at the EGM.

4. Terms of the Acquisition

London has agreed, subject to receipt of Shareholders' approval, to acquire the whole of the issued share capital of Ansul from EFPH for a total consideration of £48.4 million. Taking into account the acquisition of Nu-Swift by Ansul pursuant to the Reorganisation Agreements (including the cash payment to EFPH of £11.0 million by Ansul and the additional borrowings of £11.0 million taken on for that purpose), this values the Fire Group at £59.4 million.

The consideration for the Acquisition payable to EFPH will be satisfied as to:

(i) £24.5 million by the allotment and issue, credited as fully paid, of the Consideration Shares; and

(ii) a cash payment of £23.9 million.

The Consideration Shares are to be issued at a price of 258p each, representing the estimated net asset value per Ordinary Share as at 31 December 1999, taking account of the Property Revaluation. The Consideration Shares will rank *pari passu* with the existing Ordinary Shares, save that they will not rank for the final dividend in respect of the year ending 31 December 1999.

5. EFPH shareholding and the Relationship Agreement

EFPH is currently interested in 3,840,370 Ordinary Shares, representing 75.4 per cent. of the issued share capital of London. If the Proposals are approved at the EGM, the interest of EFPH in London's share capital will increase to 13,336,494 Ordinary Shares, representing 91.4 per cent. of the enlarged issued share capital of London.

EFPH has, subject to Completion taking place, agreed to enter into the Relationship Agreement with London, under which EFPH has agreed, amongst other things, that all decisions of the board of directors of London concerning EFPH will be made by a committee of directors who are not connected with EFPH. Further details of the Relationship Agreement are set out in paragraph 10 of Part VII.

6. Terms of the Property Disposals

In order to provide part of the Cash Consideration payable to EFPH for the acquisition of Ansul, London has agreed, subject *inter alia* to Shareholders' approval at the EGM, to dispose of the Property Companies to EFS Property for an aggregate consideration of approximately £11.0 million, payable in cash on Completion. This consideration of approximately £11.0 million represents the estimated aggregate net asset value of the Property Companies, incorporating the Property Revaluation, as at 31 December 1999.

The Property Revaluation has been carried out by Knight Frank and their report is set out in Part II of this document. The Property Revaluation valued the Investment Properties at approximately £21.4 million, compared to the value at which they are stated in the accounts of the Group of £19.6 million as at 30 June 1999.

The non-recourse borrowings of the Property Companies, which amount to £10.1 million, will remain the responsibility of the Property Companies after Completion, and the Enlarged Group will have no continuing responsibility for them.

7. Financing of the Enlarged Group

The Cash Consideration amounts to £23.9 million. To assist in financing the Acquisition, London and its wholly owned subsidiary, Fire Protection Holdings Limited, have entered into a conditional loan facility of £11.0 million with Lloyds TSB Bank Plc and Artesia Banking Corporation S.A., which is repayable in instalments over seven years.

The Cash Consideration of £23.9 million will therefore be satisfied from the facility of £11.0 million described above, from the proceeds of the Property Disposals of approximately £11.0 million and the balance from London's own resources.

The effect of the Acquisition and Reorganisation is that the Enlarged Group will have entered into loan facilities of £22.0 million with Lloyds TSB Bank Plc and Artesia Banking Corporation S.A. of which £11.0 million will be utilised by Ansul as partial consideration for the acquisition of Nu-Swift and £11.0 million will be utilised by London and Fire Protection Holdings Limited as partial satisfaction of the Cash Consideration for the Acquisition. Lloyds TSB Bank Plc and Artesia Banking Corporation S.A. have also conditionally agreed to make available a further facility of £3.0 million to enable the Enlarged Group to make acquisitions in the future. Further details of these facilities are set out in paragraph 10 of Part VII of this document.

A pro forma statement of net assets of the Enlarged Group is set out in Part VI of this document. On the bases and assumptions set out in Part VI, the pro forma net borrowings of the Enlarged Group would amount to approximately £20.1 million which would represent gearing of 53.5 per cent. on the pro forma net assets of the Enlarged Group of £37.6 million, including goodwill. Were intangible assets to be excluded, the Enlarged Group would have pro forma net liabilities of £16.0 million.

8. Background to the Fire Group

Nu-Swift was established in 1933 and its business is to manufacture, sell and service primarily portable fire extinguishers. Nu-Swift obtained a quotation on the London Stock Exchange in 1960. In 1984 Nu-Swift merged with Associated Fire Protection Limited and as a result EFPH became the majority shareholder of Nu-Swift. EFPH was (and remains) controlled by Jacques Gaston Murray.

In 1986 Nu-Swift acquired a controlling interest in Compagnie Centrale Sicli S.A. ("Sicli"), a leading French fire protection group, for £5.7 million and Sicli was merged with Nu-Swift's then existing operation in France, General-Incendie S.A. This investment proved to be extremely successful as Nu-Swift's French operations were sold in February 1990 for £184.0 million. Much of the proceeds from this disposal were subsequently used by Nu-Swift to acquire various investment properties, including an interest in a hotel and apartment complexes.

In February 1994, Nu-Swift was taken private by EFPH at a price which valued Nu-Swift at £147.2 million, effected by means of a scheme of arrangement under Section 425 of the Act. The investment property interests of Nu-Swift were subsequently transferred out of the Nu-Swift Group to other subsidiaries of EFPH.

In April 1994, a subsidiary of EFPH also acquired the Ansul Group, which represented the European portable fire extinguisher business of Tyco International Limited, excluding its business in Germany, for US $19.2 million.

9. Business of the Fire Group

The Fire Group operates in Europe, through Nu-Swift and Ansul. Nu-Swift is based in the UK and also has subsidiaries operating in Belgium, Holland and Switzerland. Ansul has its head office in Belgium and also has subsidiaries in Holland, Austria and Switzerland.

The Fire Group primarily manufactures, sells, rents and services portable fire extinguishers to and on behalf of end users, although other fire and safety related products including fire alarms, dry risers and safety signs are also sold. The Fire Group's businesses address legislative requirements relating to the installation and servicing of fire extinguishers in certain premises. Currently legislation varies throughout Europe as to which type of premises require fire extinguishers and how often they are serviced. For instance, in Switzerland both domestic and commercial premises require fire extinguishers, but they are only required to be serviced once every three years; whereas in the UK only commercial premises are required to have fire extinguishers, which must then be serviced annually.

The Fire Group manufactures and sells a range of high quality portable fire extinguishers to deal with different types of fire risk. These include powder, water, foam and carbon dioxide extinguishers. The Fire Group aims to provide a high quality response to customers' servicing needs, with one of the key business indicators being the number of extinguishers under service contracts for each business entity.

The Fire Group produces a range of extinguishers under four principal brands. Nu-Swift Group sells the *Premier* and *Harland* ranges. The Ansul Group trades as *Ansul* in Belgium and Holland and *Total* in Austria and Switzerland. The Ansul Group produces the *Master* and *Turex* range of fire extinguishers. In addition to its own products, the Fire Group also sells other manufacturers' products, largely as a result of the product ranges offered by companies acquired by the Fire Group. The Fire Group intends to manufacture its own extinguishers partially to replace these products in 2000.

The Fire Group sells primarily to small businesses where the average number of extinguishers under service contracts is relatively low and which results in a large number of customers; however, the Fire Group also sells to a small number of larger corporate customers.

The Directors have been advised by the management of the Fire Group that they believe that the fire extinguisher market in both the UK and Europe is reasonably mature and the sector is consolidating with growth occurring mainly through acquisitions. In each of the countries in which the Fire Group operates, the market outside the major operators is very fragmented with a significant number of smaller competitors. Consequently there are opportunities to grow by acquisition and the Fire Group has been successful in making acquisitions in recent years.

UK

The Nu-Swift Group operates from three locations in the UK:

Elland, West Yorkshire, which is the UK headquarters for Nu-Swift and where the assembly of fire extinguishers takes place;

St. Helens, Merseyside, which houses the sales and service engineering operations trading as Hoyles and Green Cross; and

Greenford, Middlesex, which houses the sales and service engineering operations trading as LW Safety.

The Nu-Swift Group has 212 employees covering the whole of the UK.

The unaudited management accounts for the year ended 31 December 1998 showed that Nu-Swift Group's UK operations had a turnover of £13.1 million.

Belgium

Ansul Group and Nu-Swift Group have separate and autonomous operations in Belgium.

Ansul's operations are based in Groot-Bijgaarden, Brussels and contain the head office and manufacturing activities of the Ansul Group. Ansul employs a total of 151 people in Belgium. The management accounts for the year ended 31 December 1998 showed that Ansul's Belgian operations recorded a turnover of BEF 645.8 million.

The Nu-Swift Group's two operations in Belgium, Importex and Dimex, are both based in Lontzen. In the year ended 31 December 1998, the management accounts for Importex recorded a turnover of BEF 196.7 million and Importex currently employs 55 people. Dimex, which was acquired by the Nu-Swift Group in February 1999 and employs 7 people, was founded by Robert Closset who now manages both Importex and Dimex.

Netherlands

The Ansul Group's operations in the Netherlands are located in Lelystad, north of Amsterdam, and employ 60 people. The management accounts for Ansul's Dutch operations for the year ended 31 December 1998 showed a turnover of NLG 13.3 million.

The Nu-Swift Group's business is based in Arnhem and is managed by its original founder, Ben Brans. It has 58 employees. In the year ended 31 December 1998, it recorded a turnover of NLG 11.3 million.

Austria

The Ansul Group's business in Austria operates as Firestop Total and is based in Vienna, with 41 employees. The management accounts for Firestop Total for the year ended 31 December 1998 showed a turnover of ATS 62.1 million.

Switzerland

The Ansul Group's Swiss business operates as Total and is located in Biel. The management accounts for the year ended 31 December 1998 recorded a turnover of CHF 0.9 million.

The Nu-Swift Group owns two businesses in Switzerland, Nu-Swift Feuerlöscher and Maclin. Nu-Swift Feuerlöscher operates from the same location as Total and has 16 employees. The management accounts for the year ended 31 December 1998 showed a turnover of CHF 3.0 million.

Maclin was acquired in June 1998, is located in Geneva and has 7 employees. The management accounts for the period from acquisition by Nu-Swift to 31 December 1998 recorded a turnover of CHF 0.6 million.

10. Financial information

The Accountants' Reports on the Ansul Group and the Nu-Swift Group are set out in Parts III and IV respectively. However, the figures in these reports, which reflect the audited results for both the Ansul Group and the Nu-Swift Group, include certain costs and income which are not expected to recur following Completion (shown as "non-recurring items" in the table below).

Further, the Fire Group has borne certain property and other costs, including the costs of certain executives of the Fire Group, including Jacques Gaston Murray, Jean-Christophe Pillois and Emmanuel Sebag (all of whom are Proposed Directors of London) and Jean-Jacques Murray (a director of London). These costs have either been incurred directly by the Fire Group or have been recharged by EFPH to the Fire Group. Under the Services Agreement, further details of which are set out in paragraph 10 of Part VII, these costs will be restricted to a maximum of £900,000 for the year ending 31 December 2000 and this maximum will be increased thereafter in line with the Retail Price Index. The actual property and other costs borne by Ansul and Nu-Swift have been shown in the table below as "Service Agreement costs".

The table below shows, for the purposes of illustration only, the combined operating profits of the Fire Group, adjusted for the items mentioned above and also before charging any goodwill amortisation. The figures shown below have been extracted (and, where appropriate, translated at the relevant exchange rates shown below) from the Accountants' Reports on the Ansul Group and the Nu-Swift Group set out in Parts III and IV of this document respectively. The Independent Directors believe that these more accurately reflect the underlying operating profit of the Fire Group, before goodwill amortisation, for the three years ended 31 December 1998 and for the eight months ended 31 August 1999.

	Page ref.	*Year ended 31 December 1996 £'000*	*1997 £'000*	*1998 £'000*	*Eight months ended 31 August 1999 £'000*
Turnover					
Ansul Group	23	23,215	18,151	17,019	10,857
Nu-Swift Group (continuing operations only)	37	20,102	18,478	19,658	13,627
		43,317	36,629	36,677	24,484
less: intra Fire Group	34	(133)	(126)	(123)	(149)
Fire Group turnover		43,184	36,503	36,554	24,335
Gross profit					
Ansul Group	23	18,698	14,754	14,263	9,258
Nu-Swift Group (continuing operations only)	42	16,992	15,549	16,216	11,291
Fire Group gross profit		35,690	30,303	30,479	20,549
Operating profit after goodwill amortisation					
Ansul Group	23	2,206	1,821	2,249	1,942
Nu-Swift Group (continuing operations only)	37	1,992	1,234	1,681	1,350
		4,198	3,055	3,930	3,292
Adjustments:					
Ansul goodwill amortisation	23	652	497	444	258
Nu-Swift goodwill amortisation	37	406	499	609	421
Ansul Service Agreement costs	26	878	516	325	207
Nu-Swift Service Agreement costs	43	2,015	1,640	1,740	1,132
Ansul 'non-recurring' items	26	94	38	97	—
Nu-Swift 'non-recurring' items	43	354	214	72	42
		8,597	6,459	7,217	5,352
Maximum Service Agreement costs		(900)	(900)	(900)	(600)
Adjusted Fire Group operating profit before goodwill amortisation		**7,697**	**5,559**	**6,317**	**4,752**
BEF/£ exchange rates used		48.38	58.60	60.13	60.35

11. Directors and key employees

Following Completion, the Company will pursue the development of the Fire Group's business and Michael Evans, Keith Watson, André Chudnoff and Matthew Roberts have agreed to resign from the Board on Completion. Michael Evans is also company secretary of Nu-Swift and a director of its operating subsidiaries and he will remain in those posts following completion of the Proposals.

(i) Directors

After Completion, the board of directors of the Company will comprise the following:

Jacques Gaston Murray, aged 79, Chairman. His 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 became the majority shareholder in 1984 when Nu-Swift acquired Associated Fire Protection Limited which owned General-Incendie S.A. Mr Murray is ultimately the sole beneficial shareholder of EFPH and is also Chairman of Andrews Sykes Group Plc.

Jean-Jacques Murray, aged 32, Executive Director. Jean-Jacques is the son of Jacques Gaston Murray and is a director of Nu-Swift. His prime responsibility will be the strategic direction of the Enlarged Group. He is a non-executive director of Andrews Sykes Group Plc.

Jean-Christophe Pillois, aged 43, Finance Director. He trained as the equivalent of a chartered accountant with Price Waterhouse in France and joined the Fire Group in December 1983. His role incorporates the corporate finance activities of the Fire Group together with all financial, tax, legal and accounting matters. Mr Pillois is also a non-executive director of Andrews Sykes Group Plc.

Emmanuel Sebag, aged 31, Executive Director. He acts as Jacques Gaston Murray's assistant and will be responsible for the Fire Group's operations and for researching and negotiating acquisitions for the Enlarged Group. Mr Sebag is also a non-executive director of Andrews Sykes Group Plc.

Henry Shouler, aged 61, independent non-executive Director. Mr Shouler is deputy chairman of Sharpe & Fisher Plc, a listed company, which is currently the subject of a recommended takeover offer, and chairman of Pascoe's Group Plc, an AIM listed company. He also has a number of directorships in private companies. He was appointed as a director on 18 August 1994. He is the senior independent director.

Michael Gailer, aged 64, independent non-executive Director. He is a non-executive director of Andrews Sykes Group Plc and a number of private companies.

(ii) Other key employees

UK

Richard Pollard, aged 36. He qualified as a chartered accountant and worked at Price Waterhouse and in industry before joining Nu-Swift in 1991. He is finance director for the Nu-Swift Group.

Darwyn Suggett, aged 54. He joined Nu-Swift in 1977 and is now commercial manager, responsible for all UK commercial activities.

Grahame Heap, aged 56. He is responsible for all production, rectification and warehouse operations within the UK.

Belgium

Jean-Pierre Landré, aged 38. He joined Nu-Swift in 1987, and spent some time at two of the Fire Group's major competitors before re-joining as group commercial director in 1997. He is responsible for the commercial activities of the Fire Group.

Xavier Mignolet, aged 34. He is finance director for the Ansul Group, responsible for all financial and company secretarial matters.

Robert Closset, aged 46. He is the managing director of the Importex and Dimex businesses in Belgium. Mr Closset worked at Importex prior to its acquisition by Nu-Swift in 1991 and founded Dimex which was acquired by Nu-Swift in February 1999.

Holland

Ben Brans, aged 57. He has been the managing director of the Nu-Swift business in Holland since 1973 when the business was founded.

Radboud van Beurden, aged 37. He has agreed to join the Fire Group as managing director of the Ansul business in Holland in 2000. He was previously employed as sales and marketing manager with Xerox (Nederland) B.V.

Austria

Robert Slameczka, aged 38. He recently joined Firestop as managing director from Merkur Insurance A.G. where he was employed as a director for Vienna and lower Austria.

Switzerland

Pierre-Alan Bart, aged 51. He joined Nu-Swift's operations in Switzerland in 1991 and became managing director of the Swiss subsidiaries in 1994. He is responsible for the commercial operations of Nu-Swift, Ansul and Maclin in Switzerland.

12. Current trading and future prospects

(a) London

The interim results for London for the six months ended 30 June 1999 were announced on 29 October 1999 and a copy of those results, together with the accompanying Chairman's statement, is set out in Part V of this document. Shareholders should note that the results of London for the year ending 31 December 1999 will only reflect the trading of the Group as it is currently constituted and will not include any contribution from the Fire Group should the Proposals be approved by Shareholders at the EGM.

(b) The Fire Group

The results of the Ansul Group and the Nu-Swift Group for the eight months ended 31 August 1999 are included in the Accountants' Reports set out in Parts III and IV of this document respectively. As noted above, however, these results include costs which are either unlikely to recur or which are to be regulated by the Services Agreement and the Independent Directors believe that the table set out in section 10 above better reflects the trading results of the Fire Group. On the basis set out in section 10 above, the adjusted operating profit before goodwill amortisation of the Fire Group for the eight months ended 31 August 1999 amounted to £4,752,000 on a turnover of £24,335,000. Trading since 1 September 1999 has been in line with the expectations of the management of the Fire Group.

As noted above, the Directors have been advised by the management of the Fire Group that they believe that the fire extinguisher market in Europe is mature, the sector is consolidating and opportunities for growth will be mainly through acquisitions. The Fire Group has a successful track record of making acquisitions and is regularly reviewing potential acquisition opportunities. It is currently in the advanced stages of negotiation with the owners of one small business.

13. Risk factors

The Directors consider the following factors to be of significance to potential investors:

- Application will be made for the Company's enlarged issued share capital to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document.

- As at 30 June 1999, London had net assets of £11.0 million, after deducting net debt of £7.6 million. The Proposals will result in the Enlarged Group taking on borrowings of £22.0 million which is repayable over seven years and will result in pro forma gearing of 53.5 per cent. with goodwill having been capitalised. Were intangible assets to be excluded, the Enlarged Group would have pro forma net liabilities of £16.0 million.

- EFPH currently holds approximately 75.4 per cent. of the Ordinary Shares in London with the remaining 24.6 per cent. being in public hands. If the Proposals are approved, EFPH's ordinary shareholding will increase to approximately 91.4 per cent. with only 8.6 per cent. being in public hands, although there will be no fewer Ordinary Shares held by the public.

- London is controlled by Jacques Gaston Murray through his ultimate controlling interest in EFPH. EFPH will realise a net £34.9 million through the Proposals, financed in part from the banking facilities of £22.0 million taken on by Fire Protection Holdings Limited and Ansul to fund the Acquisition and the Reorganisation.

- The current Board comprises seven directors, three of whom are connected with EFPH but a majority of whom are independent. Following the Proposals the Board composition will change such that there will only be two independent directors, namely Henry Shouler and Michael Gailer. Following Completion EFPH will enter into the Relationship Agreement with London, details of which are set out in paragraph 10 of Part VII below.

14. Dividend policy

In the absence of unforeseen circumstances, the final dividend for the year ending 31 December 1999 is expected to be maintained at 2.0 pence per Ordinary Share and is expected to be paid to Shareholders in or around June 2000. The Consideration Shares do not rank for this dividend. The level of dividend for 1999 reflects the property investment activities of the Company throughout the year prior to Completion.

Following Completion, and given the nature of the trading activities of the Enlarged Group, the directors of London intend to adopt a progressive dividend policy with the annual dividend split approximately one third/two thirds between an interim dividend paid during the financial year to which it relates and a final dividend paid after the Annual General Meeting, following the financial year end. It is too early for any guidance to be given concerning the absolute level of the dividends for the year ending 31 December 2000 but factors to be considered by the directors of London, in due course, will include the operating performance of the business, appropriate levels of dividend cover and yield, the on-going cash flow requirements of the Enlarged Group and the impact of any further acquisitions.

15. Proposed future buy-back of Ordinary Shares

As at 7 December 1999 the Company had 2,272 Shareholders, of whom 1,534 own less than 20 Ordinary Shares. Were these Shareholders to sell their Ordinary Shares, it would be likely that the dealing costs would exceed the sales proceeds. The costs of distributing the interim and final results of the Company and also the annual dividend to all Shareholders are excessive for a small company.

For these reasons, the Company and EFPH have agreed, pursuant to the Relationship Agreement, that arrangements will be made in time for the Annual General Meeting to be held in 2000 (but in any case by no later than 30 June 2000), for the Company to offer to purchase up to 250 Ordinary Shares from each Shareholder at a price of no less than 258p per Ordinary Share (representing the estimated net asset value per Ordinary Share as at 31 December 1999 after the Property Revaluation but before effecting the Proposals). EFPH has undertaken that it, and/or parties connected with it, will vote in favour of the relevant resolution(s) that will require the approval of Shareholders at the relevant general meeting which is required to approve the buy-back.

Full details of this proposed buy-back by the Company will be circulated to Shareholders at the appropriate time.

16. Corporate governance

The Company intends to continue to adhere to the principles of good corporate governance set out in the Combined Code issued by the Committee on Corporate Governance, in so far as this is practicable and appropriate for a relatively small public company.

The Company does not currently comply with the Combined Code in the following areas:

- non-executive directors are not appointed for specific terms; and
- a formal procedure for the appointment of new directors has not been introduced.

The remuneration committee currently comprises Henry Shouler, Michael Gailer and Matthew Roberts. Following Completion, and the resignation of Matthew Roberts, Jean-Jacques Murray will be appointed to the remuneration committee. The committee will be chaired by Henry Shouler. The committee will review the performance of executive directors and set 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 will be permitted to participate in decisions concerning his own remuneration.

The audit committee currently comprises Henry Shouler, Michael Gailer, Jean-Jacques Murray, Matthew Roberts and André Chudnoff. Following Completion, and the resignation of Matthew Roberts and André Chudnoff, Jean-Christophe Pillois will be appointed to the committee. Henry Shouler and Michael Gailer are independent of management and EFPH. The committee is chaired by Henry Shouler. The audit committee is responsible for ensuring that the financial performance of the Company is properly monitored, controlled and reported on. It meets regularly and meets the auditors at least once a year.

17. Increase in Ordinary Share capital

Currently there are 1,704,505 authorised but unissued Ordinary Shares in London, which is insufficient to satisfy the Consideration Shares to be issued and allotted as part of the consideration for the Acquisition. The Directors therefore propose that the authorised share capital of the Company be increased from £680,000 to £2,000,000 by the creation of 13,200,000 new Ordinary Shares.

Following Completion of the Acquisition which involves, among other things, the allotment and issue of the Consideration Shares to EFPH, the authorised but unissued share capital of the Company will comprise 5,408,381 Ordinary Shares representing 27.0 per cent. of the authorised share capital of the Company.

18. Extraordinary General Meeting

Notice of the EGM, which is to be held at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL at 9.30 am on 29 December 1999 is set out at the end of this document. Ordinary resolutions relating to the following matters will be proposed at the meeting:

- to approve the Acquisition
- to approve the Property Disposals
- to authorise the increase of the authorised share capital of the Company from £680,000 to £2,000,000 by the creation of 13,200,000 new Ordinary Shares of 10p each; to authorise the Directors to allot the Consideration Shares and to allot relevant securities; and to approve the increase in the borrowing limits of the Company from £25.0 million to £27.0 million

19. Action to be taken

Form of Proxy

Notice of the EGM of London to be held at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL on 29 December 1999 at 9.30 am is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the EGM. To be valid, the Form of Proxy must be completed in accordance with the instructions printed on it and should be returned as soon as possible, but in any event so as to reach IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9.30 am on 27 December 1999.

20. Additional information

The attention of Shareholders is drawn to the further information set out in this document as follows:

Part II	Property valuation report from Knight Frank
Part III	Accountants' report on the Ansul Group
Part IV	Accountants' report on the Nu-Swift Group
Part V	Financial information on London
Part VI	Pro forma statement of net assets of the Enlarged Group
Part VII	Additional information

Shareholders should read the whole of this document and should not rely solely on the contents of this letter.

21. Conclusion and recommendation

Michael Evans, André Chudnoff and Jean-Jacques Murray, who are Directors of London and who are connected with EFPH (which has an interest in the Proposals), have taken no part in the decisions of the Board in relation to the Proposals.

Conclusion

The Independent Directors of London, who have been so advised by KPMG Corporate Finance, consider that the terms of the Proposals are fair and reasonable so far as the Shareholders are concerned. In providing financial advice in relation to the terms of the Proposals, KPMG Corporate Finance has taken into account the Independent Directors' commercial assessment of the Proposals.

Recommendation

The Independent Directors believe that the Proposals are in the best interests of the Company and of its Shareholders as a whole and accordingly unanimously recommend you to vote in favour of the resolutions to be proposed at the EGM. The Independent Directors do not own any Ordinary Shares and consequently are unable to vote at the EGM.

Michael Evans, André Chudnoff and Jean-Jacques Murray, who do not hold any Ordinary Shares, are unable to vote at the EGM.

EFPH, EFS Property and their respective nominees hold in aggregate 3,840,370 Ordinary Shares. EFPH has agreed that neither EFPH, EFS Property nor any person connected with them will exercise their voting rights at the EGM.

Yours sincerely

Henry Shouler
Independent Director

PART II

Property valuation report from Knight Frank

KPMG Corporate Finance,
1 The Embankment,
Neville Street,
Leeds,
LS1 4DW.

Knight Frank

20 Hanover Square
London W1R 0AH

The Independent Directors,
London Securities Plc,
Wistons Lane,
Elland,
Halifax,
HX5 9DS.

7 December 1999

Dear Sirs,

VALUATION OF CERTAIN PROPERTIES FOR LONDON SECURITIES PLC

In accordance with instructions received from KPMG Corporate Finance acting on behalf of the Independent Directors of London Securities Plc ("the Company"), as confirmed in our letter dated 20 October 1999, we have valued certain freehold and leasehold properties currently held by a number of the Company's wholly owned subsidiaries.

We have inspected the properties, made all relevant enquiries and obtained such further information as necessary to provide you with our opinion of their current open market values. We understand that the Company proposes to dispose of the properties in a transaction requiring shareholder approval and that our valuation is required in connection with this transaction.

The properties have been valued individually on the basis of "Open Market Value" in accordance with the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors and the valuation has been undertaken by us as External Valuers. Open Market Value is defined as:

> *"An opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:*
>
> *(a) a willing seller;*
>
> *(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;*
>
> *(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;*
>
> *(d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and*
>
> *(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion".*

No allowance has been made for expenses of realisation or for any taxation which might arise and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoings or restrictions. We have not seen planning consents and except where advised to the contrary, have assumed that the properties have been erected and are being occupied and used in accordance with all requisite consents and that there are no outstanding statutory notices.

We have not read documents of title nor all leases and, for the purpose of our valuations, have accepted the details of tenure, tenancy and all other relevant information with which we have been supplied by the Company and your appointed managing agents, Messrs Weatherall Green & Smith. When considering the covenant strength of individual tenants we have not carried out credit enquiries but have reflected in our valuations our general understanding of purchasers' likely perceptions of tenants' financial status.

We were not instructed to carry out structural surveys of the properties, nor to test the services, but have reflected in our valuations, where necessary, any defects, items of disrepair or outstanding works of alteration or improvement which we noticed during the course of our inspections or of which you have advised us. Our valuations assume the buildings contain no deleterious materials and that the sites are unaffected by adverse soil conditions except where we have been notified to the contrary.

We have not carried out any scientific investigations of the sites or any of the properties to establish the existence or otherwise of any environmental contamination. In the absence of any information to the contrary we have assumed that the properties are unaffected by environmental contamination. Should it be established subsequently that contamination exists at any of the properties or on any neighbouring land or that the premises have been or are being put to a contaminative use this may reduce the values now reported.

For the purposes of this valuation we have assumed that, where appropriate, suitable action has been taken to ensure Year 2000 compliance in respect of the properties and their services.

Having regard to the foregoing **WE ARE OF THE OPINION** that the aggregate of the values as at 7 December 1999 of the respective freehold and long leasehold interests, subject to and with benefit of the various occupational leases, and where unlet, with the benefit of full vacant possession, as summarised in the schedule is **£21,425,000 (TWENTY ONE MILLION FOUR HUNDRED AND TWENTY FIVE THOUSAND POUNDS).**

The aggregate of the individual Open Market Values allocated by tenure is as follows:

Freehold	£8,650,000
Long Leasehold	£12,775,000
Total	**£21,425,000**

The properties are, we understand, all held as investments and accordingly, no other categorisation is made.

Brief details of the individual properties including address, description, tenure, terms of main tenancies, estimated current net annual rents receivable and Open Market Value are given in the schedule which follows. In providing our estimates of current net annual rents receivable, we have had regard to the definition contained in paragraph 18.2 (d) of the Listing Rules. This defines "Net Annual Rent" as the current income or income estimated by the valuer:

"(i) Ignoring any special receipts or deductions arising from the property;

(ii) Excluding Value Added Tax and before taxation (including tax on profits and any allowances for any interest on capital or loans); and

(iii) After making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent."

The aggregate of the Estimated Current Net Annual Rents Receivable as shown in the following schedule is £1,869,001 which sum is estimated to increase to some £1,922,397 upon settlement of outstanding rent reviews.

The properties have all been inspected between 25 October and 8 November 1999. We have measured the properties in accordance with the Code of Measuring Practice - Fourth Edition (RICS/ISVA 1993). All areas and ages quoted in this report are approximate and for guidance only. We have reflected in our valuations, where we consider necessary, any defects, items of disrepair or site difficulties which we noted during the course of our inspections or of which we have been advised by the Company.

No allowance has been made in our valuations in respect of rights, obligations or liabilities arising under the Defective Premises Act 1972.

We have made oral town planning enquiries as a result of which we were advised by the local Planning Authority that there are no adverse town planning, highway or other schemes or proposals directly affecting the properties. Information supplied to us by Planning Officers is however given without liability on their part and we cannot therefore accept responsibility for incorrect information or for material omissions in the information supplied.

We have valued the properties individually and have taken no account of any discount or premium that could be attributed if all or part of the portfolio was to be marketed simultaneously.

Except where advised to the contrary, we have assumed that there are no tenants' improvements which will materially affect our opinion of the rent that would be obtained on review or renewal and that there are no user restrictions or other restrictive covenants in leases which would adversely affect value.

This Valuation Report is for the use only of the parties to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. If our opinion of value is disclosed to persons other than the addressees of this report, the basis of valuation should be stated. If it is proposed to publish the figure, the form and context in which the figure is to appear must be approved by us beforehand.

Yours faithfully,

KNIGHT FRANK

Address	*Description Age & Tenure*	*Terms of Existing Tenancies*	*Estimated Current Net Annual Rents Receivable*	*Open Market Value*
Chalfont Office Centre, Lower Earley, Reading, Berkshire	Two-storey office complex arranged in L-shaped configuration comprising nine self-contained office units providing some 1,515 sq.m. (16,300 sq.ft.) net of office accommodation. The property adjoins a district centre providing facilities for Lower Earley including Loddon Valley Leisure Centre, medical centre, church and an Asda superstore. Freehold.	The premises are let on eight leases, all on a full repairing and insuring basis for terms originally of 15 to 25 years with unexpired terms ranging from 5 to 16 years. Tenants include Halifax, G.A. Property Services and other professional firms. At the time of valuation Unit 2 comprising some 244 sq.m. (2,623 sq.ft.) net was vacant and available to let.	£232,977	£3,100,000
Sovereign House, 23-30 London Road, Twickenham	Three ground floor shops with some 650 sq.m. (7,000 sq.ft.) net of offices on three upper floors, with ground floor entrance hall. The property was built in 1983 and lies between Twickenham railway station and the central shopping area. Freehold.	The three shops are individually let on leases for terms to expire during 2009 with five yearly upwards only rent reviews. The offices are let on a floor-by-floor basis, with leases expiring in June 2004, March 2012 (with mutual options to break and rent reviews at March 2002 and 2007) and March 2000. All leases are on effective full repairing and insuring terms with recovery of landlords expenditure by way of a service charge.	£109,382	£1,450,000
1/7 Upper Street & 2-6 Liverpool Road, Islington, London, N1	A corner block of retail units with some 1,317 sq.m. (14,176 sq.ft.) net of offices above, located at a busy road junction by Angel Underground Station. The building provides five retail units, and an office entrance, which services the three levels of offices above. The block was originally constructed at different times, the corner building occupied by the Halifax being late Victorian and the majority being 1980's. Long Leasehold. Held under a lease originally granted for a term of 125 years from 29.9.1984 at a base rental of £25,000 per annum plus a supplemental rental calculated as to 17.5% of rents received after allowing for deduction of the base rental.	The property is let to six tenants on eight separate leases mainly to well known national organisations. Tenants include Halifax, National Westminster Bank, Cullens Stores Plc and Manpower Services Commission and a Body Shop franchise. The premises are let on a full repairing and insuring basis for terms of either 20 or 25 years, with unexpired terms of between 5 to 20 years.	£451,523	£5,250,000

Address	*Description Age & Tenure*	*Terms of Existing Tenancies*	*Estimated Current Net Annual Rents Receivable*	*Open Market Value*
Marlborough House, 179-189 Finchley Road, London, NW3	Five ground floor and basement retail units with some 1,069 sq.m. (11,500 sq.ft.) net of offices and seven long leasehold residential flats, on the upper floors above. Access to the offices and the residential flats is via two individual entrances at ground floor level at the rear of the property. The property was originally built in the late eighteenth century but was extended and substantially re-built in 1986, and is located some 150 metres south of Finchley Road Tube Station. Long Leasehold. Held under a lease originally granted for a term of 999 years from 25.3.1877 at a fixed rental of £291 per annum.	The five shops are individually let on an effective full repairing and insuring basis, with upward only rent reviews every fifth year, on terms due to expire between 2003 and 2011. The offices are let on a suite-by-suite basis, with two suites per floor, on leases with upward only rent reviews due to expire between 2012 and 2013. Leases are effectively on a fully repairing and insuring basis with recovery of landlords expenditure by way of a service charge. The residential flats are let on long leases for terms expiring in 28.9.2137 at a peppercorn.	£351,555	£3,525,000
93 Mortimer Street & 43 Great Portland Street, London, W1	Two inter-connected Grade II listed buildings comprising basement, ground and four upper levels, with accommodation totalling some 1,075 sq.m. (11,565 sq.ft.) net, currently utilised as a hairdressing school with associated retailing showroom and offices. The buildings are partly air-conditioned and there is an older style lift in the Mortimer Street building. Long Leasehold. Held under a ground lease expiring October 2086 at a current rental of £8,636 per annum. The lease provides for upwards only reviews of the ground rent to be calculated as to 8% of rents receivable at 11.10.2002 with further reviews to 9% in 2017, 10% in 2032, 12% in 2047, 14% in 2062 and 16% in 2074.	The property is let on a full repairing and insuring basis to Inter Cosmetics (GB) Limited for a term of 25 years expiring in March 2016. The passing rental is £350,000 per annum and is subject to an upwards only rent review every five years.	£341,364	£4,000,000
63-75 Glenthorne Road, Hammersmith, London, W6	A purpose-built, centrally-heated office building of some 2,708 sq.m. (29,135 sq.ft.) net on ground to third floors, together with car parking for some 24 cars. The property is located five minutes walk from Hammersmith Broadway on Glenthorne Road which runs parallel to King Street and the nearby Hammersmith Flyover (A4). Constructed in the late 1960's. Freehold.	The property is let to Philips Electronics UK Limited for 25 years from 1978 on an effective full repairing and insuring basis with five yearly upwards only rent reviews. The lease expires on 23 June 2003.	£382,200	£4,100,000
		Totals:	£1,869,001	£21,425,000

PART III
Accountants' report on the Ansul Group

KPMG

1 The Embankment
Neville Street
Leeds
LS1 4DW

The Directors and Proposed Directors
London Securities Plc
Wistons Lane
Elland
West Yorkshire
HX5 9DS

and

KPMG Corporate Finance
1 The Embankment
Neville Street
LEEDS
LS1 4DW

10 December 1999

Dear Sirs

Ansul Group

We report on the financial information set out in paragraphs 1 to 4.

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited consolidated internal reporting packs ("packs") of Ansul Holding SA for the period from 1 January 1996 to 31 December 1998 and Ansul SA for the period 1 January 1999 to 31 August 1999 (in each case "Ansul Group"), prepared on the basis described in note 4.1, to which no adjustments were considered necessary. Ansul Holding SA was liquidated in July 1999 leaving Ansul SA to become the holding company for the Ansul Group.

Responsibility

Such packs are the responsibility of the Directors of the Ansul Group who approved their issue.

The Directors and Proposed Directors of London Securities Plc are responsible for the contents of the Circular to be dated 13 December 1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the packs, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the packs underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the packs underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Ansul Group as at the dates stated and of its results and cash flow for the periods then ended.

1. Consolidated profit and loss accounts

	Note	*Year ended 31 December 1996 BEF'000*	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Eight month period ended 31 August 1999 BEF'000*
Turnover	4.2	1,123,148	1,063,631	1,023,362	655,203
Cost of sales		(218,535)	(199,067)	(165,748)	(96,463)
Gross profit		904,613	864,564	857,614	558,740
Distribution Costs		(364,516)	(353,098)	(355,985)	(220,533)
Administration expenses excluding goodwill		(401,852)	(375,639)	(339,701)	(205,441)
Goodwill amortisation		(31,539)	(29,107)	(26,672)	(15,587)
Total administration expenses		(433,391)	(404,746)	(366,373)	(221,028)
Other operating income		28	—	—	—
Operating profit		106,734	106,720	135,256	117,179
Other interest receivable and similar income		4,501	6,068	8,768	4,359
Interest payable and similar charges	4.7	(33,628)	(28,060)	(14,486)	(6,378)
Profit on ordinary activities before taxation	4.2-4.5	77,607	84,728	129,538	115,160
Tax on profit on ordinary activities	4.8	(27,022)	(58,828)	(39,573)	(42,788)
Profit for the financial period		50,585	25,900	89,965	72,372

Statement of total recognised gains and losses

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Eight month period ended 31 August 1999 BEF'000*
Profit for the financial period	50,585	25,900	89,965	72,372
Currency translation differences on foreign currency net investments	175	(974)	306	58
Total recognised gains and losses relating to the period	50,760	24,926	90,271	72,430

The results derive entirely from continuing operations. The historical cost profit is set out in note 4.4

2. Consolidated balance sheets

	Note	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Fixed assets					
Intangible assets	4.9	338,432	278,514	251,421	232,433
Tangible assets	4.10	213,405	186,512	175,255	174,702
		551,837	465,026	426,676	407,135
Current assets					
Stocks	4.11	121,107	86,474	90,350	94,014
Debtors	4.12	237,710	219,054	224,187	215,580
Cash at bank and in hand		150,735	217,995	225,638	283,757
		509,552	523,523	540,175	593,351
Creditors: amounts falling due within one year	4.13	(391,878)	(380,949)	(335,764)	(455,872)
Net current assets		117,674	142,574	204,411	137,479
Total assets less current liabilities		669,511	607,600	631,087	544,614
Creditors: amounts falling due after more than one year	4.14	(310,790)	(243,864)	(185,498)	(153,012)
Provisions for liabilities and charges	4.15	(68,421)	(41,991)	(33,573)	(19,280)
Net assets		290,300	321,745	412,016	372,322
Capital and reserves					
Called up share capital	4.16	184,184	184,184	184,184	300,285
Revaluation reserve	4.17	339	339	339	70,059
Other reserve	4.17	632	632	632	632
Profit and loss account	4.17	105,145	136,590	226,861	1,346
Equity shareholders' funds		290,300	321,745	412,016	372,322

3. Consolidated cash flow statements

	Note	Year ended 31 December 1996 BEF'000	Year ended 31 December 1997 BEF'000	Year ended 31 December 1998 BEF'000	Period ended 31 August 1999 BEF'000
Net cash inflow from operating activities	4.21	201,235	189,832	166,867	301,121
Returns on investments and servicing of finance	4.22	(27,996)	(19,584)	(13,214)	(160)
Taxation		(29,896)	(55,007)	(54,561)	(28,426)
Capital expenditure	4.22	(35,838)	(17,853)	(33,707)	(34,228)
Acquisitions and disposals	4.22	—	36,109	—	—
		107,505	133,497	65,385	238,307
Refund to shareholders	4.22	—	—	—	(120,000)
Financing	4.22	(63,669)	(65,396)	(58,450)	(58,450)
Increase in cash in the period		43,836	68,101	6,935	59,857

Reconciliation of net cash flow to movement in net debt

	Note	Year ended 31 December 1996 BEF'000	Year ended 31 December 1997 BEF'000	Year ended 31 December 1998 BEF'000	Period ended 31 August 1999 BEF'000
Increase in cash in the period		43,836	68,101	6,935	59,857
Translation difference		3,547	(936)	624	(463)
Net funds/(debt) at the start of the year		(305,251)	(194,199)	(61,638)	4,371
Change in net debt		63,669	65,396	58,450	58,450
Adjustment relating to the liquidation of Ansul Holdings		—	—	—	(1,340)
Net funds/(debt) at the end of the period	4.23	(194,199)	(61,638)	4,371	120,875

4. Notes to the financial information

4.1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Ansul Group's financial information.

Basis of preparation

The financial information has been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules. The accounting policies have been translated from those presented in French.

Following the liquidation of Ansul Holding SA in July 1999 the figures presented for the period to 31 August 1999 are for Ansul SA.

Basis of consolidation

All material intercompany transactions have been eliminated. The financial information comprises a consolidation of the following entities:

Three years ended 31 December 1998

Ansul Holding SA, Ansul SA, Ansul BV, Total Fire Stop GmbH and Total TF AG.

Period ended 31 August 1999

Ansul SA, Ansul BV, Total Fire Stop GmbH and Total TF AG.

The activities of these companies relate to the manufacture, service and sales of fire protection equipment.

Ansul Holding SA was liquidated in July 1999 leaving Ansul SA to become the holding company for the Ansul Group. Ansul BV, Total Fire Stop GmbH and Total TF AG are all subsidiaries of Ansul SA. Ansul SA was a subsidiary of Ansul Holding SA prior to July 1999.

Intangible assets

Intangible assets are incorporated in the balance sheet at cost and amortised over their useful economic lives.

Goodwill arising on acquisition is being amortised over fifteen years.

Tangible fixed assets

Tangible fixed assets are incorporated into the balance sheet at purchase price and amortised using the straight line method over their useful economic lives. Useful economic life calculations take into account the nature, type and technical utilisation of the assets.

Depreciation is charged from the date of purchase. The principal amortisation rates are as follows:

Buildings	5%
Machines, tools and installations	5%-33%
Furniture	10%-33%
Other fixed assets	20%-33%

Stock

Raw materials stock is valued at cost using FIFO.

Finished goods and work in progress are valued at unit cost plus the absorption of production salary costs using FIFO and standard cost. Transport maintenance and administration costs related to the purchase of stock are excluded from stock valuation.

If the realisable value of stock is below cost, stock is written down to net realisable value. Stock provisioning is performed on a line by line basis.

Provision for bad debts

When a debtor is judged doubtful it is provided against.

Long term provisions

Provisions are raised in the accounts against any perceived or calculated risks.

Deferred income

Maintenance contracts and rental income billed in advance are recorded in the balance sheet and released to the profit and loss account during the period to which they relate.

Foreign exchange

Assets and liabilities in the holding company are converted at the balance sheet rate using a rate prevailing close to the year end rate into Belgian Francs. Foreign exchange differences resulting from this are taken into account in the profit and loss account.

The translation differences resulting from the conversion of the net assets of the subsidiaries at the year end closing rate are included under translation differences. The profit and loss accounts in foreign currencies are converted at average exchange rates for the year. The exchange differences resulting from the use of closing rate for the balance sheet and average rate for the profit and loss account are included under translation differences.

Pensions

The costs of providing retirement and other benefits are determined on an actuarial basis and are charged against profit over the period during which the Ansul Group expects to benefit from the employees services.

4.2 Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the principal activities of the Ansul Group.

4.3 Profit on ordinary activities before taxation

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Profit on ordinary activities before taxation is stated after charging:				
Auditors' remuneration – audit	5,132	3,729	3,048	1,890
– other fees	1,524	1,197	2,915	1,091
Amortisation of goodwill	31,539	29,107	26,672	15,587
Depreciation and other amounts written off tangible fixed assets	49,703	44,260	44,832	28,237
Operating lease rentals	2,683	1,519	345	—
Hire of equipment	10,923	11,648	10,444	6,361
Profit/(loss) on sale of fixed assets	(2,748)	486	(1,162)	(667)
Non recurring items†	4,548	2,227	5,833	—
Service agreement costs*	42,478	30,238	19,542	12,492

†These costs mainly arise from transactions which are no longer part of the ongoing operations of the Group.

*These relate to certain salary and other costs incurred directly by Ansul or recharged by EFPH.

4.4 Note of historical cost profits

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Reported profit on ordinary activities before taxation	77,607	84,728	129,538	115,160
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	3,496	3,496	3,496	2,324
Historical cost profit on ordinary activities before taxation	81,103	88,224	133,034	117,484

4.5 Directors and employees

The average number of persons employed by the Ansul Group (including directors) was as follows:

	Year ended 31 December 1996 Number	*Year ended 31 December 1997 Number*	*Year ended 31 December 1998 Number*	*Period ended 31 August 1999 Number*
	335	323	282	257

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Wages and salaries	396,662	399,805	361,189	243,316
Social security costs	105,928	102,316	99,378	55,643
Other pension costs	3,423	4,115	4,013	1,904
	506,013	506,236	464,580	300,863

4.6 Remuneration of directors

Director's remuneration was as follows:

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Directors' emoluments	1,865	3,657	14,835	9,215
Number of directors accruing benefits under a defined benefit pension scheme	1	1	2	2

4.7 Interest payable and similar charges

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Bank loans and overdrafts	26,243	22,554	14,486	5,409
Exchange differences	7,385	5,506	—	969
	33,628	28,060	14,486	6,378

4.8 Taxation

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Corporate taxes	26,970	59,544	39,907	42,653
Under/(over) provision for previous year	52	(716)	(334)	135
	27,022	58,828	39,573	42,788

4.9 Intangible assets

	Contracts BEF'000	*Goodwill BEF'000*	*Start up costs BEF'000*	*Approval Costs BEF'000*	*Total BEF'000*
Cost					
At 1 January 1996	6,160	943,006	409	—	949,575
Additions	—	67	—	—	67
Exchange differences	—	(178)	—	—	(178)
At 31 December 1996	6,160	942,895	409	—	949,464
Additions	21	57	(7)	—	71
Reduction in purchase price	—	(36,109)	—	—	(36,109)
At 31 December 1997	6,181	906,843	402	—	913,426
Additions	116	—	—	992	1,108
At 31 December 1998	6,297	906,843	402	992	914,534
Additions	1,810	—	—	4,115	5,925
Disposals	—	(11,706)	—	—	(11,706)
At 31 August 1999	8,107	895,137	402	5,107	908,753
Amortisation					
At 1 January 1996	1,367	576,724	76	—	578,167
Charge for the year	1,251	31,539	75	—	32,865
At 31 December 1996	2,618	608,263	151	—	611,032
Charge for the year	1,218	29,107	74	—	30,399
Reduction in purchase price	—	(6,519)	—	—	(6,519)
At 31 December 1997	3,836	630,851	225	—	634,912
Charge for the year	1,236	26,672	177	116	28,201
At 31 December 1998	5,072	657,523	402	116	663,113
Charge for the period	955	15,587	—	681	17,223
Disposals	—	(4,016)	—	—	(4,016)
At 31 August 1999	6,027	669,094	402	797	676,320
Net book values					
At 31 December 1996	3,542	334,632	258	—	338,432
At 31 December 1997	2,345	275,992	—	177	278,514
At 31 December 1998	1,225	249,320	—	876	251,421
At 31 August 1999	2,080	226,043	—	4,310	232,433

4.10 Tangible fixed assets

	Land and freehold buildings BEF'000	*Machinery and equipment BEF'000*	*Motor vehicles BEF'000*	*Fixtures and fittings BEF'000*	*Rental equipment BEF'000*	*Total BEF'000*
Cost						
At 1 January 1996	244,495	224,309	65,770	103,108	325,451	963,133
Additions	116	6,471	26,243	1,407	8,339	42,576
Disposals	—	(20)	(23,364)	—	—	(23,384)
Revaluation	—	—	705	—	—	705
At 31 December 1996	244,611	230,760	69,354	104,515	333,790	983,030
Additions	—	4,292	8,924	873	4,751	18,840
Disposals	—	—	(7,007)	(199)	—	(7,206)
At 31 December 1997	244,611	235,052	71,271	105,189	338,541	994,664
Additions	174	3,680	27,636	3,828	4,418	39,736
Disposals	—	—	(19,297)	(37,732)	—	(57,029)
Revaluation	—	—	(185)	—	—	(185)
At 31 December 1998	244,785	238,732	79,425	71,285	342,959	977,186
Additions	—	4,373	11,894	10,104	5,019	31,390
Adjustment relating to the liquidation of Ansul Holding SA	—	—	—	(1,171)	—	(1,171)
Disposals	—	—	(14,258)	(76)	—	(14,334)
At 31 August 1999	244,785	243,105	77,061	80,142	347,978	993,071
Depreciation						
At 1 January 1996	122,294	194,307	37,683	80,976	303,989	739,249
Charge for the year	8,531	9,604	12,618	7,713	11,237	49,703
On disposals	—	(5)	(19,322)	—	—	(19,327)
At 31 December 1996	130,825	203,906	30,979	88,689	315,226	769,625
Charge for the year	8,231	9,611	12,200	5,225	8,993	44,260
On disposals	—	—	(5,612)	(120)	—	(5,732)
At 31 December 1997	139,056	213,517	37,567	93,794	324,219	808,153
Charge for the year	7,885	8,278	15,554	6,167	6,948	44,832
On disposals	—	—	(13,409)	(37,645)	—	(51,054)
At 31 December 1998	146,941	221,795	39,712	62,316	331,167	801,931
Charge for the period	5,226	5,016	10,345	2,934	4,716	28,237
Adjustment relating to the liquidation of Ansul Holding SA	—	—	—	(605)	—	(605)
On disposals	—	—	(11,194)	—	—	(11,194)
At 31 August 1999	152,167	226,811	38,863	64,645	335,883	818,369
Net book values:						
At 31 December 1996	113,786	26,854	38,375	15,826	18,564	213,405
At 31 December 1997	105,555	21,535	33,704	11,395	14,322	186,511
At 31 December 1998	97,844	16,937	39,713	8,969	11,792	175,255
At 31 August 1999	92,618	16,294	38,198	15,497	12,095	174,702

4.11 Stocks

	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Raw materials	38,447	31,823	38,503	43,608
Work in progress	9,622	7,901	9,954	8,315
Finished goods	73,038	46,750	41,893	42,091
	121,107	86,474	90,350	94,014

4.12 Debtors

	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Amounts due within one year				
Trade debtors	180,117	164,468	155,505	152,529
Amounts due from fellow subsidiary undertakings of EOI	13,666	866	1,572	4,987
Amounts due from parent	—	—	1,227	14,866
Other debtors	24,843	38,351	39,523	25,592
Recoverable taxation	4,866	4,225	14,513	726
Prepayments and accrued income	8,577	5,452	5,288	11,077
	232,069	213,362	217,628	209,777
Amounts due after more than one year				
Other debtors	5,641	5,692	6,559	5,803
Total debtors	237,710	219,054	224,187	215,580

4.13 Creditors: amounts falling due within one year

	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Bank loans and overdrafts	65,396	58,450	58,450	32,551
Trade creditors	45,047	38,137	48,757	41,714
Amounts due to fellow subsidiary undertakings of EOI	69,793	51,514	20,641	130,051
Taxation and social security	92,843	114,999	93,182	100,224
Other creditors	5,639	4,644	5,753	10,146
Accruals	13,398	10,452	5,507	13,404
Deferred income and government grants	99,762	102,753	103,474	127,782
	391,878	380,949	335,764	455,872

4.14 Creditors: amounts falling due after more than one year

	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Bank loans and overdrafts	279,538	221,183	162,817	130,331
Other creditors	31,252	22,681	22,681	22,681
	310,790	243,864	185,498	153,012

4.15 Provisions for liabilities and charges

	Pensions BEF'000	Other provisions BEF'000	Total BEF'000
At 1 January 1996	12,945	16,262	29,207
Profit and loss account charge	(1,152)	—	(1,152)
Provision for the year	2,023	38,343	40,366
At 31 December 1996	13,816	54,605	68,421
Profit and loss account charge	(2,110)	(37,592)	(39,702)
Provision for the year	1,970	11,302	13,272
At 31 December 1997	13,676	28,315	41,991
Profit and loss account charge	(1,839)	(12,860)	(14,699)
Provision for the year	2,785	3,496	6,281
At 31 December 1998	14,622	18,951	33,573
Profit and loss account charge	(1,535)	(4,423)	(5,958)
Provision/(release) for year	(9,495)	1,160	(8,335)
At 31 August 1999	3,592	15,688	19,280

In the period to 31 December 1996 the other provisions relate mainly to anticipated litigation costs for the dismissal of a senior employee.

In the other periods other provisions relate mainly to redundancy costs which are required to be provided under Austrian law, a corresponding amount is held in other debtors.

4.16 Called up share capital

	At 31 December 1996 BEF'000	At 31 December 1997 BEF'000	At 31 December 1998 BEF'000	At 31 August 1999 BEF'000
Authorised				
Equity Ordinary shares	184,184	184,184	184,184	300,285
Allotted and fully paid				
Equity Ordinary shares	184,184	184,184	184,184	300,285

4.17 Reserves

	Revaluation reserve BEF'000	Profit and loss account reserve BEF'000	Other reserve BEF'000
At 1 January 1996	339	54,385	632
Retained profit for the year	—	50,585	—
Exchange differences	—	175	—
At 31 December 1996	339	105,145	632
Retained profit for the year	—	25,900	—
Exchange differences	—	(974)	—
Purchase price adjustment	—	6,519	—
At 31 December 1997	339	136,590	632
Retained profit for the year	—	89,965	—
Exchange differences	—	306	—
At 31 December 1998	339	226,861	632
Adjustment relating to liquidation of Ansul Holding SA	69,720	(177,945)	—
Capital reduction	—	(120,000)	—
Profit for the period	—	72,372	—
Exchange differences	—	58	—
At 31 August 1999	70,059	1,346	632

4.18 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Opening shareholders' funds	239,540	290,300	321,745	412,016
Retained profit for the period	50,585	25,900	89,965	—
Exchange differences	175	(974)	306	—
Adjustment on retained earnings (reversal of goodwill amortisation due to purchase price decrease)	—	6,519	—	—
Shareholders' funds Ansul Holding SA	—	—	—	(412,016)
Shareholders' funds Ansul SA	—	—	—	419,892
Retained profit for the period	—	—	—	72,372
Reduction in capital	—	—	—	(120,000)
Exchange differences	—	—	—	58
Closing shareholders' funds	290,300	321,745	412,016	372,322

4.19 Commitments

Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	At 31 December 1996 BEF'000	*At 31 December 1997 BEF'000*	*At 31 December 1998 BEF'000*	*At 31 August 1999 BEF'000*
Contracted	—	5,575	—	—

4.20 Pension schemes

The Ansul Group operates a number of funded pension schemes. Details of the major scheme is set out below.

The Ansul Group operates a funded pension scheme for which the majority of 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 Swiss Life. The total pension cost of the Ansul Group is determined by an independent qualified actuary.

The pension charge for the period under those schemes was BEF 1,904,000 (1998: BEF 4,013,000, 1997: BEF 4,115,000, 1996: BEF 3,423,000) and a provision of BEF 3,592,000 (1998: BEF 14,622,000, 1997: BEF 13,676,000, 1996: BEF 13,816,000) is included in provisions for liabilities and charges representing the excess of the accumulated pension cost over the amount funded.

4.21 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Operating profit	106,734	106,720	135,256	117,179
Depreciation and amortisation	81,242	74,659	73,033	43,824
(Profit)/loss on disposal of fixed assets	(2,748)	486	(1,162)	—
Exchange differences	(7,385)	(5,506)	—	969
(Increase)/decrease in stocks	(11,789)	34,633	(3,876)	(3,664)
(Increase)/decrease in debtors	1,241	19,460	6,231	11,245
Increase/(decrease) in creditors	33,940	(40,620)	(42,615)	131,568
Net cash inflow from operating activities	201,235	189,832	166,867	301,121

4.22 Analysis of cash flows

	Year ended 31 December 1996 BEF'000	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Returns on investments and servicing of finance				
Interest received	3,987	4,515	6,178	4,306
Interest paid	(31,983)	(24,099)	(19,392)	(4,466)
Net cash outflow for returns on investments and servicing of finance	(27,996)	(19,584)	(13,214)	(160)
Capital expenditure				
Purchase of tangible fixed assets	(42,643)	(18,841)	(40,844)	(37,315)
Sale of tangible fixed assets	6,805	988	7,137	3,087
Net cash outflow for capital expenditure and financial investment	(35,838)	(17,853)	(33,707)	(34,228)
Acquisitions and disposals				
Purchase of subsidiary undertaking				
Refund of consideration	—	36,109	—	—
Financing				
Repayment of loans	(70,560)	(65,396)	(58,450)	(58,450)
Capital injection	6,891	—	—	—
	(63,669)	(65,396)	(58,450)	(58,450)
Equity				
Capital refund to shareholders	—	—	—	(120,000)

4.23 Analysis of changes in net debt

	Due within one year BEF'000	*Due after more than one year BEF'000*	*Cash at bank and in hand BEF'000*	*Total BEF'000*
At 1 January 1996	(70,615)	(339,037)	104,401	(305,251)
Cash flow	5,219	58,450	43,836	107,505
Exchange difference	—	1,049	2,498	3,547
At 31 December 1996	(65,396)	(279,538)	150,735	(194,199)
Cash flow	6,946	58,450	68,101	133,497
Exchange difference	—	(95)	(841)	(936)
At 31 December 1997	(58,450)	(221,183)	217,995	(61,638)
Cash flow	—	58,450	6,935	65,385
Exchange difference	—	(84)	708	624
At 31 December 1998	(58,450)	(162,817)	225,638	4,371
Adjustment relating to the liquidation of Ansul Holding SA	—	—	(1,340)	(1,340)
Cashflow	25,899	32,551	59,857	118,307
Exchange difference	—	65	(398)	(463)
At 31 August 1999	(32,551)	(130,331)	283,757	120,875

4.24 Transactions with related parties

The related parties of Ansul as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below. The transactions are with other members of the EFPH Group except for those transactions with Keiberg City SA, Keiberg Zaventem Estate SA and Keiberg Real Estate SA. These companies are not within the EFPH Group but are controlled by Mr JG Murray.

Name of related party	*Country of incorporation*	*Type of transaction*	*Value of transactions* 1996 BEF'000	1997 BEF'000	1998 BEF'000	1999 BEF'000
Feuerlöscher Nu-Swift (Schweiz) AG	Switzerland	Trade sales	—	—	—	544
Nu-Swift BV	Netherlands	Trade sales	—	248	255	403
		Trade purchases	1	3	1	—
Importex SA	Belgium	Trade sales	—	1,854	1,040	2,660
		Trade purchases	—	—	—	3
Nu-Swift International Ltd	UK	Trade sales	6,274	5,278	6,104	5,371
		Trade purchases	155	—	25	—
			6,430	7,383	7,425	8,981
Keiberg City SA	Belgium	Loan interest	—	355	723	—
		Loan capital	—	15,000	—	—
Keiberg Zaventem Estate SA	Belgium	Loan interest	—	460	517	344
		Loan capital	—	10,000	—	—
Keiberg Real Estate SA	Belgium	Loan interest	—	1,042	518	88
		Loan capital	—	10,000	—	—
			6,430	44,220	9,183	9,423

Name of related party	*Country of incorporation*	*Type of transaction*	*Amounts (owed to)/from* 1996 BEF'000	1997 BEF'000	1998 BEF'000	1999 BEF'000
Keiberg City SA	Belgium	Loan capital	—	15,335	16,058	—
Keiberg Zaventem Estate SA	Belgium	Loan capital	—	10,460	10,977	11,321
Keiberg Real Estate SA	Belgium	Loan capital	—	11,042	11,560	11,648
Nu-Swift Limited	UK	Trade purchases	(26,259)	(640)	901	3,731
Feuerlöscher Nu-Swift (Schweiz) AG	Switzerland	Trade sales	(1,826)	(3,783)	(1,156)	115
Nu-Swift BV	Netherlands	Trade purchases	—	(1)	11	18
EFP Holding BV	Netherlands	Operating expenses/ capital reduction	—	(40,488)	(17,608)	(114,393)
Importex SA	Belgium	Trade sales		333	10	545
International Fire Protection BV	Netherlands	Operating expenses	(13,411)	(2,550)	—	—
EFP Investments BV	Netherlands	Operating expenses	(14,631)	(3,519)	—	(288)
Maclin SA	Switzerland	Trade Sales	—	—	—	74
			(56,127)	(13,811)	20,753	(87,929)

No amounts have been written off during the periods.

In the period ended 31 December 1997 the Ansul Group reimbursed, at cost, certain expenses amounting to BEF 12,716,000 incurred by a company controlled by Mr J G Murray in respect of the provision of office accommodation (1996: BEF 14,514,000).

For historical reasons, certain business costs are paid directly by a company controlled by Mr J G Murray and are recharged to the Ansul Group. In the period ended 31 August 1999 these costs amounted to BEF 12,517,000 (1998: BEF 19,555,000, 1997: BEF 40,488,000, 1996: BEF 12,560,000) and include salaries and related expenses.

4.25 Ultimate parent undertaking

The Ansul Group regards E.O.I. European and Overseas Investments SARL, a company registered in Luxembourg, as its ultimate parent undertaking. The directors regard Mr J G Murray as the ultimate controlling party.

4.26 Financial commitments

Financial commitments under non-cancellable operating leases are summarised below:

Land and buildings	*Year ended 31 December 1996 BEF'000*	*Year ended 31 December 1997 BEF'000*	*Period ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Within one year	5,302	1,761	332	275
Between one to five years	6,778	—	—	549
Between one and two years	3,473	—	—	—
	15,553	1,761	332	824

Other	*Year ended 31 December 1996 BEF'000*	*Year ended 31 December 1997 BEF'000*	*Year ended 31 December 1998 BEF'000*	*Period ended 31 August 1999 BEF'000*
Within one year	846	190	—	—
Between one to five years	299	—	—	—
Between one and two years	299	—	—	—
	1,444	190	—	—

4.27 Contingent liabilities

At 31 August 1999 a bank guarantee of BEF 1,296,000 has been given to the commercial court of Vienna in relation to brand name litigation in Austria.

4.28 Post balance sheet events

EFPH entered into a conditional agreement on 10 December 1999 to sell the entire issued share capital of Ansul to London Securities Plc. EFPH is ultimately the beneficial owner of 3,840,370 Ordinary Shares representing 75.4 per cent. of the issued share capital of London Securities Plc.

Ansul entered into a conditional agreement on the same date to acquire the whole of the issued share capital of Nu-Swift Limited from EFPH for a consideration of £33.4 million to be satisfied by the issue and allotment to EFPH of new shares in Ansul and a cash payment of £11.0 million.

Yours faithfully

KPMG

PART IV

Accountants' report on the Nu-Swift Group

KPMG

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The Directors and Proposed Directors
London Securities Plc
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Elland
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HX5 9DS

and

KPMG Corporate Finance
1 The Embankment
Neville Street
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LS1 4DW

10 December 1999

Dear Sirs

Nu-Swift Limited and its subsidiaries ("the Nu-Swift Group")

We report on the financial information set out in paragraphs 1 to 4.

Basis of preparation

The financial information set out in paragraphs 1 to 4 is based on the audited financial statements of the Nu-Swift Group for the period from 1 January 1996 to 31 August 1999 prepared on the basis described in note 4.1 to which no adjustments were considered necessary, except that a cash flow statement has been prepared for the year ended 31 December 1996.

Responsibility

Such financial statements are the responsibility of the Directors of the Nu-Swift Group who approved their issue.

The Directors and Proposed Directors of London Securities Plc are responsible for the contents of the Circular to be dated 13 December 1999 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies appropriate to the entity's circumstances are consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Nu-Swift Group as at the dates stated and of its results and cash flows for the periods then ended.

1. Consolidated profit and loss accounts

	Note	*Year ended 31 December 1996 £'000*	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months ended 31 August 1999 £'000*
Turnover – continuing		20,102	18,478	19,658	13,627
– discontinued		20,403	—	—	—
	4.2	40,505	18,478	19,658	13,627
Cost of sales		(4,087)	(2,929)	(3,442)	(2,336)
Gross profit	4.2	36,418	15,549	16,216	11,291
Distribution costs – continuing		(9,459)	(9,266)	(9,199)	(6,423)
– discontinued		(6,563)	—	—	—
Administration expenses					
– continuing		(5,135)	(4,550)	(4,727)	(3,097)
– discontinued		(5,100)	—	—	—
– goodwill amortisation	4.8	(406)	(499)	(609)	(421)
Total administration expenses		(10,641)	(5,049)	(5,336)	(3,518)
Operating profit – continuing		1,992	1,234	1,681	1,350
– discontinued		7,763	—	—	—
		9,755	1,234	1,681	1,350
Income from fixed asset investments		50	202	171	72
Profit on sale of property investments and hotel companies	4.21	8,556	—	—	—
Profit on ordinary activities before interest and treasury		18,361	1,436	1,852	1,422
Net interest (payable)/receivable	4.4	(6,665)	269	624	289
Exchange (loss)/profit on foreign currencies		(332)	187	(296)	159
(Decrease)/increase in the market value of short term investments		(422)	(514)	823	(865)
Profit on ordinary activities before taxation	4.5	10,942	1,378	3,003	1,005
Tax on profit on ordinary activities	4.6	(1,750)	(470)	(25)	(602)
		9,192	908	2,978	403
Minority interests	4.26	638	—	—	—
Profit for the period		9,830	908	2,978	403
Dividends	4.7	(61,140)	—	—	—
Retained (loss)/profit for the period		(51,310)	908	2,978	403

There is no difference between the profits on ordinary activities before taxation for the periods stated above and their historical cost equivalents.

2. Consolidated balance sheets

	Note	At 31 December 1996 £'000	At 31 December 1997 £'000	At 31 December 1998 £'000	At 31 August 1999 £'000
Fixed assets					
Intangible assets	4.8	2,444	2,819	3,148	2,950
Tangible assets	4.9	3,007	3,161	3,168	3,293
Investments	4.10	102	70	70	70
		5,553	6,050	6,386	6,313
Current assets					
Stocks	4.11	1,300	1,088	1,237	1,232
Debtors	4.12	6,115	10,166	11,126	10,815
Liquid investments	4.13	1,769	1,255	2,078	3,089
Cash at bank and in hand		7,002	6,181	21,893	5,742
		16,186	18,690	36,334	20,878
Creditors: amounts falling due within one year	4.15	(8,289)	(10,235)	(24,657)	(8,937)
Net current assets		7,897	8,455	11,677	11,941
Total assets less current liabilities		13,450	14,505	18,063	18,254
Creditors: amounts falling due after more than one year	4.15	—	(375)	(657)	(698)
Provisions for liabilities and charges	4.16	(876)	(1,049)	(936)	(977)
Net assets		12,574	13,081	16,470	16,579
Capital and reserves					
Called up share capital	4.17	1,849	1,849	1,849	1,849
Share premium	4.18	731	731	731	731
Capital redemption reserve	4.18	362	362	362	362
Revaluation reserve	4.18	499	499	495	495
Other reserve	4.18	36	36	36	36
Profit and loss account	4.18	9,097	9,604	12,997	13,106
Equity shareholders' funds	4.19	12,574	13,081	16,470	16,579

Statement of total recognised gains and losses

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Profit for the period	9,830	908	2,978	403
Currency translation differences on foreign currency net investments	(870)	(401)	411	(294)
Total recognised gains in the period	8,960	507	3,389	109

3. Consolidated cash flow statements

	Notes	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Net cash inflow from operating activities	4.22	14,595	2,217	2,834	2,061
Return on investments and servicing of finance					
Interest received		758	376	848	162
Interest paid		(7,423)	(107)	(224)	(63)
Dividends received		50	234	171	72
Dividends paid		(61,140)	—	—	—
Net cash (outflow)/inflow from returns on investments and servicing of finance		(67,755)	503	795	171
Taxation					
Corporation tax paid		(1,141)	(101)	(2,093)	(312)
Capital expenditure					
Purchase of intangible fixed assets		(48)	—	—	—
Purchase of tangible fixed assets		(926)	(1,281)	(1,001)	(982)
Sale of tangible fixed assets		3,685	348	395	296
Net cash inflow/(outflow) for capital expenditure		2,711	(933)	(606)	(686)
Acquisitions and disposals					
Sale of subsidiary undertakings		120,283	—	—	—
Purchase of subsidiary undertakings		(71)	(850)	(1,346)	(288)
Net cash/(overdraft) acquired with subsidiary undertakings		—	50	175	(30)
Net cash inflow/(outflow) for acquisitions		120,212	(800)	(1,171)	(318)
Net cash inflow/(outflow) before management of liquid resources and financing	4.23	68,622	886	(241)	916
Management of liquid resources					
(Increase)/decrease in short-term deposits with banks		4,837	3,334	(15,895)	13,119
Purchase of current asset investments		—	—	—	(1,876)
		4,837	3,334	(15,895)	11,243
Financing					
Movement of group loans		13,510	(3,676)	16,998	(15,273)
Repayment of long term loans		(87,245)	—	(1,665)	(146)
Inception of new long term loans		—	1,969	620	228
Net cash (outflow)/inflow from financing		(73,735)	(1,707)	15,953	(15,191)
(Decrease)/increase in cash and cash equivalents		(276)	2,513	(183)	(3,032)

4. Notes to the financial information

4.1 Principal accounting policies

The financial information has been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Nu-Swift Group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial information is prepared in accordance with the historical cost convention modified by the revaluation of certain assets.

Basis of consolidation

The Nu-Swift Group financial information incorporates the financial statements of Nu-Swift Limited and its subsidiaries.

The results of subsidiaries acquired or disposed of during each period are included in the profit and loss account from the date of acquisition or up to the date of disposal.

Currency translation

The balance sheets of overseas subsidiaries and items denominated in foreign currency in the balance sheets of UK companies are translated into sterling at the rates of exchange ruling at the balance sheet date. The profit and loss accounts are translated into sterling at the average rates of exchange ruling during the period. The rates used are as follows:

	1996		*1997*		*1998*		*1999*	
	Balance Sheet	*Profit and loss account*	*Balance Sheet*	*Profit and loss account*	*Balance Sheet*	*Profit and loss account*	*Balance Sheet*	*Profit and loss account*
US Dollar	1.71	1.57	1.64	1.64	1.66	1.66	1.61	1.62
Swiss Franc	2.30	1.94	2.40	2.37	2.29	2.41	2.44	2.39
Dutch Guilder	2.96	2.64	3.33	3.19	3.12	3.29	3.35	3.29
Belgian Franc	54.36	48.56	60.90	58.60	57.20	60.30	61.40	61.20

Gains and losses on foreign exchange arising in the ordinary course of business are dealt with in arriving at operating profit and those on the translation of assets, liabilities and reserves of overseas subsidiaries are shown as a movement on Nu-Swift Group reserves. Profits or losses which arise on currency deposits held as part of the Nu-Swift Group's treasury activities are recognised within the interest payable/receivable section of the profit and loss account.

Liquid investments

Liquid investments and foreign currency deposits in the balance sheets of UK companies are marked to market value at each period end, profits or losses thereon being taken through the profit and loss account.

Goodwill and other intangible assets

Goodwill arises where the cost of subsidiary and associated undertakings exceeds the fair values attributable to the underlying separable tangible net assets as at the date of acquisition.

Goodwill is capitalised and amortised through the profit and loss account over its useful economic life which is normally up to 20 years.

Turnover

Group turnover represents amounts invoiced to customers during the period excluding value added tax.

Research and development expenditure

Research and development expenditure is written off in the period in which it is incurred.

Properties

Prior to 31 December 1996 the Nu-Swift Group held certain properties for long term investment. These properties were all sold during 1996. In accordance with SSAP 19 (revised) such properties were revalued annually and the aggregate surplus or deficit was transferred to the revaluation reserve unless a deficit on an individual property was expected to be permanent, in which case it was written off through the profit and loss account.

This treatment may have been a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However these properties were not held for consumption but for investment and the directors considered that systematic annual depreciation would be inappropriate. The accounting policy adopted was therefore necessary for the financial information to give a true and fair view.

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets, other than freehold land, 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 rates are as follows:

Freehold buildings	2%-6%
Plant, machinery and motor vehicles	10%-33%
Fixtures, fittings and equipment	10%

Leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making adequate provision for obsolete and slow moving stock. Cost is calculated on a first in first out basis and comprises raw materials, direct labour and an appropriate proportion of overheads.

Deferred taxation

Provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes to the extent that there is a reasonable probability that reversal of such timing differences will give rise to a payment or receipt of tax in the foreseeable future.

Pensions

The costs of providing retirement and other benefits are determined on an actuarial basis and are charged to the profit and loss account over the period during which the Nu-Swift Group expects to benefit from the employees' services.

4.2 Turnover and gross profit

Turnover may be analysed by source (which approximates to destination) as follows:

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
United Kingdom	17,118	9,740	11,007	7,409
Rest of Europe	10,326	8,738	8,651	6,218
United States	13,061	—	—	—
	40,505	18,478	19,658	13,627

Gross profit may be analysed as follows:

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Continuing operations	16,992	15,549	16,216	11,291
Discontinued operations	19,426	—	—	—
	36,418	15,549	16,216	11,291

4.3 Directors and employees

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Staff costs, including directors' emoluments				
Wages and salaries	11,734	8,006	8,268	5,813
Social security costs	2,378	1,116	1,055	711
Other pension costs (see note 4.28)	192	178	132	78
	14,304	9,300	9,455	6,602

The average number of persons employed by the Nu-Swift Group during the period was:

	1996 Number	1997 Number	1998 Number	1999 Number
By geographical area				
United Kingdom	202	209	237	215
Rest of Europe	139	135	142	149
United States	241	—	—	—
	582	344	379	364

Directors' emoluments

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Aggregate emoluments	1,215	1,111	818	612
Company pension contributions	14	19	14	9
	1,229	1,130	832	621

Retirement benefits are accruing to Mr R Pollard under a defined contribution scheme.

The chairman and highest paid director discharges his duties mainly outside the United Kingdom. Details of transactions with him are set out in note 4.27.

4.4 Net interest (payable)/receivable

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Interest receivable	758	376	848	352
Interest payable:				
Bank loans, overdrafts and other loans repayable within five years	(7,423)	(107)	(224)	(63)
	(6,665)	269	624	289

4.5 Profit on ordinary activities before taxation

This is stated after charging:

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
Hire charges under operating leases:				
Plant and machinery	—	6	6	6
Other	47	39	39	28
Depreciation on tangible fixed assets	712	782	801	537
Amortisation of intangible fixed assets	406	499	609	421
Auditors' remuneration for:				
Audit	49	71	85	61
Other services to the company and its UK subsidiaries	121	140	86	72
Service Agreement costs*	2,015	1,640	1,740	1,132
Non recurring items†	354	214	72	42

* These relate to certain salary and other costs incurred directly by Nu-Swift or recharged by EFPH.

† These costs mainly arise from transactions which are no longer part of the ongoing operations of the Group.

4.6 Tax on profit on ordinary activities

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
Based on profit for the period:				
United Kingdom corporation tax at 30.375% (1998 31%, 1997: 31.5%, 1996: 33%)	940	529	774	437
Overseas tax	506	294	473	276
UK deferred tax.	304	(66)	(33)	—
ACT written back	—	(287)	(1,189)	(111)
	1,750	470	25	602

4.7 Dividends

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
Ordinary dividends paid of £Nil (1998: £Nil, 1997: £Nil, 1996: £1.65) per share	61,140	—	—	—

4.8 Intangible fixed assets

	Goodwill *£'000*
Cost	
At 1 January 1996	3,702
Additions	130
Purchase price adjustment	(82)
Currency translation differences	(166)
At 31 December 1996	3,584
Additions (note 4.20)	919
Purchase price adjustment	(47)
Currency translation differences	(78)
At 31 December 1997	4,378
Additions (note 4.20)	957
Purchase price adjustment	(20)
Currency translation differences	50
At 31 December 1998	5,365
Additions (note 4.20)	240
Currency translation differences	(26)
At 31 August 1999	5,579
Amortisation	
At 1 January 1996	871
Charge for the year	406
Currency translation differences	(137)
At 31 December 1996	1,140
Charge for the year	499
Adjustment	(22)
Currency translation differences	(58)
At 31 December 1997	1,559
Charge for the year	609
Currency translation differences	49
At 31 December 1998	2,217
Charge for the period	421
Currency translation differences	(9)
At 31 August 1999	2,629
Net book amounts	
At 31 December 1996	2,444
At 31 December 1997	2,819
At 31 December 1998	3,148
At 31 August 1999	2,950

4.9 Tangible fixed assets

	Investment properties £'000	*Freehold land and buildings £'000*	*Plant machinery, aircraft and motor vehicles £'000*	*Fixtures and fittings £'000*	*Total £'000*
Cost or valuation					
At 1 January 1996	101,375	17,420	8,229	6,121	133,145
Additions	—	25	826	75	926
Disposals	(101,375)	(15,982)	(6,063)	(5,251)	(128,671)
Currency translation differences	—	(46)	(113)	(63)	(222)
At 31 December 1996	—	1,417	2,879	882	5,178
Additions	—	—	1,219	62	1,281
On acquisition of subsidiary companies	—	19	70	45	134
Disposals	—	—	(701)	(8)	(709)
Currency translation differences	—	(27)	(50)	(38)	(115)
At 31 December 1997	—	1,409	3,417	943	5,769
Additions	—	—	931	70	1,001
On acquisition of subsidiary companies	—	75	214	21	310
Disposals	—	(4)	(912)	(34)	(950)
Currency translation differences	—	14	27	20	61
At 31 December 1998	—	1,494	3,677	1,020	6,191
Additions	—	—	936	46	982
On acquisition of subsidiary companies	—	—	46	19	65
Disposals	—	—	(944)	(1)	(945)
Currency translation differences	—	(15)	(37)	(28)	(80)
At 31 August 1999	—	1,479	3,678	1,056	6,213

The group's freehold land and buildings were re-valued on an open market basis by a firm of independent chartered surveyors in 1993. The cost of freehold land and buildings above includes an amount of £1,255,000 at valuation.

	Investment properties £'000	Freehold land and buildings £'000	Plant machinery, aircraft and motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Depreciation					
At 1 January 1996	—	556	3,997	2,673	7,226
Disposals	—	(449)	(3,114)	(2,090)	(5,653)
Charge for the year	—	19	596	97	712
Currency translation differences	—	(10)	(41)	(63)	(114)
At 31 December 1996	—	116	1,438	617	2,171
Disposals	—	—	(355)	(6)	(361)
On acquisition of subsidiary companies	—	14	34	35	83
Charge for the year	—	18	673	91	782
Currency translation differences	—	(9)	(26)	(32)	(67)
At 31 December 1997	—	139	1,764	705	2,608
Disposals	—	(4)	(545)	(26)	(575)
On acquisition of subsidiary companies	—	14	119	17	150
Charge for the year	—	17	715	69	801
Currency translation differences	—	4	18	17	39
At 31 December 1998	—	170	2,071	782	3,023
Disposals	—	—	(648)	(1)	(649)
On acquisition of subsidiary companies	—	—	41	17	58
Charge for the period	—	7	488	42	537
Currency translation differences	—	(5)	(20)	(24)	(49)
At 31 August 1999	—	172	1,932	816	2,920
Net book values:					
At 31 December 1996	—	1,301	1,441	265	3,007
At 31 December 1997	—	1,270	1,653	238	3,161
At 31 December 1998	—	1,324	1,606	238	3,168
At 31 August 1999	—	1,307	1,746	240	3,293

On an historical cost basis freehold land and buildings would have been included at:

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
Cost	1,163	1,155	1,226	1,226
Accumulated depreciation	(361)	(384)	(411)	(414)
	802	771	815	812

4.10 Investments

	Shares in listed companies £'000	*Shares in unlisted companies £'000*	*Total £'000*
Cost			
At 1 January 1996	1,578	31	1,609
Addition	—	71	71
Disposals	(1,578)	—	(1,578)
At 31 December 1996	—	102	102
Dividends from pre-acquisition profits	—	(32)	(32)
At 31 December 1997, 1998 and 31 August 1999	—	70	70

4.11 Stocks

	At 31 December 1996 £'000	*At 31 December 1997 £'000*	*At 31 December 1998 £'000*	*At 31 August 1999 £'000*
Raw materials and consumables	469	306	385	367
Work in progress	13	17	9	11
Finished goods	818	765	843	854
	1,300	1,088	1,237	1,232

4.12 Debtors

	At 31 December 1996 £'000	*At 31 December 1997 £'000*	*At 31 December 1998 £'000*	*At 31 August 1999 £'000*
Trade debtors	3,017	3,045	3,353	3,539
Amounts due from fellow subsidiary undertakings of EOI	1,511	5,046	5,881	5,624
Other debtors	393	591	952	447
Prepayments and accrued income	312	356	343	587
Taxation recoverable	251	144	144	519
Deferred taxation (note 4.16)	—	66	99	99
Group relief receivable	631	918	354	—
	6,115	10,166	11,126	10,815

4.13 Liquid investments

	At 31 December 1996 £'000	*At 31 December 1997 £'000*	*At 31 December 1998 £'000*	*At 31 August 1999 £'000*
Shares, bonds and warrants at market value	1,769	1,255	2,078	3,089

4.14 Creditors

Amounts falling due within one year

	At 31 December 1996 £'000	At 31 December 1997 £'000	At 31 December 1998 £'000	At 31 August 1999 £'000
Bank loans and overdrafts	57	1,651	324	406
Trade creditors	384	396	470	437
Other creditors	2,084	2,045	2,209	1,771
Corporation tax	1,334	995	1,565	1,876
Other taxation and social security	913	935	981	875
Accruals	1,049	932	983	977
Amounts due to fellow subsidiary undertakings of EOI	433	292	18,125	2,595
Group relief payable	2,035	2,989	—	—
	8,289	10,235	24,657	8,937

Amounts falling due after one year

	At 31 December 1996 £'000	At 31 December 1997 £'000	At 31 December 1998 £'000	At 31 August 1999 £'000
Bank loans and overdrafts	—	375	657	657
Deferred consideration	—	—	—	41
	—	375	657	698

4.15 Bank loans and overdrafts

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Bank loans and overdrafts (secured on the assets of certain group undertakings)	57	2,026	981	1,063
Repayable as follows:				
Between two and five years	—	275	390	406
Between one and two years	—	100	267	251
	—	375	657	657
Within one year or on demand	57	1,651	324	406
	57	2,026	981	1,063

4.16 Provisions for liabilities and charges

Pensions

	£'000
At 1 January 1996	890
Profit and loss account credit	(14)
At 31 December 1996	876
Reclassification	124
Profit and loss account charge	49
At 31 December 1997	1,049
Profit and loss account credit	(113)
At 31 December 1998	936
Profit and loss account charge	41
At 31 August 1999	977

The pensions provision relates mainly to the Nu-Swift Group's defined benefits pension scheme and represents the excess of the accumulated pension cost of the scheme over the amount funded. The provision has been calculated in accordance with SSAP 24 and will reverse over the expected remaining service life of the scheme's members.

Deferred taxation

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
The deferred taxation asset comprises:				
Short term timing differences	—	(66)	(99)	(99)
	—	(66)	(99)	(99)

No deferred tax has been provided in respect of revaluation of land and buildings due to the availability of capital losses.

4.17 Called up share capital

	Authorised ordinary shares of 5p each		*Allotted, called up and fully paid ordinary shares of 5p each*	
	Number	*£'000*	*Number*	*£'000*
At 31 August 1999	58,500,000	2,925	36,977,026	1,849
At 31 December 1998	58,500,000	2,925	36,977,026	1,849
At 31 December 1997	58,500,000	2,925	36,977,026	1,849
At 31 December 1996	58,500,000	2,925	36,977,026	1,849

4.18 Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Other reserve £'000	Profit and loss account £'000
At 1 January 1996	731	362	1,801	36	59,975
Loss for the year	—	—	—	—	(51,310)
Transfer from revaluation reserve	—	—	(1,302)	—	1,302
Exchange differences	—	—	—	—	(870)
At 31 December 1996	731	362	499	36	9,097
Profit for the year	—	—	—	—	908
Exchange differences	—	—	—	—	(401)
At 31 December 1997	731	362	499	36	9,604
Profit for the year	—	—	—	—	2,978
Reserve movement	—	—	(4)	—	4
Exchange differences	—	—	—	—	411
At 31 December 1998	731	362	495	36	12,997
Profit for the period	—	—	—	—	403
Exchange differences	—	—	—	—	(294)
At 31 August 1999	731	362	495	36	13,106

4.19 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
Profit for the financial period	9,830	908	2,978	403
Dividends	(61,140)	—	—	—
	(51,310)	908	2,978	403
Currency translation differences	(870)	(401)	411	(294)
Net (reduction)/addition in shareholders' funds	(52,180)	507	3,389	109
Opening equity shareholders' funds	64,754	12,574	13,081	16,470
Closing equity shareholders' funds	12,574	13,081	16,470	16,579

4.20 Acquisitions

During the year ended 31 December 1997 the Nu-Swift Group acquired the entire share capital of LW Safety Limited at a cost of £856,000 and the entire share capital of Onsloward Limited at a cost of £219,000. Both companies have as their principal activity the provision of fire protection equipment and maintenance service and were accounted for using the acquisition method of accounting. The net assets acquired were as follows:

	Book and fair value £'000
Tangible assets	51
Stocks	36
Debtors	231
Cash	50
Other current liabilities	(212)
Net assets acquired	156
Goodwill arising on acquisition	919
	1,075
Satisfied by:	
Cash	350
Finance debt	500
	850
Deferred consideration	225
	1,075

During the year ended 31 December 1998 the Nu-Swift Group acquired the entire share capital of Hoyles Limited and Maclin SA at a cost of £1,659,000. The companies have as their principal activity the provision of fire protection equipment and maintenance service and were accounted for using the acquisition method of accounting. The net assets acquired were as follows:

	Book and fair value £'000
Tangible assets	160
Stocks	57
Debtors	824
Cash	175
Corporation tax	(180)
Other current liabilities	(334)
Net assets acquired	702
Goodwill arising on acquisition	957
	1,659
Satisfied by:	
Cash	726
Finance debt	620
	1,346
Deferred consideration	313
	1,659

During the eight months ended 31 August 1999 the Nu-Swift Group acquired the entire share capital of Dimex Technics SA at a cost of £288,000. The company has as its principal activity the provision of fire protection equipment and maintenance service and was accounted for using the acquisition method of accounting. The net assets acquired were as follows:

	Book and fair value £'000
Tangible assets	7
Stocks	20
Debtors	101
Creditors	(50)
Overdraft	(30)
Net assets acquired	48
Goodwill arising on acquisition	240
	288
Satisfied by:	
Finance debt	228
Cash	60
	288

4.21 Disposals

Net assets disposed of in the year ended 31 December 1996:

	£'000
Tangible assets	119,333
Investment	1,578
Stocks	736
Debtors	2,220
Cash	1,997
Finance debt	(78,404)
Other current liabilities	(8,442)
Minority interests	(3,698)
	35,320
Profit on disposal	8,556
Satisfied by : Debt from associated company	43,876

During the year ended 31 December 1996 European Fire Protection Holding BV (EFPH) restructured its various activities into single activity sub groups. As a result Nu-Swift Limited transferred all its subsidiary companies involved in hotel management and property investment to a fellow subsidiary of EFPH.

As the above disposals were made to companies within the same UK tax group, no taxation charge arose.

4.22 Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 December 1996 £'000	*Year ended 31 December 1997 £'000*	*Year ended 31 December 1998 £'000*	*Eight months to 31 August 1999 £'000*
Operating profit	9,755	1,234	1,681	1,350
Depreciation	712	782	801	537
Goodwill amortisation	406	499	609	421
Exchange differences	(1,065)	(146)	92	(87)
(Increase)/decrease in stocks	(405)	248	(92)	25
Decrease/(increase) in debtors	4,435	(39)	168	366
Increase/(decrease) in creditors and provisions	757	(361)	(425)	(551)
Net cash inflow from operating activities	14,595	2,217	2,834	2,061

4.23 Reconciliation to net debt

	Year ended 31 December 1996 £'000	Year ended 31 December 1997 £'000	Year ended 31 December 1998 £'000	Eight months to 31 August 1999 £'000
(Decrease)/increase in cash in the period	(276)	2,513	(183)	(3,032)
Movement in borrowings	73,735	1,707	(15,953)	15,191
Movement in liquid resources	(4,837)	(3,334)	15,895	(11,243)
Change in net debt resulting from cash flows	68,622	886	(241)	916

4.24 Reconciliation of movement in net debt

	At 1 January 1996 £'000	Cash flow £'000	At 31 December 1996 £'000	Cash flow £'000	At 31 December 1997 £'000	Cash flow £'000	At 31 December 1998 £'000	Cash flow £'000	At 31 August 1999 £'000
Cash at bank and in hand	2,056	(276)	1,780	2,513	4,293	(183)	4,110	(3,032)	1,078
Bank loans and overdrafts	(87,302)	87,245	(57)	(1,969)	(2,026)	1,045	(981)	(82)	(1,063)
Net group debt due within one year	14,588	(13,510)	1,078	3,676	4,754	(16,998)	(12,244)	15,273	3,029
Liquid resources	10,059	(4,837)	5,222	(3,334)	1,888	15,895	17,783	(11,243)	4,664
Total	(60,599)	68,622	8,023	886	8,909	(241)	8,668	916	7,708

4.25 Contingent liabilities

In the period ended 31 August 1999 Nu-Swift Limited guaranteed £587,500 (1998 £750,000, 1997 £1,975,000, 1996 £nil) of borrowings of Nu-Swift International Limited.

4.26 Minority interests

	1996 £'000
At 1 January 1996	4,336
Profit and loss account	(638)
Eliminated upon disposal of shares	(3,698)
Equity minority interests at 31 December 1996	—

These minority interests were minority holdings in London Securities Plc and OBR Limited, both of which were disposed of in the year ended 31 December 1996.

4.27 Related party disclosures

In the period ended 31 August 1999 the Nu-Swift Group reimbursed, at cost, certain expenses amounting to £37,000 incurred by a company controlled by Mr JG Murray in respect of the provision of office accommodation (1998: £50,000, 1997: £148,000, 1996 £354,000).

For historical reasons, certain business costs are paid directly by a company controlled by Mr JG Murray and are recharged to the Nu-Swift Group. In the period ended 31 August 1999 these costs amounted to £233,000 (1998: £412,000, 1997: £452,000 and 1996 £461,000) and comprise rent, salaries and related expenses.

During the period ended 31 August 1999 the group purchased products from Ansul S.A. (a subsidiary of EFPH) to the value of £99,000 (1998: £110,000, 1997: £126,000).

During the period ended 31 August 1999 the Nu-Swift Group charged members of the EFPH Group a net amount of management charges of £177,000 (1998: £317,000, 1997: £1,130,000).

The group have various amounts receivable and payable to and from members of the European Fire Protection Holding B.V. Group. These can be summarised as follows.

Amounts owed by related undertakings

	At 31 December 1996 £'000	*At 31 December 1997 £'000*	*At 31 December 1998 £'000*	*1 August 1999 £'000*
EFPH	—	194	—	—
EFP Investments BV	—	945	5,414	5,287
Princess Holdings Inc	72	134	—	64
Fountain Holdings Inc	72	134	—	—
Total Fire-stop GmbH	42	112	46	22
EFS Property Holdings Limited	159	596	11	3
Nu-Swift US Holdings Inc	—	—	310	148
OBR Holdings Inc	87	501	100	100
Euro Fire Security Limited	—	2,427	—	—
London Securities plc	—	3	—	—
Total TF AG	21	—	—	—
Ansul BV	45	—	—	—
Ansul SA	1,013	—	—	—
	1,511	5,046	5,881	5,624

Interest received in the period on these balances amounted to £189,000 (1998: £231,000, 1997: £nil, 1996: £8,000).

Amounts owed to related undertakings

	At 31 December 1996 £'000	*At 31 December 1997 £'000*	*At 31 December 1998 £'000*	*1 August 1999 £'000*
London Securities plc	124	8	—	—
Nu-Swift (Eastbourne) Limited	—	—	13,162	967
Euro Fire Security Limited	—	—	1,282	1,282
EFS Property Holdings Limited	—	—	3,538	242
Ansul SA	52	14	—	28
EFP Investments BV	257	270	143	76
European Fire Protection Holding BV	52	—	—	—
	433	292	18,125	2,595

Interest payable in the period amounted to £3,000 (1998: £22,000, 1997: £nil).

4.28 Pensions

The Nu-Swift Group operates a number of pension schemes. Details of the major UK scheme are set out below.

The Nu-Swift Group operates a funded pension scheme, for which the majority of UK employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Nu-Swift Group, being invested with Gartmore Pooled Pensions Limited. The total pension cost of the Nu-Swift Group is determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 6 April 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9 per cent. per annum, that salary increases would average 8 per cent. per annum and that present and future pensions would increase at the rate of 5 per cent. per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,745,440 and that the actuarial value of those assets represented 151 per cent. of the benefits that had accrued to members.

The pension charge/(credit) for the period under this scheme was £67,729 (1998: £46,736 1997: £23,752, 1996: £(14,000)) and a provision of £759,000 (1998: £607,535, 1997: £702,201, 1996: £679,000) is included in provisions for liabilities and charges representing the excess of the accumulated pension cost over the amount funded. A credit of £72,405 (1998: £139,059) was recognised in the period ended 31 August 1999 following advice received from the actuary relating to a revised estimate of costs to be charged.

The Nu-Swift Group also operates a number of defined contribution pension schemes in the UK and in the rest of Europe. The pension charge for the period of these schemes was £82,000 (1998: £74,000, 1997: £129,000, 1996: £206,000).

4.29 Group undertakings

Unless otherwise stated, Nu-Swift Limited is the beneficial owner of all equity share capital in the principal subsidiary and related undertakings set out below.

	Activity	*Country of registration or incorporation*
Nu-Swift International Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England#
The General Fire Appliance Company Limited	Fire protection	England#
Green Cross Fire Security Limited	Fire protection	England#
LW Safety Limited	Fire protection	England
Onsloward Limited	Fire protection	England#
Hoyles Fire and Safety Limited	Fire protection	England#
Feuerlöscher Nu-Swift (Schweiz) AG	Fire protection	Switzerland#
Nu-Swift Brandbeveiliging BV	Fire protection	Holland#
Importex SA	Fire protection	Belgium#
Associated Fire Protection Limited	Sub-holding	England#
International Fire Protection BV (Liquidated in 1999)	Sub-holding	Holland#
Toldwell Limited	Sub-holding	England
Dimex Technics SA	Fire protection	Belgium#
Maclin SA	Fire protection	Switzerland#

Held by subsidiary undertakings

4.30 Ultimate parent undertakings and controlling party

Nu-Swift Group regards E.O.I. European and Overseas Investments SARL, a company registered in Luxembourg, as its ultimate parent undertaking. The directors regard Mr JG Murray as the ultimate controlling party.

4.31 Post balance sheet events

A dividend of £8.6 million will be declared by Nu-Swift. This will be payable to EFPH prior to completion of a conditional agreement for the entire share capital of Nu-Swift Limited to be sold by EFPH to Ansul SA.

Yours faithfully

KPMG

PART V

Financial information on London

1. Nature of financial information

The financial information set out in this Part V represents the full text of the audited consolidated financial statements of London for the years ended 31 December 1996, 31 December 1997 and 31 December 1998 and of the unaudited interim results of London for the six months ended 30 June 1999, which were announced on 29 October 1999. The directors of London accept responsibility for the financial statements and have confirmed that they have been prepared in accordance with the Companies Act 1985.

The financial information on London for the three years ended 31 December 1998 constitutes statutory accounts within the meaning of Section 240 of the Companies Act 1985, which have been delivered to the Registrar of Companies.

The page references below relate to the audited consolidated financial statements and not to the pages in this document.

2. Consent letters

Set out below are the letters from London's auditors (Coopers & Lybrand for the years ended 31 December 1996 and 31 December 1997, PricewaterhouseCoopers for the year ended 31 December 1998) as required by paragraph 45(1)(a)(iv) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Coopers & Lybrand | business assurance | Benson House 33 Wellington Street Leeds LS1 4JP

The Directors and Proposed Directors
London Securities Plc
Wistons Lane
Elland
Halifax
HX5 9DS

KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds
LS1 4DW

10 December 1999

Dear Sirs

London Securities Plc

For the purposes of paragraph 45(1)(a)(iv) of Schedule 1 to The Public Offers of Securities Regulations 1995 ("the Regulations"), we hereby consent to the inclusion in the Circular to be dated 13 December 1999 and proposed to be published by London Securities Plc, of our audit reports dated 13 May 1997 and 3 June 1998 respectively given within the meaning of section 235 of the Companies Act 1985 (as amended) on that company's accounts for the two years ended 31 December 1997 in the form and context in which they are included.

We confirm for the purposes of Regulations 13(1) and 14(1) that we take responsibility for the contents of those reports.

We also confirm that we have not become aware, since the date of any such audit report, of any matter affecting the validity of those reports at those dates.

Yours faithfully

Coopers & Lybrand

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds LS1 4JP

The Directors and Proposed Directors
London Securities Plc
Wistons Lane
Elland
Halifax
HX5 9DS

KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds
LS1 4DW

10 December 1999

Dear sirs

London Securities Plc

For the purposes of paragraph 45(1)(a)(iv) of Schedule 1 to The Public Offers of Securities Regulations 1995 ("the Regulations"), we hereby consent to the inclusion in the Circular to be dated 13 December 1999 and proposed to be published by London Securities Plc, of our audit report dated 8 April 1999 given within the meaning of section 235 of the Companies Act 1985 (as amended) on that company's accounts for the year ended 31 December 1998 in the form and context in which they are included.

We confirm for the purposes of Regulations 13(1) and 14(1) that we take responsibility for the contents of those reports.

We also confirm that we have not become aware, since the date of any such audit report, of any matter affecting the validity of that report at that date.

Yours faithfully

PricewaterhouseCoopers

London Securities Plc

Report and Accounts

for the year ended
31 December 1996

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Directors and advisers

Executive directors	Michael Evans *Chairman and Finance* Keith Watson *Property*
Non-executive directors	André Chudnoff Matthew Roberts Henry Shouler
Secretary and registered office	Richard Pollard Wistons Lane Elland West Yorkshire HX5 9DS
Registered company number	53417
Registered auditors	Coopers & Lybrand Benson House 33 Wellington Street Leeds LS1 4JP
Registrars	Independent Registrars Group Limited Balfour House 390-398 High Road Ilford Essex IG1 1NQ
Bankers	Bristol & West Building Society ABN AMRO Bank Lloyds Bank Plc
Solicitors	Lawrence Graham 190 Strand London WC2R 1JN
Stockbrokers	Teather & Greenwood 12-20 Camomile Street London EC3A 7NN

Chairman's statement

Acquisition of Suitsort Limited

On 30 December 1994, Suitsort Limited ("Suitsort") was acquired from Nu-Swift Limited ("Nu-Swift") for a cost, after adjustment to reflect the net assets acquired, of £7,075,000. Expenses of £231,000 were also incurred in respect of the acquisition. The purchase price was satisfied principally by the issue of new shares to Nu-Swift. Nu-Swift has transferred its 75 per cent. interest in the company to EFS Property Holdings Limited. Both Nu-Swift and EFS Property Holdings Limited are ultimately controlled by Mr. J. G. Murray.

In 1995 the company changed the date up to which it prepares its accounts to 31 December. Consequently, the comparative amounts in this report and accounts are for the 15 months ended 31 December 1995.

Review of business

	Audited Year ended 31 December 1996 £'000	Unaudited 12 months ended 31 December 1995 £'000	Audited 15 months ended 31 December 1995 £'000
Net rents receivable	1,835	1,787	1,787
Interest payable on mortgages	(910)	(955)	(955)
Permanent revaluation deficit	(100)	–	–
Other costs (net)	(87)	(59)	(102)
Profit before tax	738	773	730
Tax:			
Current period	(184)	(142)	(142)
Prior periods	12	–	47
Profit after tax	566	631	635
Dividends	(102)	(435)	(435)
Profit retained	464	196	200
Dividends per ordinary share	2.0p	8.5p	
Earnings per ordinary share	11.0p	12.3p	
Net assets per ordinary share	134.3p	115.5p	

Chairman's statement continued

Review of business *continued*

The properties were valued at £17.15 million at 31 December 1996 (1995: £16.75 million) by Jones Lang Wootton. This £400,000 increase in value comprises a £500,000 surplus which has been credited to revaluation reserve, less a £100,000 deficit which is regarded as permanent and has therefore been written off against 1996 profits as shown above. The deficit arises in respect of the property at Glenthorne Road, Hammersmith, London W6 where further reductions in value are expected over the remaining period of the tenant's lease which expires in June 2003. The other five properties have increased or maintained their value during 1996, resulting in an increase in net asset value from 115.5 pence to 134.3 pence per share, an improvement of 16.3 per cent. The improvement in the market has continued in the four months since the year end.

Bank borrowings of £10.08 million at 31 December 1996 (1995: £11.1 million) are secured on five of the six properties with an aggregate value of £16.40 million (1995: £16.05 million). These borrowings are to be repaid in August 1999. Interest costs were fixed at 8.9 per cent. until 2 August 1996. Since that date interest has been on floating rates except for interest on borrowings of £5.68 million which was fixed on 9 December 1996 at an average rate of 8.8 per cent. until 2 August 1999.

Tenants have now been found for the second and third floors at Sovereign House and the group's property portfolio is now fully let with no rent arrears.

Dividends

A final dividend of 2.0 pence per ordinary share is proposed, payable on 20 June 1997 to shareholders on the register at 2 June 1997. It is the company's intention to pay a dividend only once each year as the cost of paying an interim dividend cannot be justified in view of the high cost of paying dividends to the large majority of shareholders who own very small numbers of shares.

The dividend is being reduced to 2.0 pence per share after consultation with the group's controlling shareholder who wishes the group to conserve a greater proportion of the cash flow. In the absence of unforeseen circumstances, it is the company's intention to maintain future dividends at this level which is more in line with normal dividend yields. It is the board's intention to utilise the retained cash to reduce bank borrowings and gearing, unless an attractive investment opportunity can be identified. This strategy, whilst conservative, will give a greater degree of protection to shareholders in the event of upward movements in interest rates, which would increase borrowing costs and depress asset values.

Michael Evans
Chairman
13 May 1997

Directors' report

for the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activity

The principal activity of the group is property investment.

Results and dividends

The profit after taxation for the year ended 31 December 1996 amounted to £566,000 (1995: £635,000). A final dividend of 2.0 pence per ordinary share is proposed, payable on 20 June 1997 to shareholders on the register at 2 June 1997.

Business review and future prospects

A review of the company's business and future prospects is included in the chairman's statement.

Directors

The directors of the company in office during the period are set out on page 2.

Michael Evans (42), executive chairman and finance director, is the finance director of a number of companies in the European Fire Protection Holding BV group, including its property interests in the UK, Europe and the United States of America. He was appointed as a director and chairman of the company on 7 July 1994.

André Chudnoff (72), non-executive director, is a financial adviser for various companies in the European Fire Protection Holding BV group. He is a non-executive director of CNC Properties PLC and Andrews Sykes Group plc, both of which are listed on the London Stock Exchange. He was appointed as a director of the company on 10 April 1991.

Matthew Roberts ARICS (35), non-executive director, is a director of a number of private property companies. He was previously a director of Herring Baker Harris, Chartered Surveyors, and was a property portfolio fund manager at Morgan Grenfell Asset Management. He was appointed as a director of the company on 18 August 1994.

Henry Shouler (59), non-executive director, is deputy chairman of Sharpe & Fisher Plc, a listed builders merchants and property company, and chairman of Pascoe's Group Plc, a listed petfood company. He also has a number of directorships in private companies. He was appointed as a director of the company on 18 August 1994.

Keith Watson FRICS (49), executive property director, has managed the group's property interests since 1988. He was appointed as a director of the company on 24 May 1994.

None of the directors has a service contract with the exception of Mr Watson whose contract was terminated by mutual agreement on 3 March 1997. From that date he has continued as executive property director on a part-time basis.

Mr Roberts retires at the forthcoming annual general meeting of the company and, being eligible, offers himself for re-election.

Directors' report continued

for the year ended 31 December 1996

Directors' interests

The directors in office at 31 December 1996 had no interests at that date in the share capital of the company or any of its subsidiaries and no changes have been notified to the company up to the date of this report.

Substantial shareholdings

At 8 May 1997 the company had been notified of the following interests of 3 per cent. or more in the share capital of the company:

	Number of shares	Percentage of share capital
EFS Property Holdings Limited	3,840,370	75.0

EFS Property Holdings Limited is a wholly owned subsidiary of European Fire Protection Holding BV.

Corporate governance

Two directors, Mr Evans and Mr Chudnoff, are connected with EFS Property Holdings Limited which controls 75 per cent. of the company's issued share capital. Three directors, Mr Roberts, Mr Shouler and Mr Watson, who represent a majority of the board, are independent of EFS Property Holdings Limited.

The EFS Property Holdings Limited group has undertaken that, before it acquires any investment property from a third party, it will first procure that any such property is offered to the company on equivalent terms. Mr Evans and Mr Chudnoff will not vote on any such potential acquisition referred to the company by the EFS Property Holdings Limited group, unless the EFS Property Holdings Limited group has previously confirmed that it has no interest in acquiring the property concerned.

Mr Evans and Mr Chudnoff have agreed to notify the company of the identity of any person of whom they are aware who, at the time of making specific enquiries to purchase a property owned by the EFS Property Holdings Limited group, is reasonably likely to be a purchaser of a property of a similar type owned by London Securities or its subsidiaries.

Except as noted below, the company has complied throughout the period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. These exceptions arise because the directors do not consider that the company, as a small public company, would benefit from formal implementation of all the Cadbury recommendations.

The company has complied with Section A of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

A formal schedule of matters specifically reserved for decision by the full board has not been prepared, as the board meets regularly and retains full responsibility for the management and control of the company.

All directors have access to the advice and services of the company secretary and are able to take independent professional advice if necessary, but no formally agreed procedures have been laid down.

Non-executive directors have not been appointed for specified terms, but are required to retire by rotation in accordance with the Articles of Association of the company.

The company has not drawn up formal procedures, such as a nomination committee, for the selection of non-executive directors, as there is no immediate need for such procedures.

Internal control

The directors are responsible for the systems of internal financial control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures established to provide internal financial controls that are effective in the environment of a small group with a limited number of transactions, such as London Securities, are:

(a) Every receipt and payment is monitored by at least one director.

(b) All payments require two signatories, of which at least one, and normally both, are directors.

(c) Accounts are prepared quarterly and reviewed by the board.

(d) Quarterly results are monitored against forecasts which are updated when necessary.

The directors have reviewed the effectiveness of the system of internal financial control.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and group as at the end of the financial period and of the profit or loss of the company and group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors are confident that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

Share capital

The special business to be proposed at the 1997 annual general meeting includes, at resolution number 5, 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 £25,602, being 5 per cent. of the 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.

Creditor payment policy

The group's policy concerning the payment of its trade creditors is to negotiate the terms of payment when agreeing the terms of each transaction and to pay in accordance with its contractual and other legal obligations.

Auditors

A resolution to reappoint Coopers & Lybrand will be proposed at the annual general meeting.

By Order of the Board

Richard Pollard
Company Secretary
13 May 1997

Report of the remuneration committee

The remuneration committee comprises Mr Shouler, Mr Roberts and Mr Chudnoff, being the three non-executive directors of the company. The committee is chaired by Mr Shouler.

Policy on executive directors' remuneration

It is the 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 company and its position relative to other companies.

The committee has given full consideration to Section B of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

Directors' remuneration

An analysis of the remuneration received by each director in office during the year ended 31 December 1996 is set out below:

	Basic salary	Bonus	Directors' fees	Pension payments	Benefits in kind	Total for year ended 31 December 1996	Total for 15 months ended 31 December 1995
	£	£	£	£	£	£	£
Executive							
Michael Evans	–	–	–	–	–	–	–
Keith Watson	41,500	10,567	–	–	4,258	56,325	57,273
Non-executive							
Henry Shouler	–	–	10,000	–	–	10,000	12,500
Matthew Roberts	–	–	10,000	–	–	10,000	12,500
André Chudnoff	–	–	–	–	–	–	–

Mr Watson received a salary of £41,500 (1995: £40,000) per annum. In addition, he received a bonus of £10,567, (1995: £2,209) based on a proportion of the amount by which income from consultancy services performed by him exceeded £30,000. Total consultancy fees generated by him amounted to £54,550 (1995: £38,835). Mr Watson also received a fully expensed company car. With effect from 3 March 1997 Mr Watson's service contract was terminated by mutual consent. Since that date he has continued as executuve property director on a part-time basis, receiving director's fees of £15,000 per annum.

Mr Shouler and Mr Roberts received directors' fees of £10,000 per annum.

As set out in note 20 to the financial statements, Mr Evans and Mr Chudnoff are associated with and remunerated by the European Fire Protection Holding BV group and their services are provided to the company free of charge.

At present, the company does not operate a pension scheme, a share option scheme or a long-term incentive scheme.

Directors' service contracts

None of the directors had a service contract with the company, with the exception of Mr Watson, whose contract has been terminated as set out on page 5.

Henry Shouler
Chairman of the committee
13 May 1997

Report by the auditors

to London Securities Plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 6 and 7 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures, nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 6 and 7 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
Leeds
13 May 1997

Report of the auditors

to the members of London Securities Plc

We have audited the financial statements on pages 11 to 23.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1996 and of the profit, total recognised gains and losses and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds
13 May 1997

Consolidated profit and loss account

for the year ended 31 December 1996

	Notes	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Gross rents receivable		1,955	1,942
Direct property outgoings		(120)	(155)
Net rents receivable		1,835	1,787
Other operating income		55	39
Administrative expenses		(180)	(194)
Revaluation deficit	4	(100)	–
Operating profit		1,610	1,632
Net interest payable	5	(872)	(902)
Profit on ordinary activities before taxation	6	738	730
Taxation	7	(172)	(95)
Profit for the financial period	8	566	635
Dividends	9	(102)	(435)
Retained profit	18	464	200
Earnings per ordinary share	10	11.0p	15.1p
Earnings per ordinary share for the 12 month periods since the acquisition of Suitsort	10	11.0p	12.3p

The whole of the gross rents receivable and the operating profits above arose from continuing operations.

In the 15 months ended 31 December 1995 the total amount of gross rents receivable related to the 12 month period since the acquisition on 30 December 1994 of Suitsort Limited ("Suitsort") and its subsidiaries. In the 3 months prior to that acquisition the group had no investment properties, but incurred costs of £43,000.

Statement of total recognised gains and losses

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Profit for the financial period	566	635
Unrealised gain/(deficit) on revaluation of properties	500	(860)
Total recognised gains and losses	**1,066**	**(225)**

Note of historical cost profit and losses

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Reported profit on ordinary activities before taxation	738	730
Permanent diminutions in value of investment property previously considered to be temporary	(300)	—
Historical cost profit on ordinary activities before taxation	**438**	**730**
Historical cost profit on ordinary activities for the year retained after taxation and dividends	**164**	**200**

Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Profit for the financial period	566	635
Dividends	(102)	(435)
	464	200
Unrealised gain/(deficit) on revaluation of properties	500	(860)
New share capital issued	–	4,526
Merger reserve arising on the acquisition of Suitsort	–	2,033
Net addition to shareholders' funds	964	5,899
Opening shareholders' funds	5,913	14
Closing shareholders' funds	**6,877**	**5,913**

Balance sheets

as at 31 December 1996

		Group		Company	
		31 December 1996	31 December 1995	31 December 1996	31 December 1995
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11	17,164	16,768	14	18
Investments	12	–	–	5,648	5,648
		17,164	16,768	5,662	5,666
Current assets					
Debtors	13	262	433	1,042	75
Cash		627	1,148	163	812
		889	1,581	1,205	887
Creditors: amounts falling due within one year	14	(1,093)	(1,864)	(1,807)	(1,813)
Net current liabilities		(204)	(283)	(602)	(926)
Total assets less current liabilities		16,960	16,485	5,060	4,740
Creditors: amounts falling due after more than one year	15	(10,075)	(10,572)	–	–
Provision for liabilities and charges	16	(8)	–	–	–
Net assets		6,877	5,913	5,060	4,740
Capital and reserves					
Called up share capital	17	512	512	512	512
Share premium account	18	3,925	3,925	3,925	3,925
Capital redemption reserve	18	103	103	103	103
Revaluation reserve	18	(60)	(860)	–	–
Merger reserve	18	2,033	2,033	–	–
Profit and loss account	18	364	200	520	200
Total equity shareholders' funds		6,877	5,913	5,060	4,740

The financial statements were approved by the board on 13 May 1997 and were signed on its behalf by:

Michael Evans
Chairman

Consolidated cash flow statement

for the year ended 31 December 1996

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Net cash inflow from operating activities (reconciliation to operating profit below)	1,764	2,354
Returns on investments and servicing of finance		
Interest received	49	60
Interest paid	(940)	(946)
	(891)	(886)
Taxation		
UK corporation tax paid	(154)	–
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3)	(23)
Sale of tangible fixed assets	1	2
	(2)	(21)
Acquisitions and disposals		
Purchase of Suitsort	–	(516)
Net cash acquired with Suitsort	–	536
	–	20
Equity dividends paid	(256)	(179)
Cash inflow before financing	461	1,288
Financing		
Repayment of loan	(982)	(170)
(Decrease)/increase in cash in the period	(521)	1,118

Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Operating profit	1,610	1,632
Revaluation deficit	100	–
Depreciation of tangible fixed assets	6	4
Decrease/(increase) in rent receivable	43	(80)
Increase in prepayments and accrued income	(17)	–
Decrease/(increase) in other debtors	32	(32)
(Decrease)/increase in trade creditors	(4)	58
Increase in amount owed to parent undertaking	–	321
Increase in other taxation and social security creditors	1	–
Decrease in accruals	(6)	(2)
(Decrease)/increase in deferred income	(1)	453
Net cash inflow from operating activities	1,764	2,354

Notes to the financial statements

for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP19 (revised) 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below in the accounting policy relating to investment properties. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of investment properties.

Basis of consolidation

The group financial statements incorporate the financial statements of the parent company and its subsidiaries made up to 31 December 1996.

The results of subsidiaries acquired or disposed of are included in the profit and loss account from the date of acquisition or up to the date of disposal.

As set out in note 12, the group has no economic interest in or control over the assets of the companies which were subsidiary undertakings at 16 October 1992, the date on which the company entered into a company voluntary arrangement with its creditors. Consequently, these companies are not recognised in the consolidated balance sheet. Section 229(3)a of the Companies Act 1985 permits the exclusion of such companies from consolidation and FRS2 'Accounting for subsidiary undertakings' demands exclusion from consolidation in these circumstances, because the conditions that justify exclusion also make consolidation inappropriate.

Investment properties

The group's properties are held for long term investment. In accordance with SSAP19 (revised) such properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit on an individual investment property is expected to be permanent, in which case it is written off through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired lease term is 20 years or more. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19 (revised). The directors consider that this accounting policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Finance arrangement costs

Costs of arranging bank loans are amortised over the lives of the relevant loans.

Depreciation

Depreciation is provided on motor vehicles and equipment at rates required to write off the cost of assets against revenue in equal instalments over their useful lives, which are generally not more than five years.

Investments

Mill Ride Golf Club plc and its subsidiaries are subject to "ring-fencing" arrangements with Barclays Bank as described in note 12. All other investments held by the company at 30 September 1994 were subject to the CVA. In the opinion of the directors, no amount would be realised by the company from the disposal of its shares in any of these companies as in each case the company concerned has secured liabilities in excess of its assets. Consequently, no value is attributed to these investments in the company's balance sheet. The companies are in the process of being struck off the register at Companies House. The balance sheet recognises only the investment in subsidiaries arising from the acquisition of Suitsort and its subsidiaries on 30 December 1994. These subsidiary companies are listed in note 12.

Notes to the financial statements continued

for the year ended 31 December 1996

1 Principal accounting policies *continued*

Gross rents receivable

Gross rents receivable represents amounts receivable from tenants of investment properties excluding value added tax and arises entirely in the United Kingdom. Rents receivable are brought into the profit and loss account when receivable and any element relating to future periods is included in deferred income.

Direct property outgoings

Direct property outgoings comprises ground rents payable to the holders of freehold or superior leasehold interests in investment property, together with costs directly related to unlet property such as rates, letting costs and unrecovered service charges.

Deferred taxation

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes unless there is a reasonable probability that such timing differences will give rise to a payment of tax in the foreseeable future.

2 Employee information

The average number of persons employed by the group during the period was 2 (1995: 2), representing the two executive directors.

Staff costs in respect of the above persons comprised:

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Wages and salaries	52	52
Social security costs	4	4
	56	56

3 Directors' emoluments

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Fees	20	28
Salary payments (including benefits in kind)	56	57
Pension contributions	–	–
	76	85

Fees and other emoluments include amounts paid to:

	Year ended 31 December 1996		15 months ended 31 December 1995	
	Chairman £'000	Highest paid director £'000	Chairman £'000	Highest paid director £'000
Chairman	Nil		Nil	
Highest paid director		56		57

3 Directors' emoluments *continued*

The number of directors, including the chairman and the highest paid director, who received fees and other emoluments in the following ranges was:

	Year ended 31 December 1996 Number	15 months ended 31 December 1995 Number
£0 to £5,000	2	3
£5,001 to £10,000	2	–
£10,001 to £15,000	–	2
£55,001 to £60,000	1	1

The directors shown above in the £0 to £5,000 range received no fees or other emoluments.

4 Revaluation deficit

The total revaluation surplus for the year of £400,000 comprises a gain of £500,000 which has been credited to revaluation reserve (note 18) and a deficit of £100,000 which the directors consider to be permanent. This deficit for the year has been written off against profits for the year in accordance with the group's accounting policy which is set out in note 1.

5 Net interest payable

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
On bank loans	911	955
Amortisation of finance arrangement costs	10	10
	921	965
Interest receivable	(49)	(63)
	872	902

6 Profit on ordinary activities before taxation

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	6	4
Auditors' remuneration for:		
Audit (Company £6,000; 1995: £5,000)	17	18
Other services	10	11

Notes to the financial statements continued

for the year ended 31 December 1996

7 Tax on profit on ordinary activities

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
United Kingdom corporation tax at 33 per cent. (1995: 33 per cent.):		
Current	135	148
Deferred	49	(6)
	184	142
Overprovision in respect of prior years:		
Current	(12)	(12)
Deferred	–	(35)
	172	95

The tax charge for the period has been reduced by £94,000 (1995: £125,000) in respect of capital allowances for which no deferred tax charge arises.

8 Profit for the financial period

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial period was £422,000 (1995: profit £635,000).

9 Dividends

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Dividends on ordinary equity shares:		
Interim paid of nil pence per share (1995: 3.5 pence)	–	179
Final proposed of 2.0 pence per share (1995: 5.0 pence)	102	256
	102	435

10 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation of £566,000 (1995: £635,000) and on 5,120,495 (1995: 4,215,162) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

An additional figure for earnings per share is disclosed for 1995 based on the unaudited earnings for the 12 month period following the acquisition of Suitsort on 30 December 1994. This additional figure is intended to demonstrate the recurring earnings and is based on a profit after taxation of £631,000 and on 5,120,495 ordinary shares in issue throughout the 12 month period ended 31 December 1995.

11 Tangible fixed assets

	Investment properties £'000	Motor vehicles and equipment £'000	Group Total £'000	Company Motor vehicles and equipment £'000
Cost or valuation				
At 1 January 1996	16,750	22	16,772	22
Additions	–	3	3	3
Disposals	–	(2)	(2)	(2)
Net surplus on revaluation (note 4)	400	–	400	–
At 31 December 1996	17,150	23	17,173	23
Depreciation				
At 1 January 1996	–	4	4	4
Eliminated in respect of disposals	–	(1)	(1)	(1)
Charge for period	–	6	6	6
At 31 December 1996	–	9	9	9
Net book value				
At 31 December 1996	17,150	14	17,164	14
Net book value				
At 31 December 1995	16,750	18	16,768	18
Cost or valuation at 31 December 1996 is represented by:				
Valuation	17,150	–	17,150	–
Cost	–	23	23	23
	17,150	23	17,173	23

Investment properties were valued on the basis of open market value as at 31 December 1996 by Jones Lang Wootton, Chartered Surveyors.

On a historical cost basis investment properties would have been stated at a cost of £17,610,000 (1995: £17,610,000). The amount of accumulated depreciation on this basis cannot reasonably be quantified because there is no analysis of cost as between land and buildings.

Investment properties at valuation comprise:

	1996 £'000	1995 £'000
Freehold	5,950	5,950
Long leasehold	11,200	10,800
	17,150	16,750

Notes to the financial statements continued

for the year ended 31 December 1996

12 Investments

Company

	Shares in unlisted subsidiary undertakings £'000
At 31 December 1996 and 31 December 1995	5,648

Interests in group undertakings

The company is the beneficial owner of the entire equity share capital in each of the subsidiary undertakings which are set out below. Each company is incorporated in England and Wales. The activity of each company is property investment, except for Suitsort, Nu-Swift Upper Limited and Nu-Swift Mortimer Limited which are dormant.

Evenprofit Limited
Majorcredit Limited
Nu-Swift Finchley Limited
Nu-Swift Sovereign Limited
Nu-Swift Glenthorn Limited
Nu-Swift Chalfont Limited
Suitsort Limited
Nu-Swift Upper Limited
Nu-Swift Mortimer Limited

The group has no economic interest in or control over the assets of certain other companies which were subsidiary undertakings at 16 October 1992. On that date the company entered into a company voluntary arrangement ("CVA") with its creditors. During the two year period of the CVA an orderly disposal of most of the properties and other assets held by the group as at 16 October 1992 has taken place and the proceeds of sale have been used to repay in part the secured lenders as at that date. The CVA expired on 16 October 1994. As set out in the final report of the CVA supervisors dated 10 November 1994, aggregate proceeds of the disposals have been significantly less than the related debt. No surplus was available for the company's unsecured creditors or shareholders.

A few assets held by companies which were subsidiary undertakings as at 16 October 1992 have not yet been sold by the secured creditors, who control those companies. The directors have given an undertaking to the CVA supervisors to pass any surpluses (after payment of secured creditors and expenses of sale) to the CVA supervisors for distribution to creditors. However, it is almost certain that there will be no such surplus.

The company remains the legal owner of 96 per cent. of the issued share capital of Mill Ride Golf Club plc ("MRGC"). However, it is not the beneficial owner as, under the terms of an agreement with Barclays Bank, the company has no control over the management of MRGC and has agreed to use the votes attributable to its shareholding as directed by the bank. MRGC's liabilities greatly exceed its assets.

It is the intention of the directors that all remaining companies which were subsidiary undertakings of the company at 16 October 1992 will be struck off following the disposal of their assets.

13 Debtors

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Rents receivable	82	125	–	–
Prepayments and accrued income	50	43	–	7
Deferred taxation (note 16)	–	41	–	–
Advance corporation tax	6	31	6	31
Corporation tax recoverable	–	161	–	6
Amount due from parent undertaking	124	–	233	–
Amount due from subsidiary undertaking	–	–	782	–
Other debtors	–	32	21	31
	262	433	1,042	75

Advance corporation tax of £6,000 (1995: £18,000) is recoverable after more than one year.

Prepayments for the group includes finance arrangement costs of £25,000 (1995: £35,000), of which £15,000 (1995: £25,000) is to be amortised after more than one year.

14 Creditors: amounts falling due within one year

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Bank loans	–	485	–	–
Trade creditors	79	83	58	28
Amounts owed to parent undertaking	–	313	–	320
Amounts owed to subsidiary undertakings	–	–	1,641	1,178
Corporation tax	245	–	–	–
Advance corporation tax	6	31	6	31
Other taxation and social security	30	29	–	–
Accruals	179	214	–	–
Deferred income	452	453	–	–
Proposed final dividend	102	256	102	256
	1,093	1,864	1,807	1,813

15 Creditors: amounts falling due after more than one year

	Group 1996 £'000	Group 1995 £'000
Bank loans	10,075	11,057
Less: amounts falling due within one year	–	(485)
	10,075	10,572

The bank loans are secured on the assets of certain subsidiary undertakings and are repayable as follows:

	1996 £'000	1995 £'000
In one year or less	–	485
Between one and two years	–	170
Between two and five years	10,075	10,402
	10,075	11,057

Interest rates on the loans averaged 8.4 per cent. (1995: 8.6 per cent.) per annum.

Notes to the financial statements continued

for the year ended 31 December 1996

16 Provision for liabilities and charges

	Deferred taxation 1996 £'000	Deferred taxation 1995 £'000
At 1 January – asset	(41)	–
Transfer to profit and loss account	49	(41)
At 31 December – liability/(asset)	8	(41)

Deferred taxation provided in the financial statements and the amount unprovided of the total potential (asset)/liability, are as follows:

Group	Amount provided		Amount unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences:				
Short term	8	(41)	–	–
Capital allowances	–	–	380	286
	8	(41)	380	286
Capital losses	–	–	(5,593)	(5,625)

17 Called up share capital

	Ordinary shares £'000	Total £'000
Authorised		
At 31 December 1996 and 31 December 1995	680	680
Allotted and fully paid		
At 31 December 1996 and 31 December 1995	512	512

At 31 December 1996 and 31 December 1995 the company had an authorised share capital of 6,800,000 ordinary shares of 10p each, of which 5,120,495 were issued and fully paid.

18 Share premium account and reserves

Group	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 1996	3,925	103	(860)	2,033	200
Transfer from revaluation reserve	–	–	300	–	(300)
Revaluation surplus for the year	–	–	500	–	–
Profit for the year	–	–	–	–	464
At 31 December 1996	3,925	103	(60)	2,033	364

Company	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 1996	3,925	103	200
Profit for the year	–	–	320
At 31 December 1996	3,925	103	520

19 Ultimate parent company

The company's immediate parent undertaking is EFS Property Holdings Limited.

The directors regard European Fire Protection Holding BV, a company registered in the Netherlands, as the company's ultimate parent undertaking. Copies of the consolidated financial statements of European Fire Protection Holding BV may be obtained from Kamer van Koophandel en Fabrieken voor Rotterdam en de Beneden-Maas, Afdeling Handelsregister, Beursgebouw, Beursplein 37, 3011 AA Rotterdam.

The company is ultimately controlled by Mr J. G. Murray through his controlling interest in European Fire Protection Holding BV.

20 Related party transactions

The services of Mr. Evans and Mr. Chudnoff as directors and Mr. Pollard as company secretary are provided free of charge by Nu-Swift International Limited, a fellow subsidiary undertaking of European Fire Protection Holding BV.

Tax losses of £1,325,000, which arose in 1994 in companies which became subsidary undertakings of London Securities Plc in December 1994, have been surrendered to fellow subsidiary undertakings of European Fire Protection Holding BV. The consideration receivable, calculated at 33 per cent. (being the relevant rate of tax) of the tax losses surrendered, amounted to £437,000. Consequently, the amount due to parent undertaking of £313,000 at 31 December 1995 became an amount due from parent undertaking of £124,000 at 31 December 1996. No interest has been charged on those balances.

London Securities Plc

Report and Accounts

for the year ended
31 December 1997

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Directors and advisers

Executive directors	Michael Evans *Chairman and Finance* Keith Watson *Property*
Non-executive directors	André Chudnoff Matthew Roberts Henry Shouler
Secretary and registered office	Richard Pollard Wistons Lane Elland West Yorkshire HX5 9DS
Registered company number	53417
Registered auditors	Coopers & Lybrand Benson House 33 Wellington Street Leeds LS1 4JP
Registrars	IRG plc Balfour House 390-398 High Road Ilford Essex IG1 1NQ
Bankers	Bristol & West plc ABN AMRO Bank Lloyds Bank Plc
Solicitors	Lawrence Graham 190 Strand London WC2R 1JN
Stockbrokers	Teather & Greenwood 12-20 Camomile Street London EC3A 7NN

Chairman's statement

Review of business

The results for the year may be summarised as follows:

	1997 £'000	1996 £'000
Net rents receivable	1,868	1,835
Interest payable on mortgages	(871)	(911)
Permanent revaluation deficit	(200)	(100)
Other costs (net)	(65)	(86)
Profit before tax	732	738
Tax	(226)	(172)
Profit after tax	506	566
Dividends	(102)	(102)
Profit retained	404	464
Revaluation surplus	1,350	500
Total recognised gains	1,754	964
Dividends per ordinary share	2.0p	2.0p
Earnings per ordinary share	9.9p	11.0p
Net assets per ordinary share	168.5p	134.3p

The investment portfolio was valued by Jones Lang Wootton at £18.30 million at 31 December 1997 (1996: £17.15 million). This £1.15 million increase in value comprises a £1.35 million surplus which has been credited to revaluation reserve, less a £0.2 million deficit which is regarded as permanent and has been written off against 1997 profits. The deficit arises in respect of the property at Glenthorne Road, Hammersmith, London W6 where further reductions in value are expected over the remaining period of the tenant's lease which expires in June 2003. The other five properties have increased their value during 1997, resulting in an increase in net asset value from 134.3 pence to 168.5 pence per share, an improvement of 25 per cent. The improvement in the market has continued since the year end.

Bank borrowings of £10.08 million at 31 December 1997 (1996: £10.08 million) are secured on five of the six properties with an aggregate value of £17.2 million (1996: £16.40 million). These borrowings are due to be repaid in August 1999, although part will be repaid early out of the group's cash reserves. Interest has been at floating rates except for interest on borrowings of £5.68 million which is fixed at 8.8 per cent. until 2 August 1999.

Tenants have now been found for the second and third floors at Sovereign House and the group's property portfolio is now fully let with no rent arrears. A number of rent reviews fall due in 1998 which should provide a small increase in gross rents receivable.

Dividends

A final dividend of 2.0 pence per ordinary share is proposed, payable on 15 July 1998 to shareholders on the register at 19 June 1998. It is the company's policy to pay a dividend only once each year as the cost of paying an interim dividend cannot be justified in view of the high cost of paying dividends to the large majority of shareholders who own very small numbers of shares.

Michael Evans
Chairman
3 June 1998

Directors' report

for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the group is property investment.

Results and dividends

The profit after taxation for the year ended 31 December 1997 amounted to £506,000 (1996: £566,000). A final dividend of 2.0 pence per ordinary share is proposed, payable on 15 July 1998 to shareholders on the register at 19 June 1998.

Business review and future prospects

A review of the company's business and future prospects is included in the chairman's statement.

Directors

The directors of the company in office during the year are set out on page 2.

Michael Evans (43), executive chairman and finance director, is the finance director of a number of companies in the European Fire Protection Holding BV group, including its property interests in the UK, Europe and the United States of America. He was appointed as a director and chairman of the company on 7 July 1994.

André Chudnoff (73), non-executive director, is a financial adviser for various companies in the European Fire Protection Holding BV group. He is a non-executive director of CNC Properties PLC and Andrews Sykes Group plc, both of which are listed on the London Stock Exchange. He was appointed as a director of the company on 10 April 1991.

Matthew Roberts ARICS (36), non-executive director, is a director of a number of private property companies. He was previously a director of Herring Baker Harris, Chartered Surveyors, and was a property portfolio fund manager at Morgan Grenfell Asset Management. He was appointed as a director of the company on 18 August 1994.

Henry Shouler (60), non-executive director, is deputy chairman of Sharpe & Fisher Plc, a listed builders merchants and property company, and chairman of Pascoe's Group Plc, a listed petfood company. He also has a number of directorships in private companies. He was appointed as a director of the company on 18 August 1994. He is regarded as the senior independent director.

Keith Watson FRICS (50), executive property director, has managed the group's property interests since 1988. He was appointed as a director of the company on 24 May 1994.

None of the directors had a service contract with the exception of Mr Watson whose contract was terminated by mutual agreement on 3 March 1997. From that date he has continued as executive property director on a part-time basis.

Mr Evans and Mr Watson retire at the forthcoming annual general meeting of the company and, being eligible, offer themselves for re-election.

Directors' report continued

for the year ended 31 December 1997

Directors' interests	The directors in office at 31 December 1997 had no interests at that date in the share capital of the company or any of its subsidiaries and no changes have been notified to the company up to the date of this report.

Substantial shareholdings

At 15 May 1998 the company had been notified of the following interests of 3 per cent. or more in the share capital of the company:

	Number of shares	Percentage of share capital
EFS Property Holdings Limited	3,840,370	75.0

EFS Property Holdings Limited is a wholly owned subsidiary of European Fire Protection Holding BV.

Corporate governance

Two directors, Mr Evans and Mr Chudnoff, are connected with EFS Property Holdings Limited which controls 75 per cent. of the company's issued share capital. Three directors, Mr Roberts, Mr Shouler and Mr Watson, who represent a majority of the board, are independent of EFS Property Holdings Limited.

The EFS Property Holdings Limited group has undertaken that, before it acquires any investment property from a third party, it will first procure that any such property is offered to the company on equivalent terms. Mr Evans and Mr Chudnoff will not vote on any such potential acquisition referred to the company by the EFS Property Holdings Limited group, unless the EFS Property Holdings Limited group has previously confirmed that it has no interest in acquiring the property concerned.

Mr Evans and Mr Chudnoff have agreed to notify the company of the identity of any person of whom they are aware who, at the time of making specific enquiries to purchase a property owned by the EFS Property Holdings Limited group, is reasonably likely to be a purchaser of a property of a similar type owned by London Securities or its subsidiaries.

Except as noted below, the company has complied throughout the period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. These exceptions arise because the directors do not consider that the company, as a small public company, would benefit from formal implementation of all the Cadbury recommendations.

The company has complied with Section A of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

A formal schedule of matters specifically reserved for decision by the full board has not been prepared as required by Section 1.4 of the Code, as the board meets regularly and retains full responsibility for the management and control of the company.

All directors have access to the advice and services of the company secretary and are able to take independent professional advice if necessary, but no formally agreed procedures have been laid down as required by Section 1.5 of the Code.

Non-executive directors have not been appointed for specified terms, but are required to retire by rotation in accordance with the Articles of Association of the company as required by Section 2.3 of the Code.

The company has not drawn up formal procedures, such as a nomination committee, for the selection of non-executive directors, as there is no immediate need for such procedures as required by Section 2.4 of the Code.

Internal control

The directors are responsible for the systems of internal financial control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures established to provide internal financial controls that are effective in the environment of a small group with a limited number of transactions are:

(a) Every receipt and payment is monitored by at least one director.

(b) All payments require two signatories, of which at least one, and normally both, are directors.

(c) Accounts are prepared quarterly and reviewed by the board.

(d) Quarterly results are monitored against forecasts which are updated when necessary.

The directors have reviewed the effectiveness of the system of internal financial control.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and group as at the end of the financial period and of the profit or loss of the company and group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors are confident that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

Share capital

The special business to be proposed at the 1998 annual general meeting includes, at resolution number 6, 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 £25,602, being 5 per cent. of the 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.

Creditor payment policy

The group's policy concerning the payment of its trade creditors is to negotiate the terms of payment when agreeing the terms of each transaction and to pay in accordance with its contractual and other legal obligations. The Group's average creditor payment period at 31 December 1997 was 72 days (1996: 137 days) and that of the Company was 61 days (1996: 179 days).

Auditors

A resolution to reappoint Coopers & Lybrand will be proposed at the annual general meeting.

By Order of the Board

Richard Pollard

Company Secretary

3 June 1998

Report of the remuneration committee

The remuneration committee comprises Mr Shouler, Mr Roberts and Mr Chudnoff, being the three non-executive directors of the company. The committee is chaired by Mr Shouler.

Policy on executive directors' remuneration

It is the 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 company and its position relative to other companies.

The committee has given full consideration to Section B of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

Directors' remuneration

An analysis of the remuneration received by each director in office during the year ended 31 December 1997 is set out below:

	Basic salary £	Bonus £	Directors' fees £	Pension payments £	Benefits in kind £	Total 1997 £	Total 1996 £
Executive							
Michael Evans	–	–	–	–	–	–	–
Keith Watson	19,644	3,122	–	–	673	23,439	56,325
Non-executive							
Henry Shouler	–	–	10,000	–	–	10,000	10,000
Matthew Roberts	–	–	10,000	–	–	10,000	10,000
André Chudnoff	–	–	–	–	–	–	–

With effect from 3 March 1997 Mr Watson's service contract was terminated by mutual consent. Since that date he has continued as executive property director on a part-time basis. He received a performance-related bonus of £3,122 (1996: £10,567). Benefits in kind comprised the provision of a motor vehicle for the use of Mr. Watson until 3 March 1997.

As set out in note 20 to the financial statements, Mr Evans and Mr Chudnoff are associated with and remunerated by the European Fire Protection Holding BV group and their services are provided to the company free of charge.

At present, the company does not operate a pension scheme, a share option scheme or a long-term incentive scheme.

Directors' service contracts

None of the directors had a service contract with the company, with the exception of Mr Watson, whose contract has been terminated as set out above.

Henry Shouler
Chairman of the committee
3 June 1998

Report of the auditors

to the Board of London Securities Plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 5 and 6 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures, nor on the ability of the company or group to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 6, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 5 and 6 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
Leeds
3 June 1998

Report of the auditors

to the members of London Securities Plc

We have audited the financial statements on pages 10 to 21.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1997 and of the profit, total recognised gains and losses and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds
3 June 1998

Consolidated profit and loss account

for the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Gross rents receivable		1,981	1,955
Direct property outgoings		(113)	(120)
Net rents receivable		1,868	1,835
Other operating income		11	55
Administrative expenses		(113)	(180)
Revaluation deficit	4	(200)	(100)
Operating profit		1,566	1,610
Net interest payable	5	(834)	(872)
Profit on ordinary activities before taxation	6	732	738
Taxation	7	(226)	(172)
Profit for the financial year	8	506	566
Dividends	9	(102)	(102)
Retained profit	18	404	464
Earnings per ordinary share	10	9.9p	11.0p

All of the gross rents receivable and the operating profits above arose from continuing operations.

Statement of total recognised gains and losses

	1997 £'000	1996 £'000
Profit for the financial year	506	566
Unrealised gain on revaluation of properties	1,350	500
Total recognised gains and losses	1,856	1,066

Note of historical cost profit and losses

	1997 £'000	1996 £'000
Reported profit on ordinary activities before taxation	732	738
Permanent diminutions in value of investment property previously considered to be temporary	—	(300)
Historical cost profit on ordinary activities before taxation	732	438
Historical cost profit on ordinary activities for the year retained after taxation and dividends	404	164

Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	506	566
Dividends	(102)	(102)
	404	464
Unrealised gain on revaluation of properties	1,350	500
Net addition to shareholders' funds	1,754	964
Opening shareholders' funds	6,877	5,913
Closing shareholders' funds	8,631	6,877

Balance sheets

as at 31 December 1997

	Notes	Group 31 December 1997 £'000	Group 31 December 1996 £'000	Company 31 December 1997 £'000	Company 31 December 1996 £'000
Fixed assets					
Tangible assets	11	18,300	17,164	—	14
Investments	12	–	–	5,648	5,648
		18,300	17,164	5,648	5,662
Current assets					
Debtors	13	216	262	5,397	1,042
Cash		1,485	627	1,107	163
		1,701	889	6,504	1,205
Creditors: amounts falling due within one year	14	(1,290)	(1,093)	(7,228)	(1,807)
Net current assets/(liabilities)		411	(204)	(724)	(602)
Total assets less current liabilities		18,711	16,960	4,924	5,060
Creditors: amounts falling due after more than one year	15	(10,075)	(10,075)	–	–
Provision for liabilities and charges	16	(5)	(8)	–	–
Net assets		8,631	6,877	4,924	5,060
Capital and reserves					
Called up share capital	17	512	512	512	512
Share premium account	18	3,925	3,925	3,925	3,925
Capital redemption reserve	18	103	103	103	103
Revaluation reserve	18	1,290	(60)	–	–
Merger reserve	18	2,033	2,033	–	–
Profit and loss account	18	768	364	384	520
Total equity shareholders' funds		8,631	6,877	4,924	5,060

The financial statements were approved by the board on 3 June 1998 and were signed on its behalf by:

Michael Evans
Chairman

Consolidated cash flow statement

for the year ended 31 December 1997

	1997 £'000	1996 £'000
Net cash inflow from operating activities (reconciliation to operating profit below)	1,883	1,764
Returns on investments and servicing of finance		
Interest received	47	49
Interest paid	(859)	(940)
	(812)	(891)
Taxation		
UK corporation tax paid	(122)	(154)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	–	(3)
Sale of tangible fixed assets	11	1
	11	(2)
Equity dividends paid	(102)	(256)
Cash inflow before financing	858	461
Financing		
Repayment of loan	–	(982)
Increase/(decrease) in cash	858	(521)

Reconciliation of operating profit to net cash inflow from operating activities

	1997 £'000	1996 £'000
Operating profit	1,566	1,610
Revaluation deficit	200	100
Depreciation of tangible fixed assets	3	6
(Increase)/decrease in rent receivable	(105)	43
Decrease/(increase) in prepayments and accrued income	23	(17)
Decrease in amount due from parent undertaking	118	–
Decrease in other debtors	–	32
Increase/(decrease) in trade creditors	13	(4)
(Decrease)/increase in other taxation and social security creditors	(19)	1
Increase/(decrease) in accruals	79	(6)
Increase/(decrease) in deferred income	5	(1)
Net cash inflow from operating activities	1,883	1,764

Notes to the financial statements

for the year ended 31 December 1997

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP19 (revised) 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below in the accounting policy relating to investment properties. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of investment properties.

Basis of consolidation

The group financial statements incorporate the financial statements of the parent company and its subsidiaries made up to 31 December 1997.

The results of subsidiaries acquired or disposed of are included in the profit and loss account from the date of acquisition or up to the date of disposal.

As set out in note 12, the group has no economic interest in or control over the assets of the companies which were subsidiary undertakings at 16 October 1992, the date on which the company entered into a company voluntary arrangement with its creditors. Consequently, these companies are not recognised in the consolidated balance sheet. Section 229(3)a of the Companies Act 1985 permits the exclusion of such companies from consolidation and FRS2 'Accounting for subsidiary undertakings' demands exclusion from consolidation in these circumstances, because the conditions that justify exclusion also make consolidation inappropriate.

Investment properties

The group's properties are held for long term investment. In accordance with SSAP19 (revised) such properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit on an individual investment property is expected to be permanent, in which case it is written off through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired lease term is 20 years or more. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19 (revised). The directors consider that this accounting policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Finance arrangement costs

Costs of arranging bank loans are amortised over the lives of the relevant loans.

Depreciation

Depreciation is provided on motor vehicles and equipment at rates required to write off the cost of assets against revenue in equal instalments over their useful lives, which are generally not more than five years.

1 Principal accounting policies *continued*

Investments

Certain investments held by the company at 30 September 1994 were subject to the company valuation arrangement with creditors. In the opinion of the directors, no amount would be realised by the company from the disposal of its shares in any of these companies as in each case the company concerned has secured liabilities in excess of its assets. Consequently, no value is attributed to these investments in the company's balance sheet. The companies are in the process of being struck off the register at Companies House. The balance sheet recognises only the investment in subsidiaries arising from the acquisition of Suitsort and its subsidiaries on 30 December 1994. These subsidiary companies are listed in note 12.

Gross rents receivable

Gross rents receivable represents amounts receivable from tenants of investment properties excluding value added tax and arises entirely in the United Kingdom. Rents receivable are brought into the profit and loss account when receivable and any element relating to future periods is included in deferred income.

Direct property outgoings

Direct property outgoings comprises ground rents payable to the holders of freehold or superior leasehold interests in investment property, together with costs directly related to unlet property such as rates, letting costs and unrecovered service charges.

Deferred taxation

Provision is made for deferred taxation on all material timing differrences to the extent that it is probable that a liability or asset will crystallise. No deferred tax provision or asset is recognised in respect of tax which would arise on a disposal of an investment property owned by the company to the extent that the property is unlikely to be sold and the liability or asset is unlikely to be crystallised in the foreseeable future. An estimate of the potential liability or asset is shown in note 16 to the financial statements.

2 Employee information

The average number of persons employed by the group during the period was 2 (1996: 2), representing the two executive directors.

Staff costs in respect of the above persons comprised:

	1997 £'000	1996 £'000
Wages and salaries	23	52
Social security costs	2	4
	25	56

3 Directors' emoluments

Detailed disclosures of directors' individual remuneration are given in the Report of the Remuneration Committee on page 7.

	1997 £'000	1996 £'000
Aggregate emoluments	43	76

4 Revaluation deficit

The total revaluation surplus for the year of £1,150,000 comprises a gain of £1,350,000 which has been credited to revaluation reserve (note 18) and a deficit of £200,000 which the directors consider to be permanent. This deficit for the year has been written off against profits for the year in accordance with the group's accounting policy which is set out in note 1.

5 Net interest payable

	1997 £'000	1996 £'000
On bank loans	871	911
Amortisation of finance arrangement costs	10	10
	881	921
Interest receivable	(47)	(49)
	834	872

6 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	3	6
Auditors' remuneration for:		
Audit (Company £6,000; 1996: £6,000)	16	17
Other services	5	10

7 Tax on profit on ordinary activities

	1997 £'000	1996 £'000
United Kingdom corporation tax at 31.5 per cent. (1996: 33 per cent.):		
Current	230	135
Deferred	(3)	49
	227	184
Overprovision in respect of prior years:		
Current	(1)	(12)
	226	172

The tax charge for the period has been reduced by £67,000 (1996: £94,000) in respect of capital allowances for which no deferred tax charge arises.

8 Profit for the financial period

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial period was £34,000 (1996: profit £422,000).

9 Dividend

	1997 £'000	1996 £'000
Dividends on ordinary equity shares:		
Interim paid of nil pence per share (1996: nil pence)	–	–
Final proposed of 2.0 pence per share (1996: 2.0 pence)	102	102
	102	102

10 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation of £506,000 (1996: £566,000) and on 5,120,495 (1996: 5,120,495) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

11 Tangible fixed assets

	Investment properties £'000	Motor vehicles and equipment £'000	Group Total £'000	Company Motor vehicles and equipment £'000
Cost or valuation				
At 1 January 1997	17,150	23	17,173	23
Additions	–	–	–	–
Disposals	–	(18)	(18)	(18)
Net surplus on revaluation (note 4)	1,150	–	1,150	–
At 31 December 1997	18,300	5	18,305	5
Depreciation				
At 1 January 1997	–	9	9	9
Eliminated in respect of disposals	–	(7)	(7)	(7)
Charge for period	–	3	3	3
At 31 December 1997	–	5	5	5
Net book value				
At 31 December 1997	18,300	–	18,300	–
Net book value				
At 31 December 1996	17,150	14	17,164	14
Cost or valuation at 31 December 1997 is represented by:				
Valuation	18,300	–	18,300	–
Cost	–	5	5	5
	18,300	5	18,305	5

Investment properties were valued on the basis of open market value as at 31 December 1997 by Jones Lang Wootton, Chartered Surveyors.

On a historical cost basis investment properties would have been stated at a cost of £17,610,000 (1996: £17,610,000). The amount of accumulated depreciation on this basis cannot reasonably be quantified because there is no analysis of cost as between land and buildings.

Investment properties at valuation comprise:

	1997 £'000	1996 £'000
Freehold	6,250	5,950
Long leasehold	12,050	11,200
	18,300	17,150

12 Investments

Company

	Shares in unlisted subsidiary undertakings £'000
At 31 December 1997 and 31 December 1996	5,648

Interests in group undertakings

The company is the beneficial owner of the entire equity share capital in each of the subsidiary undertakings which are set out below. Each company is incorporated in England and Wales. The activity of each company is property investment, except for Suitsort Limited, Nu-Swift Upper Limited and Nu-Swift Mortimer Limited which are dormant.

Evenprofit Limited
Majorcredit Limited
Nu-Swift Finchley Limited
Nu-Swift Sovereign Limited
Nu-Swift Glenthorn Limited
Nu-Swift Chalfont Limited
Suitsort Limited
Nu-Swift Upper Limited
Nu-Swift Mortimer Limited

The group has no economic interest in or control over the assets of certain other companies which were subsidiary undertakings at 16 October 1992. On that date the company entered into a company voluntary arrangement ("CVA") with its creditors. During the two year period of the CVA an orderly disposal of most of the properties and other assets held by the group as at 16 October 1992 took place and the proceeds of sale have been used to repay in part the secured lenders as at that date. The CVA expired on 16 October 1994. As set out in the final report of the CVA supervisors dated 10 November 1994, aggregate proceeds of the disposals were significantly less than the related debt. No surplus was available for the company's unsecured creditors or shareholders.

A few assets held by companies which were subsidiary undertakings as at 16 October 1992 have not yet been sold by the secured creditors, who control those companies. It is the intention of the directors that the few remaining companies which were subsidiary undertakings of the company at 16 October 1992 will be struck off following the disposal of their assets.

13 Debtors

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Rents receivable	187	82	–	–
Prepayments and accrued income	17	50	–	–
Advance corporation tax	6	6	12	6
Corporation tax recoverable	–	–	33	–
Amount due from parent undertaking	6	124	6	233
Amount due from subsidiary undertakings	–	–	5,346	782
Other debtors	–	–	–	21
	216	262	5,397	1,042

Advance corporation tax of £6,000 (1996: £6,000) is recoverable after more than one year.

Prepayments for the group includes finance arrangement costs of £15,000 (1996: £25,000), of which £5,000 (1996: £15,000) is to be amortised after more than one year.

14 Creditors: amounts falling due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Trade creditors	92	79	43	58
Amounts owed to subsidiary undertakings	–	–	7,000	1,641
Corporation tax	352	245	–	–
Advance corporation tax	6	6	6	6
Other taxation and social security	11	30	–	–
Accruals	270	179	77	–
Deferred income	457	452	–	–
Proposed final dividend	102	102	102	102
	1,290	1,093	7,228	1,807

15 Creditors: amounts falling due after more than one year

	Group 1997 £'000	Group 1996 £'000
Bank loans	10,075	10,075

The bank loans are secured on the assets of certain subsidiary undertakings and are repayable as follows:

	1997 £'000	1996 £'000
Between one and two years	10,075	–
Between two and five years	–	10,075
	10,075	10,075

Interest rates on the loans averaged 8.6 per cent. (1996: 8.4 per cent.) per annum.

16 Provision for liabilities and charges

	Deferred taxation 1997 £'000	1996 £'000
At 1 January	8	(41)
Transfer to profit and loss account	(3)	49
At 31 December	5	8

Deferred taxation provided in the financial statements and the amount unprovided of the total potential (asset)/liability, are as follows:

Group	Amount provided 1997 £'000	1996 £'000	Amount unprovided 1997 £'000	1996 £'000
Tax effect of timing differences:				
Short term	5	8	–	–
Capital allowances	–	–	434	380
	5	8	434	380
Capital losses	–	–	(5,123)	(5,593)

17 Called up share capital

	Ordinary shares £'000	Total £'000
Authorised		
At 31 December 1997 and 31 December 1996	680	680
Allotted and fully paid		
At 31 December 1997 and 31 December 1996	512	512

At 31 December 1997 and 31 December 1996 the company had an authorised share capital of 6,800,000 ordinary shares of 10p each, of which 5,120,495 were issued and fully paid.

18 Share premium account and reserves

Group	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 1997	3,925	103	(60)	2,033	364
Revaluation surplus for the year	–	–	1,350	–	–
Profit for the year	–	–	–	–	404
At 31 December 1997	3,925	103	1,290	2,033	768

Company	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 1997	3,925	103	520
Loss for the year	–	–	(136)
At 31 December 1997	3,925	103	384

19 Ultimate parent company

The company's immediate parent undertaking is EFS Property Holdings Limited.

The directors regard European Fire Protection Holding BV, a company registered in the Netherlands, as the company's ultimate parent undertaking. Copies of the consolidated financial statements of European Fire Protection Holding BV may be obtained from Kamer van Koophandel en Fabrieken voor Rotterdam en de Beneden-Maas, Afdeling Handelsregister, Beursgebouw, Beursplein 37, 3011 AA Rotterdam.

The company is ultimately controlled by Mr J G Murray through his controlling interest in European Fire Protection Holding BV.

20 Related party transactions

The services of Mr Evans and Mr Chudnoff as directors and Mr Pollard as company secretary are provided free of charge by Nu-Swift International Limited, a fellow subsidiary undertaking of European Fire Protection Holding BV.

During the year, Nu-Swift Limited, a fellow subsidiary undertaking of European Fire Protection Holding BV, settled tax liabilities amounting to £116,000 on behalf of the group, thereby reducing the amount owed by Nu-Swift Limited to the group to £6,000.

London Securities Plc

Annual Report

for the year ended
31 December 1998

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Directors and advisers

Executive directors	Michael Evans *Chairman and Finance* Keith Watson *Property*
Non-executive directors	André Chudnoff Michael Gailer Jean-Jacques Murray Matthew Roberts Henry Shouler
Secretary and registered office	Richard Pollard Wistons Lane Elland West Yorkshire HX5 9DS
Registered number	53417
Registered auditors	PricewaterhouseCoopers Benson House 33 Wellington Street Leeds LS1 4JP
Registrars	IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	Bristol & West plc Lloyds Bank Plc
Solicitors	Lawrence Graham 190 Strand London WC2R 1JN
Stockbrokers	Teather & Greenwood 12-20 Camomile Street London EC3A 7NN

Chairman's statement

Review of business

I am pleased to report that net assets have increased in 1998 from £8.631 million (168.5 pence per share) to £10.672 million (208.4 pence per share). This represents an increase of 23.6 per cent. and comprises:

	£ millions
Net rental income less costs (see note 10 to the accounts)	0.720
Revaluation surpluses on investment properties	1.295
Release of tax provisions	0.128
Dividend paid to shareholders	(0.102)
Increase in net assets	2.041

Profits and earnings per share

Net rental income was marginally higher than in 1997 but the main improvement has been the increase in investment property values from £18.300 million to £19.595 million in spite of the turbulence in financial markets towards the end of 1998.

In previous years, cumulative charges against profits of £600,000 have been incurred, reflecting the reducing length of the tenant's lease at Glenthorne Road, Hammersmith, London W6. This lease expires in June 2003. Our independent valuers, Jones Lang LaSalle, are much more optimistic about the prospects for re-letting this property than they were at 31 December 1997. The annual revaluation of this property has contributed £700,000 to the total increase in valuation of the group's properties. £600,000 of this uplift has been credited to profits as a reversal of previous charges, with the balance being recognised in revaluation reserve.

This accounting treatment, together with an exceptional release of tax provisions totalling £128,000 which are no longer required, has resulted in profit after tax increasing from £506,000 in 1997 to £1,448,000 in 1998, and basic earnings per share increasing from 9.9 pence to 28.3 pence per share. However, stripping out the impact of the exceptional items (as shown in note 10 to the accounts) shows adjusted earnings steady at a little over £700,000 per annum and approximately 14 pence per share.

Bank borrowings

Bank borrowings of £10.075 million remain unchanged from last year and are secured on five of the six properties owned by the group with an aggregate value of £18.520 million (1997: £17.200 million). These borrowings are repayable in August 1999 and are now shown in current liabilities in the balance sheet. Discussions have taken place with a number of banks who have made indicative offers to refinance this debt on maturity at better margins but with some debt amortisation required.

Interest rates on debt of £5.680 million is fixed at 8.8 per cent. until maturity with the balance of £4.395 million being at floating interest rates.

Future prospects

The property portfolio remains fully let and there may be a small increase in rents receivable in 1999 as rent reviews are concluded. The impact is unlikely to be significant as passing rental levels at some properties remain in excess of open market rents. The apparent improvement in market confidence since the year end is more likely to improve valuations than passing rents, but these valuations may continue to be volatile, particularly in respect of the Glenthorne Road property.

1999 will benefit from the recent fall in interest rates. This benefit will be some £70,000 less than it would have been if all debt was at floating rates. Your board will consider locking in to the historically low level of current interest rates on a proportion of the debt at the time of refinancing.

Small shareholdings

There are a large proportion of shareholders who have only a small number of shares in the company and they cannot economically sell their shares. Accordingly, a leaflet is enclosed with this annual report describing one way of gifting such small shareholdings to charity without incurring any dealing costs.

Chairman's statement continued

Proposed purchase of own shares

In common with many small listed property companies, there is little liquidity in the company's shares and the share price is standing at a very large discount to net asset value. Resolution 10 of the notice of annual general meeting contains a proposal whereby the company could purchase its own shares. This would improve the net asset value per share for shareholders who wish to continue to support the company. As the company has the London Stock Exchange minimum of 25 per cent. of its shares in the hands of the public, any purchase of shares from any shareholder other than EFS Property Holdings Limited will probably result in the company applying for its shares to be listed on the Alternative Investment Market ("AIM") in place of its present listing on the main market of the London Stock Exchange.

Dividends

A final dividend of 2.0 pence per ordinary share is proposed, payable on 27 May 1999 to shareholders on the register at 30 April 1999. It is the company's policy to pay a dividend only once each year as the cost of paying an interim dividend cannot be justified in view of the high cost of paying dividends to the large majority of shareholders who own very small numbers of shares.

Michael Evans
Chairman
8 April 1999

Directors' report

for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of the group is property investment.

Results and dividends

The profit after taxation for the year ended 31 December 1998 amounted to £1,448,000 (1997: £506,000). A final dividend of 2.0 pence per ordinary share is proposed, payable on 27 May 1999 to shareholders on the register at 30 April 1999.

Business review and future prospects

A review of the group's business and future prospects is included in the chairman's statement.

Directors' interests

The directors in office at 31 December 1998 had no interests during the year in the share capital of the company or any of its subsidiaries and no changes have been notified to the company up to the date of this report.

Substantial shareholdings

At 8 April 1999 the company had been notified of the following interests of 3 per cent. or more in the share capital of the company:

	Number of shares	Percentage of share capital
EFS Property Holdings Limited	3,840,370	75.0

EFS Property Holdings Limited is a wholly owned subsidiary of European Fire Protection Holding BV.

In so far as it is aware, the company has no institutional shareholders.

Directors

The directors of the company in office during the year are set out on page 2.

Michael Evans (44), executive chairman and finance director, is the finance director of a number of companies in the European Fire Protection Holding BV group, including its property interests in the UK, the rest of Europe and the United States of America. He was appointed as a director and chairman of the company on 7 July 1994.

André Chudnoff (74), non-executive director, is a financial adviser for various companies in the European Fire Protection Holding BV group. He is a non-executive director of CNC Properties PLC and Andrews Sykes Group plc, both of which are listed on the London Stock Exchange. He was appointed as a director of the company on 10 April 1991.

Michael Gailer (63), independent non-executive director, is a director of Andrew Sykes Group plc and a number of private companies. He was appointed as a director on 7 December 1998.

Jean-Jacques Murray (32), non-executive director, is the son of Jacques Gaston Murray, the company's ultimate controlling shareholder, and is a director of a number of companies in the European Fire Protection Holding BV group. He was appointed as a director on 7 December 1998.

Matthew Roberts ARICS (37), independent non-executive director, is a director of a number of private property companies. He was previously a director of Herring Baker Harris, Chartered Surveyors, and was a property portfolio fund manager at Morgan Grenfell Asset Management. He was appointed as a director of the company on 18 August 1994.

Henry Shouler (61), independent non-executive director, is deputy chairman of Sharpe & Fisher Plc, a listed builders merchants and property company, and chairman of Pascoe's Group Plc, a listed petfood company. He also has a number of directorships in private companies. He was appointed as a director of the company on 18 August 1994. He is regarded as the senior independent director.

Keith Watson FRICS (51), executive property director, has managed the group's property interests since 1988. He was appointed as a director of the company on 24 May 1994.

None of the directors has a service contract.

Mr Chudnoff and Mr Shouler retire by rotation at the forthcoming annual general meeting of the company and, being eligible, offer themselves for re-election. Mr Gailer and Mr Murray, having been appointed since the date of the last annual general meeting, also retire and offer themselves for re-election. Directors submit themselves for re-election at least every three years.

Corporate governance

The company has considered the principles of good corporate governance set out in the Combined Code issued by the Committee on Corporate Governance in June 1998 and applied them to the extent considered appropriate given the size and nature of the company.

Three directors, Mr Evans, Mr Murray and Mr Chudnoff, are connected with EFS Property Holdings Limited which controls 75 per cent. of the company's issued share capital. Four directors, Mr Shouler, Mr Gailer, Mr Roberts and Mr Watson, who represent a majority of the board, are independent of EFS Property Holdings Limited and ensure that no one individual or group has unfettered powers of decision.

The EFS Property Holdings Limited group has undertaken that, before it acquires any investment property from a third party, it will first procure that any such property is offered to the company on equivalent terms. Mr Evans, Mr Murray and Mr Chudnoff will not vote on any such potential acquisition referred to the company by the EFS Property Holdings Limited group, unless that group has previously confirmed that it has no interest in acquiring the property concerned.

Mr Evans, Mr Murray and Mr Chudnoff have agreed to notify the company of the identity of any person of whom they are aware who, at the time of making specific enquiries to purchase a property owned by the EFS Property Holdings Limited group, is reasonably likely to be a purchaser of a property of a similar type owned by London Securities or its subsidiaries.

The board is supplied with operating information on a regular basis by the property director and the managing agents for the group's properties. Financial information is supplied on a quarterly basis.

On 15 February 1999 the board approved schedules and procedures to codify existing practice in relation to the following matters:

- a formal schedule of matters specifically reserved to the board for decision;
- a formal procedure for directors to have access to the company secretary and to take independent professional advice if necessary in the furtherance of their duties, at the company's expense; and
- written terms of reference for the authority and duties of the audit committee.

In addition, the company does not comply with the Combined Code in the following areas:

- non-executive directors are not appointed for specific terms
- a formal procedure for the appointment of new directors has not been introduced.

Except as noted above, the company complied throughout the period with the Code of Best Practice contained in the Combined Code.

Remuneration committee

The remuneration committee comprises Mr Shouler, Mr Gailer and Mr Roberts, being the non-executive directors of the company who are independent of management. The committee is chaired by Mr Shouler. The remuneration of non-executive directors is set by a committee of the other directors. No director is involved in deciding his own remuneration.

Policy on executive directors' remuneration

It is the 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 company and its position relative to other companies.

Directors' remuneration

An analysis of the remuneration received by each director in office during the year ended 31 December 1998 is set out below:

	Salary	Directors' fees	Pension payments	Benefits in kind	Total 1998	Total 1997
	£	£	£	£	£	£
Executive						
Michael Evans	–	–	–	–	–	–
Keith Watson	15,000	–	–	–	15,000	23,439
Non-executive						
Henry Shouler	–	10,000	–	–	10,000	10,000
Michael Gailer	–	672	–	–	672	–
Jean-Jacques Murray	–	–	–	–	–	–
Matthew Roberts	–	10,000	–	–	10,000	10,000
André Chudnoff	–	–	–	–	–	–

As set out in note 20 to the financial statements, Mr Evans, Mr Murray and Mr Chudnoff are associated with and remunerated by the European Fire Protection Holding BV group and their services are provided to the company free of charge.

The company does not operate a pension scheme, a share option scheme or a long-term incentive scheme. Mr Watson is the only executive director who receives remuneration but he receives no performance-related pay as all significant or strategic decisions are reserved for the board as a whole.

Internal financial control

The directors are responsible for the systems of internal financial control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures established to provide internal financial controls that are effective in the environment of a small group with a limited number of transactions are:

(a) Every receipt and payment is monitored by at least one director.

(b) All payments require two signatories, of which at least one, and normally both, are directors.

(c) Accounts are prepared quarterly and reviewed by the board.

(d) Quarterly results are monitored against forecasts which are updated when necessary.

The directors have reviewed the effectiveness of the system of internal financial control.

Audit committee

The audit committee comprises Mr Shouler, Mr Gailer, Mr Murray, Mr Roberts and Mr Chudnoff, being the non-executive directors of the company. Mr Shouler, Mr Gailer and Mr Roberts are independent of management and of EFS Property Holdings Limited. The committee is chaired by Mr Shouler. The committee meets regularly and meets the auditors at least once a year.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and group as at the end of the financial period and of the profit or loss of the company and group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors consider that there is a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Share capital

The special business to be proposed at the 1999 annual general meeting includes, at resolution number 9, 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 £25,602, being 5 per cent. of the 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.

Resolution number 10 is a special resolution which, if approved by shareholders, will enable the company to purchase its own shares. Any such purchase from any shareholder except EFS Property Holdings Limited will result in the company having less than 25 per cent. of its shares in public ownership. Consequently, the company may move its listing from the main market of the London Stock Exchange to AIM.

The notice of the annual general meeting is set out on pages 23 and 24 and all shareholders are invited to attend in person if they wish or by proxy if they are unable to attend.

Year 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

Given the complexity of the problem, it is impossible to guarantee that no Year 2000 problems will occur. However, the company has conducted a risk-based review of its computer systems to identify those which could be affected and is replacing or upgrading the affected systems. All business critical work is due to be completed shortly at no significant additional cost.

Creditor payment policy	The group's policy concerning the payment of its trade creditors is to negotiate the terms of payment when agreeing the terms of each transaction and to pay in accordance with its contractual and other legal obligations. The group's average creditor payment period at 31 December 1998 was 45 days (1997: 72 days) and that of the company was nil days (1997: 61 days).
Auditors	The company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board

Richard Pollard
Company Secretary
8 April 1999

Report of the auditors

to the members of London Securities Plc

We have audited the financial statements on pages 11 to 22.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 8, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 6 to 8 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its internal financial controls.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1998 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Leeds
8 April 1999

Consolidated profit and loss account

for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Gross rents receivable		2,005	1,981
Direct property outgoings		(127)	(113)
Net rents receivable		1,878	1,868
Other operating income		–	11
Administrative expenses		(108)	(113)
Revaluation surplus/(deficit)	4	600	(200)
Operating profit		2,370	1,566
Net interest payable	5	(798)	(834)
Profit on ordinary activities before taxation	6	1,572	732
Taxation	7	(124)	(226)
Profit for the financial year	8	1,448	506
Dividends	9	(102)	(102)
Retained profit	18	1,346	404
Basic earnings per ordinary share	10	28.3p	9.9p
Adjusted earnings per ordinary share	10	14.1p	13.8p

All of the gross rents receivable and the operating profits above arose from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above and their historical cost equivalents.

Statement of total recognised gains and losses

for the year ended 31 December 1998

	1998 £'000	1997 £'000
Profit for the financial year	1,448	506
Unrealised gain on revaluation of properties	695	1,350
Total recognised gains and losses	2,143	1,856

Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year	1,448	506
Dividends	(102)	(102)
	1,346	404
Unrealised gain on revaluation of properties	695	1,350
Net addition to equity shareholders' funds	2,041	1,754
Opening equity shareholders' funds	8,631	6,877
Closing equity shareholders' funds	10,672	8,631

Balance sheets

as at 31 December 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible assets	11	19,595	18,300	—	—
Investments	12	–	–	5,648	5,648
		19,595	18,300	5,648	5,648
Current assets					
Debtors:					
Falling due within one year		209	216	12	51
Falling due after more than one year		–	–	6,128	5,346
	13	209	216	6,140	5,397
Cash		2,171	1,485	1,797	1,107
		2,380	1,701	7,937	6,504
Creditors: amounts falling due within one year	14	(11,301)	(1,290)	(7,244)	(7,228)
Net current (liabilities)/assets		(8,921)	411	693	(724)
Total assets less current liabilities		10,674	18,711	6,341	4,924
Creditors: amounts falling due after more than one year	15	–	(10,075)	–	–
Provision for liabilities and charges	16	(2)	(5)	–	–
Net assets		10,672	8,631	6,341	4,924
Capital and reserves					
Called up share capital	17	512	512	512	512
Share premium account	18	3,925	3,925	3,925	3,925
Capital redemption reserve	18	103	103	103	103
Revaluation reserve	18	1,985	1,290	–	–
Merger reserve	18	2,033	2,033	–	–
Profit and loss account	18	2,114	768	1,801	384
Total equity shareholders' funds		10,672	8,631	6,341	4,924

The financial statements were approved by the board on 8 April 1999 and were signed on its behalf by:

Michael Evans

Chairman

Consolidated cash flow statement

for the year ended 31 December 1998

	1998 £'000	1997 £'000
Net cash inflow from operating activities (reconciliation to operating profit below)	1,806	1,883
Returns on investments and servicing of finance		
Interest received	118	47
Interest paid	(906)	(859)
	(788)	(812)
Taxation		
UK corporation tax paid	(230)	(122)
Capital expenditure and financial investment		
Sale of tangible fixed assets	—	11
Equity dividends paid to shareholders	(102)	(102)
Net cash inflow before use of liquid resources	686	858
Management of liquid resources		
Increase in short term deposits with banks	(1,759)	–
(Decrease)/increase in cash	(1,073)	858

Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	2,370	1,566
Revaluation (surplus)/deficit	(600)	200
Depreciation of tangible fixed assets	—	3
(Increase) in rent receivable	(3)	(105)
Decrease in prepayments and accrued income	—	23
Decrease in amount due from parent undertaking	6	118
(Increase) in other debtors	(6)	–
(Decrease)/increase in trade creditors	(63)	13
(Decrease) in other taxation and social security creditors	(2)	(19)
Increase in accruals	103	79
Increase in deferred income	1	5
Net cash inflow from operating activities	1,806	1,883

Reconciliation to net debt

	1998 £'000	1997 £'000
Net (debt) at 1 January	(8,590)	(9,448)
(Decrease)/increase in cash	(1,073)	858
Increase in short term deposits with banks	1,759	–
Net (debt) at 31 December	(7,904)	(8,590)
Net debt at 31 December comprises:		
Bank loans	(10,075)	(10,075)
Cash and short term deposits with banks	2,171	1,485
	(7,904)	(8,590)

Notes to the financial statements

for the year ended 31 December 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP19 (revised) 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below in the accounting policy relating to investment properties. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of investment properties.

Basis of consolidation

The group financial statements incorporate the financial statements of the parent company and its subsidiaries made up to 31 December 1998.

The results of subsidiaries acquired or disposed of are included in the profit and loss account from the date of acquisition or up to the date of disposal.

As set out in note 12, the group has no economic interest in or control over the assets of the companies which were subsidiary undertakings at 16 October 1992, the date on which the company entered into a company voluntary arrangement with its creditors. Consequently, these companies are not recognised in the consolidated balance sheet. Section 229(3)a of the Companies Act 1985 permits the exclusion of such companies from consolidation and FRS2 'Accounting for subsidiary undertakings' demands exclusion from consolidation in these circumstances, because the conditions that justify exclusion also make consolidation inappropriate.

Investment properties

The group's properties are held for long term investment. In accordance with SSAP19 (revised) such properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit on an individual investment property is expected to be permanent, in which case it is written off through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired lease term is 20 years or more. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19 (revised). The directors consider that this accounting policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Finance arrangement costs

Costs of arranging bank loans are amortised over the lives of the relevant loans.

Investments

Certain investments held by the company at 30 September 1994 were subject to a company voluntary arrangement with creditors. In the opinion of the directors, no amount would be realised by the company from the disposal of its shares in any of these companies as in each case the company concerned has secured liabilities in excess of its assets. Consequently, no value is attributed to these investments in the company's balance sheet. The balance sheet recognises only the investment in subsidiaries arising from the acquisition of Suitsort and its subsidiaries on 30 December 1994. These subsidiary companies are listed in note 12.

Gross rents receivable

Gross rents receivable represents amounts receivable from tenants of investment properties excluding value added tax and arises entirely in the United Kingdom. Rents receivable are brought into the profit and loss account when receivable and any element relating to future periods is included in deferred income.

1 Principal accounting policies *continued*

Direct property outgoings

Direct property outgoings comprises ground rents payable to the holders of freehold or superior leasehold interests in investment property, together with costs directly related to unlet property such as rates, letting costs and unrecovered service charges.

Deferred taxation

Provision is made for deferred taxation on all material timing differences to the extent that it is probable that a liability or asset will crystallise. No deferred tax provision or asset is recognised in respect of tax which would arise on a disposal of an investment property owned by the company to the extent that the property is unlikely to be sold and the liability or asset is unlikely to be crystallised in the foreseeable future. An estimate of the potential liability or asset is shown in note 16 to the financial statements.

2 Employee information

The average number of persons employed by the group during the period was 2 (1997: 2), representing the two executive directors.

Staff costs in respect of the above persons comprised:

	1998 £'000	1997 £'000
Wages and salaries	15	23
Social security costs	—	2
	15	25

3 Directors' emoluments

Detailed disclosures of directors' individual remuneration are given on page 7.

	1998 £'000	1997 £'000
Aggregate emoluments	36	43

4 Revaluation surplus/(deficit)

The total revaluation surplus for the year of £1,295,000 (1997: surplus £1,150,000) comprises a gain of £695,000 (1997: gain £1,350,000) which has been credited to revaluation reserve (note 18) and a surplus of £600,000 (1997: deficit £200,000) which has been credited to the profit and loss account as it represents a reversal of amounts previously written off against profits.

5 Net interest payable

	1998 £'000	1997 £'000
On bank loans	906	871
Amortisation of finance arrangement costs	10	10
	916	881
Interest receivable	(118)	(47)
	798	834

6 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	—	3
Auditors' remuneration for:		
Audit (Company £6,000; 1997: £6,000)	17	16
Other services	5	5

7 Tax on profit on ordinary activities

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31 per cent. (1997: 31.5 per cent.):		
Current	255	230
Deferred	(3)	(3)
	252	227
Overprovision in respect of prior years:		
Current	(128)	(1)
	124	226

The tax charge for the period has been reduced by £50,000 (1997: £67,000) in respect of capital allowances and by £186,000 (1997: increase £43,000) in respect of the revaluation surplus/(deficit) as no deferred tax charge arises on these items.

8 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £1,519,000 (1997: loss £34,000).

9 Dividends

	1998 £'000	1997 £'000
Dividend on ordinary equity shares:		
Final proposed of 2.0 pence per share (1997: 2.0 pence)	102	102

10 Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £1,448,000 (1997: £506,000) and on 5,120,495 (1997: 5,120,495) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of adjusted earnings per share is also based on 5,120,495 (1997: 5,120,495) ordinary shares and on adjusted earnings which comprise:

	1998 £'000	1997 £'000
Profit on ordinary activities after taxation	1,448	506
Eliminate effect of revaluation (surplus)/deficit	(600)	200
Eliminate effect of exceptional prior year tax credit	(128)	—
	720	706

11 Tangible fixed assets

	Group Investment properties £'000
Cost or valuation	
At 1 January 1998	18,305
Net surplus on revaluation (note 4)	1,295
At 31 December 1998	19,600
Depreciation	
At 1 January 1998 and 31 December 1998	5
Net book value	
At 31 December 1998	19,595
Net book value	
At 31 December 1997	18,300
Cost or valuation at 31 December 1998 is represented by:	
Valuation	19,595
Cost	5
	19,600

Investment properties were valued on the basis of open market value as at 31 December 1998 by Jones Lang Wootton (now known as Jones Lang LaSalle), Chartered Surveyors.

On a historical cost basis investment properties would have been stated at a cost of £17,610,000 (1997: £17,610,000). The amount of accumulated depreciation on this basis cannot reasonably be quantified because there is no analysis of cost as between land and buildings.

Investment properties at valuation comprise:

	1998 £'000	1997 £'000
Freehold	6,925	6,250
Long leasehold	12,670	12,050
	19,595	18,300

12 Investments

Company

	Shares in unlisted subsidiary undertakings £'000
At 31 December 1998 and 31 December 1997	5,648

Interests in group undertakings

The company is the beneficial owner of the entire equity share capital in each of the subsidiary undertakings which are set out below. Each company is incorporated in England. The activity of each company is property investment, except for Suitsort Limited which is dormant.

Evenprofit Limited
Majorcredit Limited
Nu-Swift Finchley Limited
Nu-Swift Sovereign Limited
Nu-Swift Glenthorn Limited
Nu-Swift Chalfont Limited
Suitsort Limited

The group has no economic interest in or control over the assets of certain other companies which were subsidiary undertakings at 16 October 1992. On that date the company entered into a company voluntary arrangement ("CVA") with its creditors. During the two year period of the CVA an orderly disposal of most of the properties and other assets held by the group as at 16 October 1992 took place and the proceeds of sale have been used to repay in part the secured lenders as at that date. The CVA expired on 16 October 1994. As set out in the final report of the CVA supervisors dated 10 November 1994, aggregate proceeds of the disposals were significantly less than the related debt. No surplus was available for the company's unsecured creditors or shareholders.

A few assets held by companies which were subsidiary undertakings as at 16 October 1992 have not yet been sold by the secured creditors, who control those companies. It is the intention of the directors that the few remaining companies which were subsidiary undertakings of the company at 16 October 1992 will be struck off following the disposal of their assets.

13 Debtors

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Rents receivable	190	187	–	–
Prepayments and accrued income	7	17	–	–
Advance corporation tax	6	6	6	12
Corporation tax recoverable	–	–	–	33
Amount due from fellow subsidiary undertaking	–	6	–	6
Amount due from subsidiary undertakings	–	–	6,128	5,346
Other debtors	6	–	6	–
	209	216	6,140	5,397

The amount due from subsidiary undertakings of £6,128,000 (1997: £5,346,000) is recoverable after more than one year.

Advance corporation tax of £6,000 (1997: £6,000) is recoverable after more than one year.

Prepayments for the group includes finance arrangement costs of £5,000 (1997: £15,000), of which £nil (1997: £5,000) is to be amortised after more than one year.

14 Creditors: amounts falling due within one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank loans	10,075	–	–	–
Trade creditors	29	92	–	43
Amounts owed to subsidiary undertakings	–	–	7,000	7,000
Corporation tax	249	352	2	–
Advance corporation tax	6	6	6	6
Other taxation and social security	9	11	–	–
Accruals	373	270	134	77
Deferred income	458	457	–	–
Proposed final dividend	102	102	102	102
	11,301	1,290	7,244	7,228

The bank loans are secured on the assets of certain subsidiary undertakings and are repayable on 2 August 1999.

Interest rates on the loans averaged 9.0 per cent. (1997: 8.6 per cent.) per annum.

15 Creditors: amounts falling due after more than one year

	Group 1998 £'000	Group 1997 £'000
Bank loans (secured)	–	10,075

16 Provision for liabilities and charges

	Group Deferred taxation 1998 £'000	1997 £'000
At 1 January	5	8
Transfer to profit and loss account	(3)	(3)
At 31 December	2	5

The company has no liability for deferred taxation.

Deferred taxation provided in the financial statements and the amount unprovided of the total potential (asset)/liability, are as follows:

Group	Amount provided 1998 £'000	1997 £'000	Amount unprovided 1998 £'000	1997 £'000
Tax effect of timing differences:				
Short term	2	5	–	–
Capital allowances	–	–	515	434
	2	5	515	434
Capital losses	–	–	(4,837)	(5,123)
Management expenses	–	–	(1,735)	(1,735)

17 Called up share capital

	Ordinary shares £'000
Authorised	
At 31 December 1998 and 31 December 1997	680
Allotted and fully paid	
At 31 December 1998 and 31 December 1997	512

At 31 December 1998 and 31 December 1997 the company had an authorised share capital of 6,800,000 ordinary shares of 10p each, of which 5,120,495 were issued and fully paid.

18 Share premium account and reserves

Group	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 1998	3,925	103	1,290	2,033	768
Revaluation surplus for the year	–	–	695	–	–
Retained profit for the year	–	–	–	–	1,346
At 31 December 1998	3,925	103	1,985	2,033	2,114

Company	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 1998	3,925	103	384
Retained profit for the year	–	–	1,417
At 31 December 1998	3,925	103	1,801

19 Ultimate parent company

The company's immediate parent undertaking is EFS Property Holdings Limited.

The directors regard European Fire Protection Holding BV, a company registered in the Netherlands, as the company's ultimate parent undertaking. Copies of the consolidated financial statements of European Fire Protection Holding BV may be obtained from Kamer van Koophandel en Fabrieken voor Rotterdam en de Beneden-Maas, Afdeling Handelsregister, Beursgebouw, Beursplein 37, 3011 AA Rotterdam.

The company is ultimately controlled by Mr J G Murray through his controlling interest in European Fire Protection Holding BV.

20 Related party transactions

The services of Mr Evans, Mr Murray and Mr Chudnoff as directors and Mr Pollard as company secretary are provided free of charge by Nu-Swift International Limited and Nu-Swift Limited, both of which are fellow subsidiary undertakings of European Fire Protection Holding BV.

During the year, Nu-Swift Limited paid £6,000 to the group to settle the amount outstanding at 31 December 1997.

Unaudited interim results of London for the six months ended 30 June 1999

The following is the text of the interim results of London for the six months ended 30 June 1999, which were announced on 29 October 1999:

"CHAIRMAN'S STATEMENT

Profit before tax increased by 9 per cent. to £377,000 compared with the equivalent period in 1998. A slight rise in the effective rate of tax from 26.3 per cent. to 28.2 per cent. has occurred as available capital allowances reduce. Earnings per share were 7.4p, an increase of 7 per cent. over the equivalent period in 1998.

As explained previously, no interim dividend is proposed due to the high costs of distributing dividends to the large number of shareholders with very small numbers of shares. A final dividend will be proposed based on the profits for the full year.

The property portfolio has not been revalued at 30 June 1999. A full external valuation will be carried out at 31 December 1999.

The property portfolio is almost fully let and a small increase in rent receivable has been achieved from rent reviews. Interest payable in the first half was £34,000 less than in 1998 due to lower floating rates of interest on £4,500,000 of debt where interest rates were not fixed. Interest on the balance of finance debt of £5,575,000 was fixed at 8.8 per cent. Interest receivable has increased by £6,000 in spite of the lower interest rates as cash balances have increased from £1,936,000 to £2,510,000 in the period.

On 6 July 1999 the company purchased 25,000 of its own shares at 83 pence per share compared with a net asset value of 216 pence per share as at 30 June 1999. As this purchase reduced the public interest in the company to marginally below the Stock Exchange minimum of 25 per cent. for a full listing, the company transferred to AIM on 9 August 1999.

P.M. Evans

Chairman

29 October 1999

GROUP PROFIT AND LOSS ACCOUNT

	Unaudited 6 months to 30 June 1998 £'000	*Audited Year ended 31 December 1998 £'000*	*Unaudited 6 months to 30 June 1999 £'000*
Gross rents receivable	994	2,005	1,006
Direct property outgoings	(62)	(127)	(52)
Net rents receivable	932	1,878	954
Administrative expenses	(46)	(108)	(64)
Revaluation surplus	—	600	—
Operating profit	886	2,370	890
Net interest payable	(404)	(798)	(365)
Profit on ordinary activities before taxation	482	1,572	525
Taxation	(127)	(124)	(148)
Profit on ordinary activities after taxation	355	1,448	377
Dividends	—	(102)	—
Retained profit	355	1,346	377
Basic earnings per ordinary share	6.9p	28.3p	7.4p
Adjusted earnings per ordinary share	6.9p	14.1p	7.4p
Dividend per ordinary share	Nil	2.0p	Nil

GROUP BALANCE SHEET

	Unaudited as at 30 June 1998 £'000	*Audited as at 31 December 1998 £'000*	*Unaudited as at 30 June 1999 £'000*
Fixed assets			
Investment properties	18,300	19,595	19,595
Current assets			
Debtors	242	209	225
Tax recoverable	6	—	—
Cash	1,936	2,171	2,510
	2,184	2,380	2,735
Creditors (due within one year)			
Finance debt	—	(10,075)	(10,075)
Other creditors	(854)	(666)	(748)
Deferred income	(464)	(458)	(458)
Proposed dividend	(102)	(102)	—
	(1,420)	(11,301)	(11,281)
Net current (liabilities)/assets	764	(8,921)	(8,546)
Total assets less current liabilities	19,064	10,674	11,049
Creditors (due after one year)			
Finance debt	(10,075)	—	—
Provision for liabilities and charges	(3)	(2)	—
Net assets	8,986	10,672	11,049
Capital and reserves			
Called up share capital	512	512	512
Share premium	3,925	3,925	3,925
Capital redemption reserve	103	103	103
Revaluation reserve	1,290	1,985	1,985
Merger reserve	2,033	2,033	2,033
Profit and loss account	1,123	2,114	2,491
Total equity shareholders' funds	8,986	10,672	11,049
Net assets per share	175.5p	208.4p	215.8p

NOTES TO THE GROUP PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

1. The financial information contained in this interim statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 and is unaudited. Statutory accounts for the period ended 31 December 1998 have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.
2. Earnings per ordinary share have been calculated on 5,120,495 shares (1998: 5,120,495) being the weighted average number of ordinary shares in issue during the period and on profits of £377,000 (1998: £355,000).
3. Copies of this statement are being sent to all shareholders and are available to the public from the company's registered office at Wistons Lane, Elland, West Yorkshire HX5 9DS."

PART VI

Pro forma statement of net assets of the Enlarged Group

The following pro forma statement of net assets has been prepared to illustrate the effects on the net assets of the group of the Proposals as if they had occurred at 30 June 1999.

The pro forma statement of net assets of the Enlarged Group is for illustrative purposes only and, because of its nature, may not give a true picture of the Enlarged Group's financial position subsequent to the Proposals. It is prepared on the basis set out in the notes below.

1. Pro forma statement of net assets of the Enlarged Group

	London Securities Plc as at 30 June 1999 (Note 1) £'000	Adjustments (Note 2) £'000	Pro forma London Securities Plc as at 30 June 1999 £'000	Ansul Group as at 31 August 1999 (Note 3) £'000	Nu-Swift Group as at 31 August 1999 (Note 4) £'000	Pre completion dividend (Note 5) £'000	Settlement of balances and borrowings (Note 6) £'000	Pro forma Fire Group as at 31 August 1999 (Note 7) £'000	Adjustments (Note 8) £'000	Pro forma net assets of the Enlarged Group £'000
Fixed assets										
Tangible assets	19,595	1,830	21,425	2,845	2,950	—	—	5,795	(21,425)	5,795
Intangible assets	—	—	—	3,785	3,293	—	—	7,078	46,458	53,536
Investments	—	—	—	—	70	—	—	70	—	70
	19,595	1,830	21,425	6,630	6,313	—	—	12,943	25,033	59,401
Current assets										
Stocks	—	—	—	1,531	1,232	—	—	2,763	—	2,763
Debtors	225	—	225	3,510	10,815	—	(6,217)	8,108	(221)	8,112
Investments	—	—	—	—	3,089	(3,089)	—	—	—	—
Cash at bank and in hand	2,510	(21)	2,489	4,621	5,742	(5,511)	(1,257)	3,595	(3,247)	2,837
	2,735	(21)	2,714	9,662	20,878	(8,600)	(7,474)	14,466	(3,468)	13,712
Creditors: due within one year										
Borrowings	(10,075)	—	(10,075)	(530)	(406)	—	546	(390)	7,075	(3,390)
Other creditors	(1,206)	—	(1,206)	(6,894)	(8,531)	—	4,675	(10,750)	1,028	(10,928)
Net current assets/(liabilities)	(8,546)	(21)	(8,567)	2,238	11,941	(8,600)	(2,253)	3,326	4,635	(606)
Total assets less current liabilities	11,049	1,809	12,858	8,868	18,254	(8,600)	(2,253)	16,269	29,668	58,795
Creditors: due after one year										
Borrowings	—	—	—	(2,122)	(657)	—	2,253	(526)	(19,000)	(19,526)
Other creditors	—	—	—	(369)	(41)	—	—	(410)	—	(410)
Provisions for liabilities and charges	—	—	—	(314)	(977)	—	—	(1,291)	—	(1,291)
Net assets	11,049	1,809	12,858	6,063	16,579	(8,600)	—	14,042	10,668	37,568
Number of shares in London Securities Plc in issue	5,120,495		5,095,495							
Net assets per share (pence)	215.78		252.34							

Notes

1. The balance sheet of London Securities Plc as at 30 June 1999 has been extracted from the unaudited interim results of London Securities Plc set out at Part V of this document.
2. These adjustments reflect the revaluation of certain properties held by subsidiaries of London Securities Plc, details of which are set out at Part II of this document and the purchase by the Company of 25,000 of its own shares at a cost of £21,000 on 6 July 1999.
3. The balance sheet of the Ansul Group as at 31 August 1999 has been extracted from the Accountants' report at Part III of this document translated at an exchange rate at 31 August 1999 of £1=BEF61.41.
4. The balance sheet of the Nu-Swift Group as at 31 August 1999 has been extracted from the Accountants' Report at Part IV of this document.
5. Nu-Swift will declare a dividend amounting to £8,600,000 which will be paid immediately prior to Completion. The dividend will be satisfied partly by the transfer of the investments and partly in cash.
6. Immediately prior to Completion, inter-group balances between the Fire Group and other companies in the EFPH group will be settled. The pro forma statement above reflects these balances as at 31 August 1999. In addition, amounts owed to Ansul by Keiberg Office Real Estates SA and Keiberg Zaventem Estates SA, companies controlled by Jacques Gaston Murray, will also be settled. At 31 August 1999, these amounted to £374,000. The existing borrowings of Ansul will also be settled prior to Completion. At 31 August 1999 borrowings amounted to £530,000 due within one year and £2,122,000 due after one year. In addition, certain borrowings of the Nu-Swift Group which at 31 August 1999 amounted to £16,000 due within one year and £131,000 due after one year will be settled prior to Completion.
7. The pro forma net cash balance of the Fire Group as at 31 August 1999 was £2,679,000. This is made up of cash at bank and in hand of £3,595,000, less borrowings due within one year of £390,000 and borrowings due after more than one year of £526,000.
8. These adjustments represent:
   (a) the net assets of the Property Companies being disposed of which amounted to £10,790,000 at 30 June 1999 after taking into account the Property Revaluation referred to at note 2 above and the capitalisation of the inter-group balances between London Securities Plc and the Property Companies, which amounted to £5,551,000 at 30 June 1999. The consideration receivable for the disposal of the net assets of the Property Companies will be approximately £11.0 million.
   (b) the consideration for the purchase of the Fire Group by London Securities Plc of:
      (i) £22 million in borrowings;
      (ii) a cash payment of £3 million including an estimate of £1.1 million for the costs of the transaction.
      (iii) further cash payments of £11.0 million funded by the disposal of the Property Companies.
   (c) goodwill of £46,458,000 arising on the transaction, being the difference between total consideration of £60.5 million (including costs of £1.1 million) and pro forma net assets of the Fire Group being acquired of £14,042,000.

2. Report by KPMG on the Pro forma statement of net assets of the Enlarged Group

KPMG

1 The Embankment
Neville Street
Leeds
LS1 4DW

The Directors and Proposed Directors
London Securities Plc
Wistons Lane
Elland
West Yorkshire
HX5 9DS

and

KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds
LS1 4DW

10 December 1999

Dear Sirs

London Securities Plc

We refer to the Circular to be dated 13 December 1999 relating to the proposed acquisition of Ansul SA, the proposed disposal of the Property Companies and the application for Re-admission to trading on the Alternative Investment Market. A copy of the Circular is attached hereto and initialled by us for the purposes of identification.

So far as Part VI of the Circular is concerned, we report that in our opinion the Pro forma statement of net assets of the Enlarged Group, prepared for illustrative purposes only, for which the Directors and Proposed Directors of London Securities Plc are solely responsible, has so far as the calculations are concerned been properly compiled on the basis set out therein.

Yours faithfully

KPMG

PART VII

Additional information

1. Responsibility

1.1 The Directors and the Proposed Directors, whose names and addresses appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered in England and Wales on 21 July 1897 with registered number 53417 as a limited company under the Companies Acts 1862 to 1893 with the name Blackett & Son Limited. The Company changed its name to Amalgamated Stores Limited on 31 May 1962 and to Amalgamated Estates Limited on 11 January 1979. The Company was re-registered as a public limited company limited by shares under the Companies Acts 1948 to 1980 on 30 April 1981. On 11 March 1985 the Company changed its name to London Securities Plc. The principal legislation under which the Company operates is the Act and the regulations made under the Act. The registered office and principal place of business of the Company is at Wistons Lane, Elland, West Yorkshire HX5 9DS. The principal activity of the Company is property investment.

2.2 Upon Completion, Ansul will become a wholly owned subsidiary of the Company. The registered office of Ansul is Avenue Louise 65 B11, 1050 Brussels, Belgium and its principal place of business is 1702 Dilbeek (Groot Bijgaarden), Industrialaan 35, Belgium. Its registered number is 535.780.

2.3 Upon completion of the Reorganisation Agreement, further details of which are set out in paragraph 11.9, Nu-Swift will become a wholly owned subsidiary of Ansul. The registered office and principal place of business of Nu-Swift is Wistons Lane, Elland, West Yorkshire HX5 9DS and its registered number is 643042.

3. Share Capital

3.1 The current authorised share capital of the Company is £680,000 divided into 6,800,000 Ordinary Shares, of which 5,095,495 Ordinary Shares are issued and fully paid up.

3.2 As at the date of this document the Directors have general and unconditional authority to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £167,950.50 until 6 May 2004 (unless and to the extent that the authority is renewed or extended prior to such date).

3.3 As at the date of this document the Directors are empowered pursuant to section 95 of the Act (such authority to expire on the earlier of 6 August 2000 and the date of the next annual general meeting of the Company) to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment, such authority being limited to:

3.3.1 the allotment of equity securities in connection with a rights issue; and

3.3.2 the allotment (otherwise than within paragraph 3.3.1 above) of equity securities up to a maximum nominal amount of £25,602.

3.4 As at the date of this document the Directors are generally and unconditionally authorised to make market purchases (as defined in section 163 (3) of the Act) (such authority to expire on the earlier of 6 August 2000 and the date of the next annual general meeting of the Company) up to a maximum now available of 743,074 Ordinary Shares and at a minimum price of 10 pence per Ordinary Share and a maximum price of not more than 5 per cent. above the average of the middle market quotations for the five business days preceding the day on which the purchases are contracted to take place.

3.5 Resolution 3 of the notice of EGM, which is conditional on Admission and on the passing of resolutions 1 and 2, *inter alia* proposes to:

3.5.1 increase the authorised share capital of the Company to £2,000,000 by the creation of a further 13,200,000 new Ordinary Shares;

3.5.2 authorise the Directors to allot the Consideration Shares and to allot relevant securities (as defined in section 80 (2) of the Act); and

3.5.3 increase the Company's borrowing limits from £25 million to £27 million.

3.6 Following Completion, assuming that all of the resolutions are passed at the Extraordinary General Meeting, the authorised share capital of the Company will be £2,000,000 divided into 20,000,000 Ordinary Shares and the issued share capital will be £1,459,161.90 divided into 14,591,619 fully paid Ordinary Shares. The Consideration Shares will rank *pari passu* in all respects with the existing Ordinary Shares save that they will not rank for the final dividend in respect of the year ending 31 December 1999.

3.7 Subject to and conditional upon the passing of the resolutions to be proposed at the Extraordinary General Meeting and subject to such resolutions becoming effective:

3.7.1 the Directors will be authorised and empowered until the Annual General Meeting of the Company to be held in 2000 to allot the Consideration Shares; and

3.7.2 the Directors will be generally and unconditionally authorised to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £486,387.30 (representing 33 per cent. of the issued share capital as enlarged by the issue of the Consideration Shares) provided that such authority shall expire on 29 December 2004 (unless and to the extent that such authority is renewed or extended prior to such date).

3.8 On 6 July 1999 the Company purchased 25,000 Ordinary Shares at a price of 83p per share.

3.9 Subject to Completion, the Consideration Shares (being 9,496,124 new Ordinary Shares) will be allotted pursuant to the Acquisition Agreement.

3.10 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the powers referred to in paragraph 3.3 above.

3.11 During the past two years there have been no changes to the authorised share capital of the Company.

3.12 Within the two years preceding the date of this document, no share capital of any member of the Group has been issued fully or partly paid up for cash or otherwise.

3.13 As at the date of this document, there are no listed or unlisted convertible securities issued by the Company, nor any listed or unlisted securities not representing share capital.

3.14 None of the Consideration Shares has been sold or is available in whole or in part to the public in conjunction with Admission.

3.15 No share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

3.16 Other than in respect of the Acquisition, there is no present intention to issue any of the authorised but unissued share capital of the Company.

4. Memorandum and Articles of Association

4.1 The principal objects of the Company are among other things, to act as a property investment company and as a general commercial company. The objects of the Company are set out fully in clause 4 of the memorandum of association. The liability of the members of the Company is limited.

4.2 The Articles of Association (the **Articles**), contain provisions, *inter alia*, to the following effect:

Voting rights

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. On a show of hands, every member who is present in person at meetings of the Company shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every 10 pence nominal amount of share capital of which he is the holder, save that a member shall not be entitled to exercise such rights to vote if the shares are not fully paid up or if he, or any person appearing to be interested in shares held by him, has been duly served with a notice under section 212 of the Act and has failed to supply the Company with the requisite information within such reasonable time as is specified in the notice (being not less than 28 days after the date of service of such notice).

Return of capital on winding-up

If the Company is wound up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by statutes relating to the Company, divide among the members in specie or kind the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in the trustees upon such trust for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property in respect of which there is a liability.

Variation of rights and alteration of capital

If at any time the share capital of the Company is divided into different classes of shares, the rights attaching to any class of shares may, subject to the Act and any other act relating to the Company (the **Statutes**), be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, and with any necessary modifications except that the necessary quorum at any such meeting shall be two or more persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (but so that, at an adjourned meeting of such holders one person holding shares of the class in question present in person or by proxy shall be a quorum), and except that the holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively and any holder of shares of the class in question present in person or by proxy may demand a poll. Unless otherwise expressly provided by the Articles or by the rights conferred upon the holders of any class of shares, those rights shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such shares.

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

Subject to any consent required by law, the Company may by special resolution reduce its share capital or any capital redemption reserve or any share premium account.

Subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Directors.

Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares) provided that (i) at the time of such purchase there are not outstanding any convertible shares, unless such purchase has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of the convertible securities; and (ii) in respect of purchases of its own redeemable shares where such shares are listed by the Stock Exchange and through the market or by transfer, they shall be at a price not exceeding the average of the middle market quotations taken from the Daily Official List for the 10 business days before the purchase is made, or in the case of a purchase through the market, at the market price, provided that it is not more than 5 per cent. above such average.

Transfer of shares

All transfers of shares shall be effected by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor shall remain the holder of the share until the name of the transferee is entered in the register of members in respect of such share. The Directors may, in their absolute discretion, and without assigning any reason for such refusal refuse to register any transfer of any share which is not a fully paid share. The Directors may decline to register any transfer unless the instrument of transfer, duly stamped, is deposited at the office or such other place as the Directors may appoint, and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; the instrument of transfer is in respect of only one class of share; and in the case of a transfer to joint holders, it is in favour of not more than four transferees. The registration of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Directors may from time to time determine.

Dividends to Shareholders

The Company may, by ordinary resolution, declare dividends but no dividend shall exceed the amount recommended by the Directors.

Insofar as, in the opinion of the Directors, the profits of the Company justify such payment, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of such dividends and may also, from time to time, declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

All dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, except that if any share is issued on terms providing that it shall carry any particular rights as to dividend, such share shall rank for dividend accordingly.

Any dividend which has remained unclaimed for a period of twelve years from the date of declaration of such dividend or on which such dividend became due for payment shall be forfeited and revert to the Company.

The Company may, upon the recommendation of the Directors, direct payment of a dividend wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debentures of any other company, and the Directors shall give effect to such resolution.

The Directors may retain any dividend or other monies payable on or in respect of a share certificate on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

The Directors may retain the dividends payable upon shares in respect of which any person is, under the provisions to the transmission of shares set out in the Articles, entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, upon which the dividend shall be payable to them, in accordance with their respective holdings so registered, but without prejudice to the rights between them in respect of such dividend, of transferors and transferees of such shares.

5. Directors' and Proposed Directors' and other interests

5.1 Reference in this paragraph to **relevant securities** means Ordinary Shares and securities convertible into such shares, rights to subscribe for such shares, options in respect of such shares and derivatives referenced to such shares.

5.1.1 The interests of the Directors and the Proposed Directors, beneficial and non-beneficial, in the issued ordinary share capital of the Company at the date of this document, and as they will be following the Acquisition, which have been, or which will be required to be, notified to the Company pursuant to sections 324 or 328 of the Act or which are or will be required to be entered into the register maintained under section 325 of the Act or are interests of a person connected (within the meaning of section 346 of the Act) with a Director or Proposed Director and the existence of which is known or would with reasonable diligence be ascertained by a Director or Proposed Director are as follows:

Director/Proposed Director	*Existing number of Ordinary Shares*	*Percentage of Ordinary Shares Beneficial*	*Number of Ordinary Shares held following the Acquisition*	*Percentage of Ordinary Shares following the Acquisition Beneficial*
J G Murray	3,840,370	75.4	13,336,494	91.4
J-J Murray	—	—	—	—
J-C F G Pillois	—	—	—	—
E D O A Sebag	—	—	—	—
H B Shouler	—	—	—	—
F M B Gailer	—	—	—	—
P M Evans	—	—	—	—
K Watson	—	—	—	—
M J Roberts	—	—	—	—
A Chudnoff	—	—	—	—

5.1.2 In addition to the interests of the Directors and Proposed Directors referred to in paragraph 5.1.1 above as at 7 December 1999, the latest practicable date prior to the printing of this document, the Company had been notified or had otherwise been made aware that the following are interested in 3 per cent. or more of the issued ordinary share capital of the Company:

Shareholder	*Number of Ordinary Shares*	*Percentage of existing Ordinary Share capital*
EFS Property	3,840,370	75.4

5.1.3 In addition to the interests of the Directors and Proposed Directors referred to in paragraph 5.1.1 above, immediately after Admission, the following persons will (so far as the Company is aware) be directly or indirectly interested in 3 per cent. or more of the then issued share capital of the Company:

Shareholder	*Number of Ordinary Shares*	*Percentage of Ordinary Share capital following the Acquisition*
EFS Property	3,840,370	26.3
EFPH	9,496,124	65.1

5.1.4 Save as disclosed in paragraphs 5.1.1 and 5.1.2 above, the Directors are not aware of any person who directly or indirectly is interested in 3 per cent. or more of the issued ordinary share capital of the Company or who could directly or indirectly exercise control over the Company.

5.1.5 Save as disclosed in paragraphs 5.1.1 and 5.1.3 above, the Directors and Proposed Directors are not aware of any other person who immediately after Admission will, directly or indirectly, be interested in 3 per cent. or more of the issued ordinary share capital of the Company or will, directly or indirectly, jointly or severally, exercise control over the Company.

5.1.6 Save as set out in paragraph 5.1.2 above, no persons have been entitled to exercise or to control the exercise of 10 per cent. or more of the votes able to be cast on all, or substantially all, matters at general meetings of the Company or its subsidiaries in the twelve months preceding the date of this document.

5.2 Save as disclosed above, following Completion, no Director, Proposed Director or connected person (within the meaning of section 346 of the Act) will have any interest (whether beneficial or non-beneficial) in any relevant securities nor has any such person dealt for value therein during the 12 months prior to the publication of this document.

5.3 As at the date of the publication of this document no subsidiary of the Company, no pension fund of the Group and no adviser to the Company (excluding any exempt market makers) owns, controls or is interested in any relevant securities.

5.4 There are no relevant securities managed on a discretionary basis by fund managers connected with the Company.

5.5 Other than in respect of the Proposals, no Director or Proposed Director has or has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by any member of the Group during the current or previous financial year and remains, in any respect, outstanding or unperformed.

6. Directors' and Proposed Directors' Service Agreements and Directorships

6.1 J G Murray provides consultancy services to Nu-Swift for which GIP, a company controlled by J G Murray, receives FF240,000 per month plus any further expenses.

6.2 J-J Murray provides consultancy services to Nu-Swift for which he receives $155,000 per annum. Nu-Swift also contributes the sum of £8,333 per month towards the cost of an apartment. There is no written agreement setting out the terms of the consultancy.

6.3 A Chudnoff provides consultancy services to Nu-Swift for which he receives £44,756 per annum from Nu-Swift and £40,440 from Nu-Swift International Limited. There is no written contract.

6.4 J-C Pillois is remunerated as a consultant providing the services of financial director to Nu-Swift for which he receives £87,675 from Nu-Swift. There is no written agreement setting out the terms of the consultancy.

6.5 E Sebag is employed by Nu-Swift International Limited and receives an annual salary of £100,000 per annum. He has no written contract of employment.

6.6 P M Evans has a contract with Nu-Swift International Limited to serve Nu-Swift International Limited as the Finance Director at an annual salary of £85,000 per annum. The agreement can be terminated by either party, upon giving three months' written notice.

6.7 Save as disclosed in this paragraph 6 there are no existing or proposed service contracts between any of the Directors, the Proposed Directors and the Company, Nu-Swift, Ansul or any of their subsidiaries.

6.8 In the 12 months ended 31 December 1998, the aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company was £35,672. The aggregate of the remuneration payable by the Company (including benefits in kind) to the Directors and Proposed Directors in respect of the 12 months ending 31 December 1999 under the arrangements that will be in force on Admission is expected to amount to £45,000. This sum includes remuneration payable to the Directors in respect of 12 months and remuneration payable to the Proposed Directors in respect of the period from their date of appointment until 31 December 1999.

6.9 The address of each of the Directors and Proposed Directors is Wistons Lane, Elland, West Yorkshire HX5 9DS.

6.10 Other than directorships of companies within the Enlarged Group the Directors and the Proposed Directors currently hold and in the previous five years have held the following directorships and are or were partners of the following partnerships:

Company/Partnership Current	*Company/Partnership Former*
Peter Michael Evans	
EFS Property Holdings Limited	None
Nu-Swift (Eastbourne) Limited	
Nu-Swift (Telstar) Limited	
Nu-Swift (Dorland) Limited	
Nu-Swift Holborn Limited	
Levertale Limited	
Euro Fire Security Limited	
Keith Watson	
None	None
Henry Bonner Shouler	
Pascoes Group Plc	Sterimatic Medical Systems Limited
Sharpe & Fisher PLC	The Photographer Limited
PKL Holdings Limited	
Mudic Bond Limited	
Haftonwell Limited	
Three Chairs Vineyard Limited	
H. Stokes & Sons (Caterers) Limited	
Francis Michael Benjamin Gailer	
International Strategic Alliances Limited	None
International Strategic Alliances (Russia) Limited	
IKG Limited	
Makhir Resources Limited	
Betalynx Limited	

Company/Partnership Current	*Company/Partnership Former*
Jean-Jacques Murray	
Andrews Sykes Group PLC	
Euro Fire Security Limited	
EFS Property Holdings Limited	
Matthew John Roberts	
Moststack Limited	Driftcourt Limited
Brackley Investments Limited	Ironstone Land Limited
	RPM Limited
André Chudnoff	
CNC Properties PLC	
Andrews Sykes Group PLC	
Nu-Swift (Eastbourne Limited)	
Nu-Swift (Telstar) Limited	
Nu-Swift (Dorland) Limited	
Nu-Swift Holborn Limited	
Jacques Gaston Murray	
Andrews Sykes Group PLC	
Cox Plant Limited	
Euro Fire Security Limited	
EFS Property Holdings Limited	
Jean-Christophe François Georges Pillois	
Andrews Sykes Group PLC	
Euro Fire Security Limited	
Cox Plant Limited	
Emmanuel David Olivier Adrien Sebag	
Andrews Sykes Group PLC	
Cox Plant Limited	

6.11 Save as disclosed above or in any prior circular sent to Shareholders of the Company no Director or Proposed Director has:

6.11.1 any unspent convictions in relation to indictable offences;

6.11.2 a bankruptcy order made against him or has entered into an individual voluntary arrangement;

6.11.3 been a director of a company which has been placed in receivership. compulsory liquidation, creditors' voluntary liquidation, administration, any form of company voluntary arrangement or any composition or arrangement with the company's creditors generally or any class of creditors or any other company whilst he was a director of that company or within 12 months after he ceased to be a director of that company;

6.11.4 been a partner of a partnership which has been placed in compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner of that partnership at the time or within 12 months after he ceased to be a partner of that partnership;

6.11.5 had any asset which has been subject to receivership or is or has been a partner of a partnership which has or had an asset which has been subject to receivership at the time or within 12 months of his ceasing to be a partner of the partnership; or

6.11.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7. Group Structure

7.1 The Company has the following subsidiary companies:

Company	*Company number*	*Nature of business*	*Country of incorporation*	*Proportion of share capital held*
Fire Protection Holdings Limited	3890084	Sub-holding company	England	100
Evenprofit Limited*	2565980	Property Investment	England	100
Majorcredit Limited*	2585524	Property investment	England	100
Nu-Swift Finchley Limited*	2940399	Property investment	England	100
Nu-Swift Sovereign Limited*	2940394	Property investment	England	100
Nu-Swift Glenthorn Limited*	2940401	Property investment	England	100
Nu-Swift Chalfont Limited*	2931877	Property investment	England	100
Suitsort Limited	2557615	Dormant	England	100

*Property Companies to be sold by the Group to EFS Property on Completion.

7.2 On Completion, Ansul will become a subsidiary of the Company. Details of Ansul and its subsidiaries as at Completion (including the Nu-Swift Group), are set out below:

Company	*Company number*	*Nature of business*	*Country of incorporation*	*Proportion of share capital held*
Nu-Swift Limited	643042	Sub-holding	England	100
Nu-Swift International Limited	276465	Fire protection	England	100*
Nu-Swift (Engineering) Limited	2916187	Manufacturing	England	100*
B W H Manufacturing Limited	1346988	Manufacturing	England	100*
G F A (Holdings) Limited	308531	Sub-holding	England	100*
The General Fire Appliance Company Limited	2020406	Fire protection	England	100*
Wilts Fire Extinguisher Services Limited	2767824	Dormant	England	100*
Southern Fire Limited	3098413	Dormant	England	100*
L W Safety Limited	13955329	Fire protection	England	100*
Onsloward Limited	1642801	Dormant	England	100*
Hoyles Limited	1091191	Sub-holding	England	100*
Hoyles Fire and Safety Limited	2575502	Fire protection	England	100*
Green Cross Fire Security Limited	1056458	Fire protection	England	100*
Feuerlöscher Nu-Swift (Schweiz) AG	N/A	Fire protection	Switzerland	100*
Nu-Swift Brandbeveiliging BV	135.094	Fire protection	Holland	100*
Importex SA	61.340	Fire protection	Belgium	100*
Associated Fire Protection Limited	1771629	Sub-holding	England	100*
Toldwell Limited	3188639	Sub-holding	England	100*
Specialist Fire Protection Limited	2219352	Dormant	England	100*
Ansul	535.780	Fire protection	Belgium	100*
Interswift SA	N/A	Sub-holding	Switzerland	100*

Company	*Company number*	*Nature of business*	*Country of incorporation*	*Proportion of share capital held*
Maclin SA	N/A	Fire protection	Switzerland	100*
Winn Moor Holdings Limited	2963330	Sub-holding	England	100*
Ansul B.V.	3905709/80 362.944	Fire protection	Holland	100*
Winn Moor Limited	2963334	Dormant	England	100*
Hogdean Limited	3471164	Dormant	England	100*
Debt Recovery Services Limited	2625918	Dormant	England	100*
Dimex Technics SA	64.815	Fire protection	Belgium	100*
Hoyles Sign Language Limited	2575538	Dormant	England	100*
Total TF AG	N/A	Fire protection	Switzerland	100*
Total Fire-stop GmbH	FN35544X	Fire protection	Austria	100*
Nu-Swift Creechurch Limited	2597107	Dormant	England	100*

* indicates shares held by subsidiary undertakings

8. Properties

8.1 There are no properties principally occupied by the Company

8.2 Details of the principal properties occupied by Ansul and its subsidiaries are as follows:

Proprietor	*Location*	*Tenure*	*Expiry*
Ansul	Groot-Bigaarden	Freehold	N/A
Ansul	Brussels	Leasehold	2 July 2000
Ansul B.V.	Lelystad	Leasehold	31 October 2003
Total Fire-Stop GmbH	Vienna	Leasehold	6 months' notice

8.3 Details of the principal properties occupied by Nu-Swift and its subsidiaries are as follows:

Proprietor	*Location*	*Tenure*	*Expiry*
Nu-Swift	Elland	Freehold	N/A
Hoyles Limited	Rainford/St Helens	Freehold	N/A
L W Safety Limited	Greenford	Leasehold	25/12/06

Proprietor	*Location*	*Tenure*	*Expiry*
Nu-Swift Brandbeveiliging B.V.	Arnhem	Leasehold	31 October 2006
Feuerlöscher Nu-Swift (Schweiz) AG	Biel	Leasehold	31 October 2003
Maclin S.A.	Geneva	Leasehold	Annual

9. Working capital

The Directors and the Proposed Directors are of the opinion that, having made due and careful enquiry and after taking into account bank and other facilities available to the Enlarged Group, the working capital available to the Enlarged Group will, from the time of Admission, be sufficient for its present requirements, that is for at least the next twelve months.

10. Material contracts of the Group

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries during the two years immediately preceding the date of this document or will on Completion be entered into by the Company and are or may be considered material:

10.1 The Acquisition Agreement dated 10 December 1999 and made between the Company (1), EFPH (2) and Jacques Gaston Murray (3), pursuant to which the Company has conditionally agreed to purchase all of the issued equity share capital of Ansul. The consideration is to be satisfied by the allotment and issue, credited as fully paid, of (the Consideration Shares) and by the payment of the Cash Consideration.

The Acquisition Agreement is conditional upon, among other things, the passing of all of the resolutions contained in the notice of EGM and Admission. Upon Completion, all of the issued ordinary share capital of Ansul will be transferred to Fire Protection Holdings Limited, a wholly owned subsidiary of the Company.

EFPH has given certain warranties and indemnities to the Company relating to the Fire Group. All of these warranties are subject to limitations on liability. In the event that warranty claims arise prior to Completion, which in aggregate have a value of £500,000 or more, the Company has the right to terminate the Acquisition Agreement.

EFPH has also entered into a deed of covenant whereby, subject to various restrictions, it agrees to pay to the Purchaser an amount equal to any tax suffered by the Company in respect of the period prior to Completion.

The maximum liability of EFPH for a breach of the warranties and/or indemnities is £32 million.

Upon the happening of certain events which may affect EFPH's ability to perform, discharge and observe all and any of the indemnities, obligations and guarantees remaining to be performed, observed or discharged under the Acquisition Agreement, Mr Murray agrees to procure that a company satisfying certain criteria specified in the Acquisition Agreement assumes EFPH's liabilities and obligations.

Pursuant to the Acquisition Agreement EFPH will enter into certain restrictive covenants with the Company, preventing it from being interested directly or indirectly in any business within Europe which competes with the type of business carried on by the Enlarged Group.

10.2 The Property Companies Sale Agreement dated 10 December 1999 between the Company (1) and EFS Property (2), pursuant to which the Company has conditionally agreed to sell the Property Companies to EFS Property.

The consideration payable by EFS Property will be satisfied in cash in the sum of £11.0 million and will be used to fund part of the Cash Consideration payable pursuant to the Acquisition Agreement. The agreement is conditional upon satisfaction of the conditions specified in the Acquisition Agreement, save for the condition relating to completion of this agreement.

10.3 A nominated adviser agreement dated 10 December 1999 between KPMG Corporate Finance (1) the Directors and the Proposed Directors (2) and the Company (3) which provides for KPMG Corporate Finance to act as the Company's nominated adviser for an annual fee of £12,000 (plus value added tax and out of pocket disbursements). The Company has given an indemnity to KPMG Corporate Finance in respect of certain liabilities arising from its appointment as nominated adviser.

10.4 The Relationship Agreement to be entered into between the Company (1) and EFPH (2) upon Completion for the purposes of regulating the relationship between the Company and EFPH, together with various persons connected with EFPH. Pursuant to the terms of the Relationship Agreement, any matters involving the Company and EFPH or persons connected with EFPH will be considered on behalf of the Company by a committee of directors who are independent of EFPH. EFPH and persons connected with it will be restricted from voting at general meetings of the Company in relation to certain matters involving EFPH and the Company. EFPH and persons connected with it agree to procure that the Company makes an offer to all Shareholders (except EFPH) on or before 30 June 2000 to acquire up to 250 Ordinary Shares from each Shareholder. The agreement also contains provisions restricting the amount of payments to be made by the Company to EFPH in each year and requires that such payments are reported on, in a form to be agreed, by the auditors of the Company to a committee of directors who are independent of EFPH.

10.5 The Services Agreement to be entered into between EFPH (1) and the Company (2) upon Completion relating to the provision of certain management, administration and services provided to the Group by EFPH. Pursuant to the terms of the Services Agreement, in consideration of the services rendered by EFPH, the Enlarged Group shall pay no more than £900,000 (exclusive of value added tax) to EFPH during the period up until 31 December 2000 in respect of the services. The fee is to be increased in each year by the rate of increase in the Retail Price Index during the preceding 12 months.

10.6 The Facilities Agreement dated 10 December 1999 between Fire Protection Holdings Limited (1), Ansul (2), the Company (3), Lloyds TSB Bank PLC and Artesia Banking Corporation S.A. (4) among others, relating to the provision of an £11 million term loan to Fire Protection Holdings Limited, an £11 million term loan to Ansul (both repayable over seven years) and a stand-by facility of £3 million to the Company, Fire Protection Holdings Limited and certain subsidiaries of Nu-Swift. The stand-by facility is to fund, part (only) of the consideration payable in relation to subsequent acquisitions by the Group. Pursuant to the terms of the Facilities Agreement, the Company and other members of the Group are required to enter into certain documents to create certain security over the assets of the Enlarged Group.

11. Material contracts of the Fire Group

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fire Group during the two years immediately preceding the date of this document and are or may be considered material:

11.1 An agreement dated 31 July 1998 between (1) Toldwell Limited and (2) Nu-Swift pursuant to which Toldwell Limited acquired the entire issued share capital of Nu-Swift Brandbeveiliging B.V., Feuerlöscher Nu-Swift (Schweiz) A.G. and Associated Fire Protection Limited. The consideration for the purchase was satisfied by the allotment and issue of shares in Toldwell Limited to Nu-Swift. No warranties or indemnities were given.

11.2 An agreement dated 1 May 1998 between David and Neil Hoyle and Nu-Swift pursuant to which Nu-Swift acquired the entire issued share capital of Hoyles Limited. Warranties and indemnities were given by Neil and David Hoyle which expire on 1 May 2000 except for the tax warranties and the deed of covenant which expire on 1 May 2004.

11.3 An agreement dated 1 February 1998 between LW Safety Limited and GFA Holdings Limited pursuant to which Onsloward Limited was transferred to LW Safety Limited. The warranties and deed of indemnity were transferred and the consideration payable was satisfied by an inter company loan.

11.4 Nu-Swift and Nu-Swift International Limited have agreed to sell a substantial proportion of the site at Wistons Lane, Elland to WM Morrisons Supermarket plc. The agreement is subject to planning permission being granted to WM Morrisons Supermarket plc to develop a supermarket on the site.

11.5 An agreement dated 22 January 1998 between Interswift S.A. (1) and Mr Claude Fickentscher (2), pursuant to which Interswift S.A. acquired the entire issued share capital of Maclin S.A.

11.6 An agreement dated 10 February 1999 between Importex S.A. (1) and Messrs Soens (2), Kerkhof & Closset (3), pursuant to which Importex S.A. acquired the entire issued share capital of Dimex Technics S.A. Limited warranties were provided and the period during which Importex S.A. can bring a claim under the warranties expires on 10 February 2000.

11.7 Ansul and various other companies within the Fire Group have entered into the Facilities Agreement, further details of which are set out at paragraph 10.6 above.

11.8 The Reorganisation Agreements, comprising:

11.8.1 a share purchase agreement dated 10 December 1999 between Ansul (1) and EFPH (2) which is subject to the same conditions as the Acquisition Agreement (save for satisfaction of the condition relating to completion of this agreement) relating to the acquisition of 32.93 per cent. of the entire issued share capital of Nu-Swift. The consideration is to be satisfied by the payment by Ansul to EFPH of the sum of £11.0 million in cash, to be financed by the Facilities Agreement; and

11.8.2 a share contribution agreement dated 10 December 1999 between Ansul (1) and EFPH (2) which is subject to the same conditions as the Acquisition Agreement (save for satisfaction of the conditions relating to completion of this agreement), relating to the contribution of the balance of the entire issued share capital of Nu-Swift. The consideration is to be satisfied by the issue and allotment of new shares in Ansul to EFPH.

12. Taxation

The following statements are intended only as a general guide to current United Kingdom tax legislation and to what is understood to be the current practice of the United Kingdom Inland Revenue (the **Inland Revenue**) and may not apply to certain classes of Shareholder. Any person who is in any doubt as to the specific tax consequences for them of the receipt, ownership or disposal of Ordinary Shares should consult a professional adviser without delay.

12.1 Taxation of dividends

There is no United Kingdom withholding tax on dividends. An individual Shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit (the **Gross Dividend**), which will be regarded generally as the top slice of the individual's income.

Following the abolition of advance corporate tax with effect from 6 April 1999, the tax credit on dividends paid by the Company is reduced to one-ninth of the dividend paid (or 10 per cent. of the gross dividend). However, individuals who are not liable to tax at the higher rate will have no further liability and for higher rate tax payers, the higher rate is 32.5 per cent., rather than 40 per cent. This means that a higher rate shareholder receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90, plus a tax credit of £10) and, after allowing for the tax credit of £10, will have a further £22.50 liability. The same procedure applies in general for UK resident trustees, save that the rate applicable to trusts will be 25 per cent. (as opposed to 32.5 per cent).

Generally, Shareholders will no longer be entitled to reclaim the tax credit attaching to any dividends paid by the Company, save where their Ordinary Shares are held in a Personal Equity Plan or Individual Savings Account, when the tax credit can be reclaimed for dividends paid on or before 5 April 2004. Certain transitional relief applies to dividends received by charities.

Subject to certain exceptions for traders in securities, a shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends received from the Company.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

Entitlement to repayment of any part of a tax credit for Shareholders not resident in the United Kingdom for tax purposes will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Such Shareholders should note, however, that since 6 April 1999, most Shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to obtain such repayment or the amounts repayable are less than 1 per cent. of the dividend.

Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.

12.2 Stamp duty and stamp duty reserve tax

A transfer of Ordinary Shares will, in general, be subject to United Kingdom stamp duty at the rate of 0.50 per cent. of the consideration paid (rounded up to the nearest multiple of £5.00 and with a minimum of £5.00). Where an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, a charge to stamp duty reserve tax (**SDRT**) generally at the rate of 0.50 per cent. and with a minimum of £5.00 of the consideration paid will arise.

Liability to pay any stamp duty or stamp duty reserve tax is that of the transferee or purchaser.

Capital gains tax

United Kingdom resident Shareholders making a disposal or other transfer of all or part of their Ordinary Shares may, depending on the circumstances and assuming no reliefs or exceptions are available, incur a liability to tax on any ensuing chargeable gain.

13. Litigation

13.1 There are no legal or arbitration proceedings in which the Group is, or has been, engaged or which are pending or threatened by or against the Company or any of its subsidiaries of which the Group is aware which may have, or has had, during the 12 months preceding the date of this document, a significant effect on the Group's financial position.

13.2 Save as disclosed below, there are no legal or arbitration proceedings in which the Fire Group is, or has been, engaged or which are pending or threatened by or against any member of the Fire Group of which the Fire Group is aware which may have, or has had, during the twelve months preceding the date of this document, a significant effect on the Fire Group's financial position.

13.3 Ansul's Austrian subsidiary, Total Fire-Stop GmbH (**Firestop**), is currently involved in five sets of legal proceedings relating to the use of the term "TOTAL" as a trade mark and as a company name. The trademark "TOTAL" enjoys a high brand recognition in Austria. Firestop is entitled to exclusive use of the trademark "TOTAL" as a sub-licencee in Austria. The opposing party in the proceedings, TOTAL-Mödling uses the term "TOTAL" as a company name. Firestop is seeking injunctive relief to prevent TOTAL-Mödling from using the term "TOTAL" in its company name and is also claiming damages. TOTAL-Mödling has issued similar proceedings against Firestop, seeking to prevent it from using the "TOTAL" name and claiming damages.

13.4 Nu-Swift's Dutch subsidiary, Nu-Swift Brandbeveiliging, is involved in a dispute with the trade unions relating to the level of basic salary payable to employees since 1 January 1995 under the collective bargaining agreement. The potential liability of the company for such a claim could be up to NLG 500,000. Nu-Swift Brandbeveiliging is also involved in a dispute with its field sales manager, Mr R A De Groot, relating to the termination of his employment contract.

13.5 Ansul's Swiss subsidiary, Total TF AG (**TF**), is currently involved in legal proceedings against Total Feuerlöscher AG (**Feuerlöscher**), a wholly owned subsidiary of Total Feuerschutz GmbH which is a company registered in Germany.

Both parties dispute the rights of the other to use the trade-name TOTAL. TF filed an initial claim and Feuerlöscher brought a counter-claim. TF contests that Feuerlöscher does not have the right to use the trade mark "TOTAL" in the course of its commercial activities in Switzerland. TF is also claiming damages in the sum of CHF1.5 million from Feuerlöscher, which in turn is claiming damages in the sum CHF100,000 from TF.

The main ruling in respect of these proceedings is still awaited but, as a provisional measure, the commercial court of the Canton of Aargan has ordered that Feuerlöscher should not use the trade mark TOTAL.

14. Significant investments

14.1 As at the date of this document, other than the investment in its subsidiaries and save as disclosed in paragraph 11 the Group has no significant authorised or contracted capital commitments.

14.2 As at the date of this document, other than the investment in its subsidiaries, and save as disclosed in paragraph 11, neither Ansul nor its subsidiaries have any significant authorised or contracted capital commitments.

14.3 As at the date of this document, other than the investment in its subsidiaries, and save as disclosed in paragraph 11, neither Nu-Swift nor its subsidiaries have any significant authorised or contracted capital commitments.

14.4 Save as set out above and in respect of the Proposals and the Reorganisation, there have been no significant investments made in other undertakings either during the last three years, during the current year, or currently in progress by either the Company or its subsidiary undertakings or Ansul or Nu-Swift or their subsidiaries.

14.4 Other than as disclosed in this document there have been no significant recent trends concerning the development of the Group's business nor any significant acquisitions or disposals of assets since 31 December 1998.

14.5 Other than as disclosed in this document there have been no significant recent trends concerning the development of the Fire Group's business nor any significant acquisitions or disposals of assets since 31 December 1998.

15. Material change

15.1 Save as disclosed in the interim results for the six months ended 30 June 1999, which were announced on 29 October 1999, and save for the Property Revaluation, there has been no material change in the financial or trading position of the Group since 31 December 1998, being the date to which its last published audited annual results were prepared as set out in Part V of this document.

15.2 There has been no material change in the financial or trading position of the Ansul Group or the Nu-Swift Group since 31 August 1999, being the date to which their last accounts were made up, as set out in Part III and Part IV respectively of this document.

16. Year 2000 Systems Compliance

The Year 2000 problem stems from the use and interpretation of dates by electronic equipment. We are used to using dates in the format 21/7/99 meaning 21 July 1999. The problem with this format is that 1/1/00 could mean either 1 January 2000 or 1 January 1900. A Year 2000 problem occurs when a piece of equipment, which understands dates, rolls back to 1900 after 31 December 1999, rather than moving forward to 1 January 2000. An additional, but not unrelated problem, is that the Year 2000 is a leap year.

The Enlarged Group has undertaken a planned programme for Year 2000 compliance for critical business systems. Reviews of the potential risks have been completed at each of the Enlarged Group's locations and systems have been tested and modified as appropriate so that they should function correctly in and beyond the Year 2000. The directors believe that the Enlarged Group has taken all appropriate steps, including the necessary internal reviews, to ensure the efficacy of its programme for Year 2000 compliance for critical business systems.

The directors have assessed the potential risks associated with the Year 2000 readiness with the Enlarged Group's key suppliers and customers and has concluded that any lack of compliance on the part of such suppliers and customers is not likely to have any material impact on the Group's operations.

The Enlarged Group has made and continues to make what it believes to be appropriate efforts to avoid the possibility of business disruption insofar as it is reasonable to do so, but no assurance can be given that Year 2000 problems will not have a material adverse impact on the Enlarged Group.

The costs directly associated with Year 2000 compliance are difficult to quantify but are not expected to be material to the Enlarged Group.

17. General

17.1 The total costs and expenses relating to the Proposals, and Admission are payable by the Company and are estimated to amount to approximately £1.1 million (excluding value added tax and out of pocket expenses).

17.2 KPMG Corporate Finance has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

17.3 Knight Frank has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of its report and the references to such report and to its name in the form and context in which they are respectively included and has not become aware since the date of any such report of any matter affecting the validity of such report and accepts responsibility for such report.

17.4 KPMG has given and has not withdrawn its written consent to the inclusion in this document of its reports in the form and context in which they are respectively included, and accepts responsibility for such reports.

17.5 Statutory accounts of the Group for the three years ended 31 December 1998 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

The financial information set out in this document relating to Ansul, Nu-Swift and their subsidiaries does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the Nu-Swift Group for the three years ended 31 December 1998 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act. There is no requirement under Belgian law for Ansul to file audited accounts.

17.6 Other than as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's recent activities. Other than as disclosed in this document, the Proposed Directors are not aware of any exceptional factors which have influenced the Ansul Group's and Nu-Swift Group's recent activities.

17.7 There are no patents or other intellectual property rights, licences or contracts which are or may be of fundamental importance to the Group's, the Ansul Group's or the Nu-Swift Group's businesses.

17.8 The accounts of the Company in respect of each of the three financial periods ended 31 December 1998 have been prepared in accordance with English law and with United Kingdom's generally accepted accounting standards and the Directors accept responsibility for such accounts.

17.9 The audited consolidated internal reporting packs of Ansul Holding S.A. for the three years ended 31 December 1998 and of Ansul for the eight months ended 31 August 1999 have been prepared in accordance with United Kingdom generally accepted accounting standards and the Proposed Directors accept responsibility for such reporting packs.

17.10 The accounts of the Nu-Swift Group in respect of each of the three financial periods ended 31 December 1998 and the eight months ended 31 August 1999 have been prepared in accordance with English Law and with United Kingdom generally accepted accounting standards and the Proposed Directors accept responsibility for such accounts.

17.11 Except as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has (i) received directly or indirectly from the Company within the 12 months preceding Admission, or (ii) entered into contractual arrangements to receive directly or indirectly from the Company on or after Admission either (a) fees totalling £10,000 or more, (b) securities in the Company with a value of £10,000 or more as calculated by reference to a price of 91.5p being the mid-market price of an Ordinary Share at the close of business on 7 December 1999, being the last practicable date prior to the publication of this document, or (c) any other benefit with a value of £10,000 or more at the date of Admission.

17.12 KPMG Corporate Finance is a division of KPMG, which is authorised to carry out investment business by the Institute of Chartered Accountants in England and Wales. The principal place of business is 8 Salisbury Square, London EC4Y 8BB, where a list of partners' names is open to inspection.

17.13 No paying agent has been appointed.

18. London Stock Exchange quotations

The following table sets out the mid-market price for the Ordinary Shares of the Company as shown in the Daily Official List at the close of business on the first dealing day of each month from 1 June 1999 to 1 December 1999 and on 7 December 1999 (the last practicable dealing day prior to the publication of this document):

Date	*Ordinary Shares (pence)*
1 June	80.0
1 July	81.0
2 August	93.5
1 September	92.0
1 October	90.0
1 November	91.5
1 December	91.5
7 December	91.5

19. Documents Available for inspection

Copies of the following documents may be inspected at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for 14 days from the time and date on which Admission takes place, which is expected to be 30 December 1999:

19.1 the memorandum and articles of association of the Company;

19.2 the audited consolidated accounts of the Group for the three years ended 31 December 1998;

19.3 the audited consolidated internal reporting packs of Ansul Holding S.A. for the three years ended 31 December 1998 and of Ansul S.A. for the eight months ended 31 August 1999;

19.4 the audited consolidated accounts of Nu-Swift for the three years ended 31 December 1998 and for the eight months ended 31 August 1999;

19.5 the valuation report prepared by Knight Frank in respect of the Investment Properties owned by the Property Companies;

19.6 the letters of consent referred to in Part V and in paragraph 17 of this Part VII above;

19.7 the Directors' and Proposed Directors' service and consultancy agreements referred to in paragraph 6 above;

19.8 the material contracts referred to in paragraphs 10 and 11 above; and

19.9 this document.

Dated 13 December 1999

London Securities Plc

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of London Securities Plc will be held at the offices of Walker Morris, Kings Court, 12 King Street, Leeds LS1 2HL on 29 December 1999 at 9.30 am to consider and, if thought fit, pass the following ordinary resolutions.

ORDINARY RESOLUTIONS

1 That the proposed disposal of the Property Companies (the **Property Disposals**) on the terms and subject to the conditions contained in the Property Companies Sale Agreement (as such terms are defined in the circular to shareholders of the Company dated 13 December 1999 of which this notice forms part) (the **Circular**) be approved and that the Directors of the Company be authorised to vary, amend or extend any of such terms and conditions as they think fit (provided that any such variations, amendments or extensions are not of a material nature) and to take such steps on behalf of the Company as they may consider necessary or desirable to complete and carry the Property Disposals into effect.

2 That the proposed acquisition by the Company of the entire issued share capital of Ansul S.A. (the **Acquisition**) on the terms and subject to the conditions contained in the Acquisition Agreement (as such terms are defined in the Circular) be approved and that the Directors of the Company be authorised to vary, amend or extend any of such terms and conditions as they think fit (provided that any such variations, amendments or extensions are not of a material nature) and to take such steps on behalf of the Company as they may consider necessary or desirable to complete and carry the Acquisition into effect.

3 That, conditional upon the passing of resolutions 1 and 2 set out above and subject to, conditional upon and with effect from the re-admission of the existing issued share capital of the Company and admission of the Consideration Shares to be issued pursuant to and in connection with the Acquisition (as such terms are defined in the Circular) to trading on the Alternative Investment Market of the London Stock Exchange becoming effective:

3.1 the authorised share capital of the Company be and is increased to £2,000,000 by the creation of an additional 13,200,000 new Ordinary Shares;

3.2 the Directors be and are generally and unconditionally authorised for the purposes of section 80 of the Act (as such term is defined in the Circular) to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of:

3.2.1 £949,612.40 (representing the nominal value of the Consideration Shares), provided that such authority shall expire on the date of the Annual General Meeting of the Company to be held in 2000; and

3.2.2 £486,387.30 (representing 33 per cent. of the issued share capital as enlarged by the issue of the Consideration Shares), provided that such authority shall expire on 29 December 2004

(unless to the extent that such authorities are renewed or extended prior to such dates) and so that all previous authorities of the Directors pursuant to the said section 80 (save to the extent that they have been exercised prior to this resolution becoming effective) be and are hereby revoked.

3.3 the Directors be and are authorised to exercise all the powers of the Company to borrow money as if the figure stated in clause 108(B) of the existing articles of association of the Company were £27 million and not £25 million.

Registered Office

Wistons Lane
Elland
West Yorkshire
HX5 9DS

By Order of the Board

Richard Pollard
Secretary

Dated 13 December 1999

Notes:

(i) Voting on all resolutions will be conducted on a poll.

(ii) Any member entitled to attend and vote at the meeting is entitled to appoint one or more persons to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion and return of a Form of Proxy does not preclude a member from attending and voting at the meeting, or any adjournment of the meeting, in person.

(iii) A Form of Proxy, to be valid, must be signed, and lodged with the registrars of the Company, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the meeting or for any adjournment of the meeting, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a certified official copy of such power or authority.