LONDON SECURITY PLC

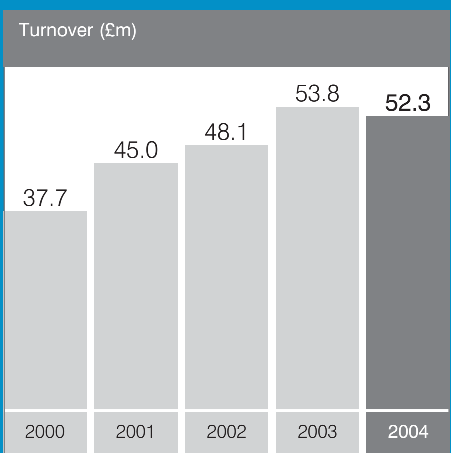
ANNUAL REPORT AND ACCOUNTS 2004

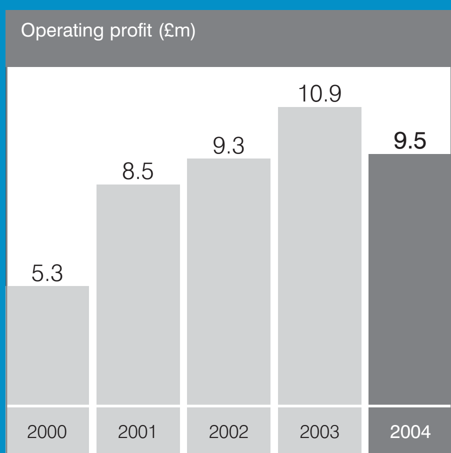
London Security plc is a leader in Europe's fire security industry. Each year, we provide fire protection for over 270,000 customers through our local presence in Belgium, Holland, Austria, Switzerland and the United Kingdom.

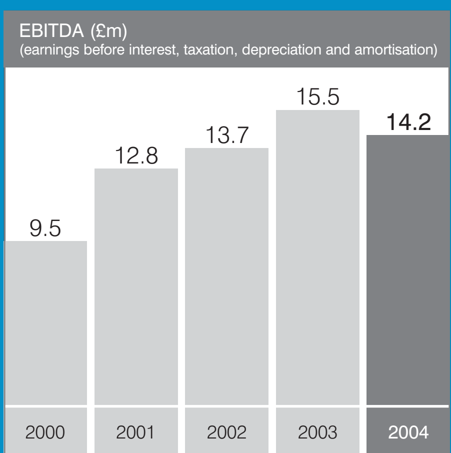
Our services and products are commercialised through the well and long established brands of Nu-Swift, Ansul, Total, Premier and Master. The unique styling of our products makes them immediately recognisable to both the industry and customers alike.

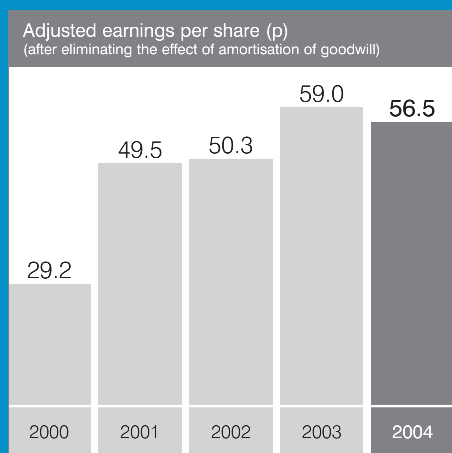
We aim to achieve the highest levels of service and product quality through continuing training of our employees to the most stringent servicing standards and the development of the highest performance rated fire products. These activities are performed whilst considering the preservation of the environment.

From the largest blue chip companies, to governments and private individuals, our customers know that our name stands for integrity of service by the best trained and qualified individuals with quality products that have achieved the highest performance ratings.









EUROPEAN GROUP BRANDS

London Security plc continues to deliver industry leading profit margins since acquiring the Ansul and Nu-Swift businesses in December 1999. The challenges for the future are to continue to grow through acquisition and organically and to build upon our competitive advantage of being a complete fire protection solution provider.

CHAIRMAN'S STATEMENT

TRADING REVIEW

The changes in the results are primarily due to marketing cost increases and slightly less buoyant market conditions in some European countries. During 2002 and 2003 the Group benefited from a number of market opportunities which are now levelling.

Operating profit at 18.1% of turnover and EBITDA at 27.1% of turnover continue to be among industry leading results. We aim to continue to acquire companies in the fire and security sectors to complement and build upon the organic growth demonstrated in recent times.

ACQUISITIONS

In December 2004 we acquired MK Fire Limited and TVF (UK) Plc.

Both companies are very well represented in fire extinguisher service, fire alarm service and fire alarm installation and operate on a nationwide scale whilst having the majority of the UK business in the more prosperous south of England.

These acquisitions will substantially increase turnover in our alarms division fulfilling our objective to provide a one-stop shop for customers' fire protection needs.

FUTURE PROSPECTS

The outlook for 2005 is cautiously optimistic.

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

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

MANAGEMENT AND STAFF

2004 was a year in which the staff performed well and, on your behalf, I would like to express thanks and appreciation for their contribution.

Highlights

Financial highlights of the results for the year ended 31 December 2004:

- Turnover of £52.3 million
- Operating profit of £9.5 million
- Earnings before interest, taxation, depreciation and amortisation (“EBITDA”) of £14.2 million
- Profit on ordinary activities before taxation of £9.2 million

TENDER OFFER

Your Board has been examining ways of returning value to Shareholders and it is pleased to announce that it now proposes, subject to approval of Shareholders and confirmation of the High Court of the Capital Reduction, to return to Shareholders by way of a Tender Offer up to £30.1 million. Subject to the consent of Shareholders, your Board intends that each Shareholder be given the opportunity to sell to Brewin Dolphin Securities Limited, Ordinary Shares held by him/her on the Record Date at a price of £13.75 per Ordinary Share. A circular has been posted to Shareholders explaining this proposal in more detail.

DIVIDENDS

In view of the Tender Offer no final dividend is proposed (2003: 10.0p).

On 8 July 2004 the Company announced a special dividend of 42.0p (2003: Nil) per Ordinary Share. The Company had accumulated cash comfortably beyond its short to medium-term operational requirements and the Board of Directors felt it was in the best interest of Shareholders to distribute a part of this surplus.

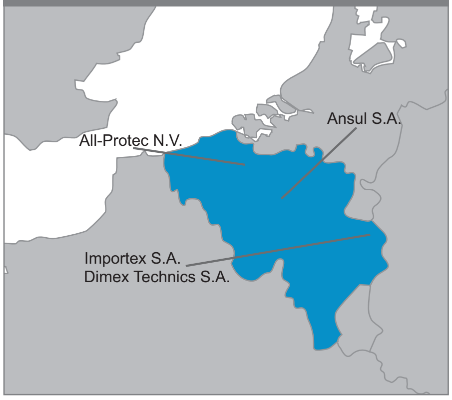
An interim dividend of 3.0p (2003: 3.0p) per Ordinary Share was also paid to Shareholders, giving a total dividend for the year of 45.0p (2003: 13.0p) per share.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10 Bruton Street, 5th Floor, London on 9 June 2005 at 11.00am. You will find enclosed a form of proxy for use at that Meeting which you are requested to complete and return in accordance with the instructions thereon. I shall, along with your Directors, look forward to meeting you at that time.

J. G. Murray
Chairman
5 May 2005

BELGIUM



Group brands

Brandbeveiliging Protection Incendie
Dimex Technics
ANSUL
nu-swift

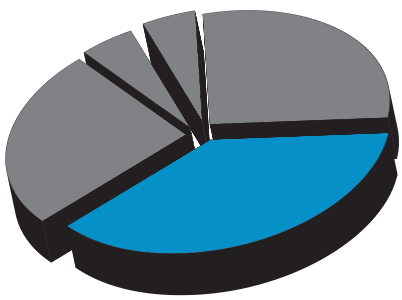
Belgium turnover

£19,357,000

Market position

1st

Group turnover



37.0%

BELGIUM

With a backdrop of tightening in capital expenditure across the commercial sector in Belgium, Ansul SA continues to be one of the best performing companies in the Group.

The quality of the Ansul service is acknowledged by our customers and it is pleasing to see that in a somewhat soft market, Ansul managed to increase its pool of extinguishers to service, therefore increasing its recurring revenues for 2005.

Importex, Dimex and All-Protec, being in the different smaller customer market segment, were less affected by market forces. They posted healthy organic growth and operating profits increased. Some of the growth was generated by the new alarm division which in the long-term should provide a healthy and complementary division.

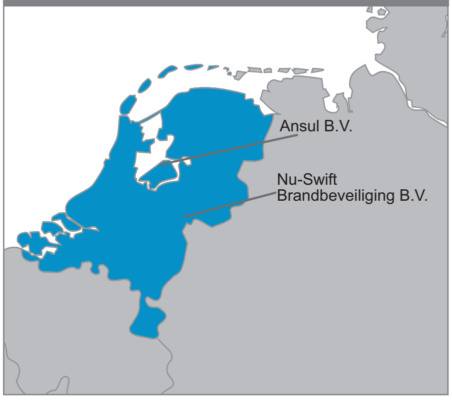
HOLLAND

After years of continuous growth in turnover and profit due to special regulations in the past such as the Government legislative ban on environmental grounds of BCF extinguishers, we faced a small downturn in 2004. This downturn occurred mainly in the middle part of the year and is essentially a return to normal demand conditions.

The launch of new lines of portable fire extinguishers enables us to supply new market segments. These products were well received in the market, especially the excellent price-quality combination which ensures a strong competitive position in a number of market segments in which we were, at the time, not yet represented.

Also very promising were the results in our new training and emergency light services. Broadening our scope positions us as a more complete supplier and is in line with an increasing demand in the market for total fire safety solutions.

HOLLAND



Group brands

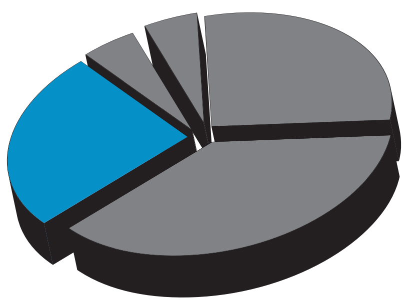
Holland turnover

£13,245,000

Market position

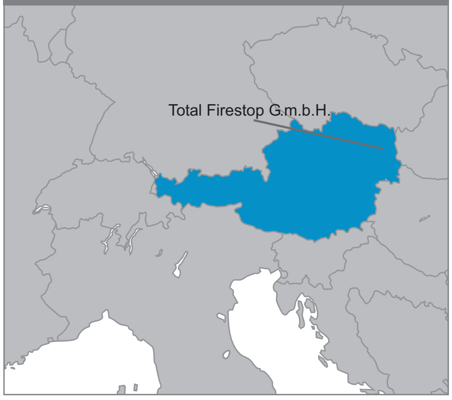
1st

Group turnover



25.3%

AUSTRIA



Group brands

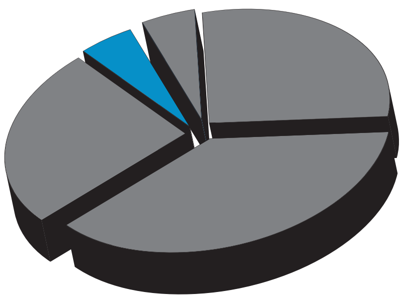
Austria turnover

£2,560,000

Market position

1st

Group turnover



4.9%

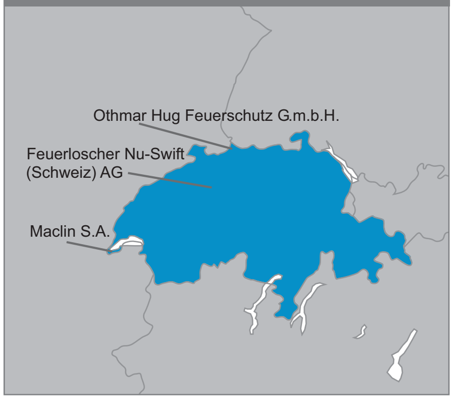
AUSTRIA

Following buoyant sales over the past two years, the opportunities for replacement of fire related equipment have stabilised.

Focusing on customer satisfaction and developing better communication channels to the market have shown their first positive effects and should also secure future business. To further strengthen the customer focus and, at the same time, improve the skills and sales abilities of our employees, a new sales and marketing director has successfully been recruited.

The introduction of the second range was taken up very well by the market. The company can now secure contracts for supply that otherwise would have been unattractive. The second range of extinguishers should prove a strong asset in the future.

SWITZERLAND



SWITZERLAND

The Swiss operations performed reasonably well although profits did not quite match 2004 record levels.

Delays in official body approvals led to the postponement of the launch of the detection and intruder alarms until May 2005. We anticipate that this complementary line of products should start contributing in 2005 and increase the service base for the forthcoming years.

Group brands

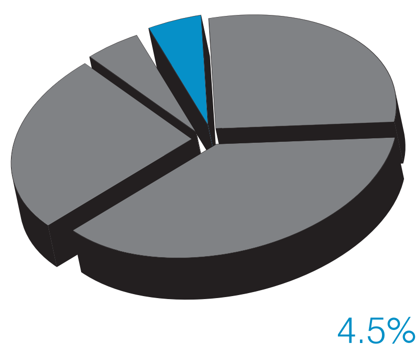
Switzerland turnover

£2,362,000

Market position

3rd

Group turnover



UNITED KINGDOM

On 16 December 2004 the Group acquired MK Fire Limited, a company with a strong market presence in fire extinguisher service, fire alarm service and fire alarm installation. Revenues in the audited accounts to 31 January 2004 were £5.2 million. The company employs 94 staff.

From its headquarters in Milton Keynes, MK Fire provides service to customers of all sizes. We have already identified opportunities to build upon MK Fire's excellent foundations and fully expect to be able to report profitable growth in this company in 2005.

On 22 December 2004 the Group acquired TVF (UK) Plc a company with an excellent reputation in fire alarm maintenance, fire alarm installation and fire extinguisher service. They provide integrated fire and security solutions with specialisms in radio fire alarms, CCTV, WaterMist systems and consultancy including fire training.

TVF's headquarters are in High Wycombe. The company employs 75 people and reported revenues of £6.0 million in the 31 March 2004 audited accounts.

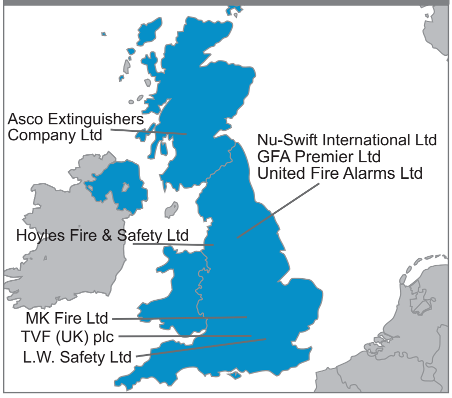
TVF has an enviable client list, including various properties of the Royal Household, which has resulted in the company being awarded a Royal Warrant.

In the first half of the year, the UK Group incurred increased costs due to a new sales and marketing initiative. The UK Group's cost structure has subsequently been streamlined resulting in cost savings.

In September 2004 the UK Group created a new company, United Fire Alarms Limited, a company which, prior to the above acquisitions, incorporated the fire alarm activity of all our companies in the United Kingdom. This gave our alarm business critical mass and the ability to provide an improved service.

The customer care policies previously reported have continued to improve customer retention. Staff are continuously trained which is resulting in the highest ever customer satisfaction levels.

UNITED KINGDOM



Group brands

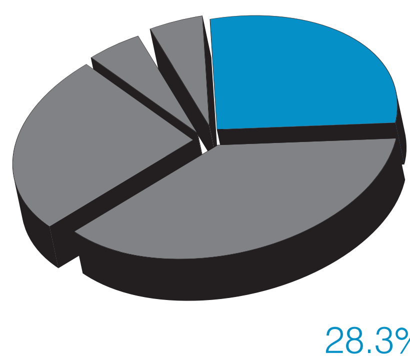
United Kingdom turnover

£14,808,000

Market position

2nd

Group turnover



Summary of results

	2004 £'000	2003 £'000
Turnover	52,332	53,760
Operating profit	9,471	10,927
EBITDA*	14,160	15,510
Profit on ordinary activities before taxation	9,167	10,379
Dividend per share	45.0p	13.0p

*Earnings Before Interest, Taxation, Depreciation and Amortisation

PROFIT AND LOSS ACCOUNT

Turnover has decreased by 3% to £52.3 million. No contributions from MK Fire Limited or TVF (UK) Plc are reflected in these Financial Statements due to the proximity of the acquisitions to the year end.

Interest payable again reduced as the Group benefited from the lower debt levels in existence for the majority of the year.

BALANCE SHEET/CASH FLOW

The balance sheet had been strengthened by the repayment of £4.4 million of debt. However, new debt of £7.1 million was taken out for the new acquisitions. Adjusting for the acquisitions, stocks and trade debtors have slightly decreased in line with trading levels. Trade debtors represent 59 days' sales (2003: 63 days).

London Security is a service business with a track record of being able to convert profits into positive cash flows. After adjusting for acquisitions, cash flow from operating activities at £14.9 million is higher than EBITDA of £14.2 million due to improved cash control procedures. Net debt levels have increased from a net cash position of £1.2 million to a net debt balance of £7.7 million. This adverse movement is primarily due to the Special Dividend and new borrowings and use of Group cash to fund the acquisitions.

TAXATION

Excluding goodwill charges, which in the main are not tax deductible, the Group's overall effective tax rate is 31.6%. The Group has negligible taxation losses carried forward and should expect to pay similar levels of taxation going forward.

TREASURY MANAGEMENT AND POLICY

The Board considers foreign currency translations exposure and interest rates to be the only potential treasury risks. Treasury policies and guidelines are authorised and reviewed by the Board. The Group's policy is to hedge its international assets with respect to foreign currency balance sheet translation exposure. The Group does not hedge against foreign currency transaction exposure.

The majority of the Group's borrowings are subject to floating rate debt aligned to LIBOR. The Group has interest rate caps to provide interest rate cover for 33% of the Group's debt. The Directors consider that, in the current economic climate, the level of risk does not warrant the relatively high level of costs that would be incurred taking out further financial derivatives to cover interest rate risk although this will be reviewed again in 2005 when the new borrowings are taken to facilitate the Tender Offer.

There has been no change during the year, or since the year end, to the financial risks faced by the Group or to the Group's approach to the management of those risks.

J-C. Pillois
Finance Director
5 May 2005

DIRECTORS

Jacques Gaston Murray (85)
Chairman

Mr. Murray's involvement in the fire industry began in 1961 with his investment in a business which became General-Incendie S.A., one of France's largest fire extinguisher companies. He invested in Nu-Swift and became Chairman in 1982 and the majority shareholder in 1984 when Nu-Swift acquired Associated Fire Protection Limited which owned General-Incendie S.A. Mr. Murray has a business interest in Andrews Sykes Group plc ("Andrews Sykes"), a separately quoted UK company, owning approximately 84% of the issued share capital. He is Chairman of British Security Group Limited, a quoted company in Bermuda.

Jean-Jacques Murray (38)
Executive Director

Jean-Jacques Murray is the son of Jacques Gaston Murray. His responsibility is the control and strategic direction of the Group. He is a Non-Executive Director of Andrews Sykes and President of George V Restauration S.A.

Jean-Christophe Pillois (48)
Finance Director

Jean-Christophe Pillois trained as the equivalent of a chartered accountant with Price Waterhouse in France and joined the Nu-Swift Group in December 1983. His role incorporates responsibility for the finance activities of the Group. He is a Non-Executive Director of Andrews Sykes.

Emmanuel Sebag (36)
Operations Director

Emmanuel Sebag acts as Jacques Gaston Murray's assistant and is responsible for the Fire Group's operations and for identifying and negotiating acquisitions for the Group. He is a Non-Executive Director of Andrews Sykes.

Henry Shouler (67)
Senior Independent Non-Executive Director

Henry Shouler is a Director of PKL Holdings plc, an AIM quoted company. He also has a number of directorships in private companies.

Michael Gailer (69)
Independent Non-Executive Director

Michael Gailer is a Non-Executive Director of Andrews Sykes and a number of private companies.

COMPANY ADVISERS

Secretary and registered office
Richard Pollard
Wistons Lane
Elland
West Yorkshire HX5 9DS

Registered number
53417

Independent auditors
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers
Lloyds TSB Bank Plc
Dexia Bank N.V.

Solicitors
Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Salans
Clements House
14/18 Gresham Street
London EC2V 7NN

Stockbrokers and Nominated advisers
Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds LS1 4LX

The Directors present their report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit after taxation for the year ended 31 December 2004 amounted to £5,390,000 (2003: £5,792,000). An interim dividend of 3.0p per share (2003: 3.0p) and a special dividend of 42.0p per share (2003: Nil) were paid in the year. In light of the proposed tender offer to purchase shares in the Company, the Directors do not propose the payment of a final dividend (2003: 10.0p). The Board shall review the dividend policy at the next available opportunity.

RESEARCH AND DEVELOPMENT

The Company continues to maintain its involvement in research and development activities, thus ensuring that the products and production facilities take advantage of the latest technological advances in the field.

BUSINESS REVIEW AND FUTURE PROSPECTS

A review of the Group's business and future prospects is included in the Chairman's Statement and the Operational and Financial Reviews on pages 2 to 9.

DIRECTORS

The Directors who served during the whole of the year ended 31 December 2004 were:

Executive Directors

J.G. Murray, J-J. Murray, J-C. Pillois, E. Sebag.

Non-Executive Directors

M. Gailer, H. Shouler.

J-C. Pillois and H. Shouler retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors have a service contract.

Brief biographical details of the Directors are set out on page 10.

DIRECTORS' INTERESTS

Other than the beneficial interests disclosed below, no Director in office at 31 December 2004 had any disclosable interest in the share capital of the Company or any subsidiary undertaking.

	Ordinary shares of 10p each		
	At 4 May 2005	At 31 December 2004	At 1 January 2004
J.G. Murray	14,222,214	14,222,214	14,222,214

J.G. Murray's interests represent those of British Security Group Limited and its subsidiary EOI Fire SARL and affiliated companies of which he is the sole beneficial shareholder.

There has been no change in the interest set out above between 31 December 2004 and 22 April 2005.

SUBSTANTIAL SHAREHOLDINGS

At 4 May 2005, the Company had been notified of the following interests of 3% or more in the share capital of the Company:

	Number of shares	Percentage of share capital
EOI Fire SARL	11,602,320	80.2%
British Security Group Limited	1,397,680	9.7%
Easton Holding S.A.	505,600	3.5%

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

ANDREWS SYKES GROUP PLC

The Companies Act 1985 requires disclosure of Directors' interests in any corporate body in the same group. As J.G. Murray controls in excess of 50% of Andrews Sykes Group plc, the following disclosure is required.

The Directors had the following beneficial interests in the share capital of Andrews Sykes Group plc:

	Ordinary shares of 10p each		
	At 14 April 2005	At 31 December 2004	At 1 January 2004
J.G. Murray	49,608,192	49,608,192	49,608,192
J-J. Murray	537,585	537,585	757,585
J-C. Pillois	538,580	538,580	538,580
E. Sebag	17,560	17,560	17,560
M. Gailer	15,000	15,000	20,000

On 18 November 2004 the Board of Andrews Sykes Group plc made a cash cancellation offer to all the Company's share option holders. This offer was subsequently accepted by all the share option holders. Detailed information in respect of this offer is disclosed in the accounts of Andrews Sykes Group plc for the year ended 31 December 2004.

HEALTH, SAFETY AND THE ENVIRONMENT

The maintenance and improvement of working standards to safeguard the health and well being of staff and customers alike is a continuing priority. Health and Safety Officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. It is Group policy to operate in a reasonable manner with regard to the environment. The Group is currently working towards the objective of obtaining ISO 14001 accreditation throughout the Group, having already achieved this accreditation in many locations.

EMPLOYMENT OF DISABLED PERSONS

The Group makes every reasonable effort to give disabled applicants, and existing employees becoming disabled, equal opportunities for work, training and career development in keeping with their individual aptitudes and abilities.

EMPLOYEE INVOLVEMENT

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

PAYMENT TO SUPPLIERS

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

At 31 December 2004 Group average creditor days was 49 days (2003: 45 days). The Company had no trade creditors at either year end.

DONATIONS

The Company and Group made no political donations during the year (2003: £Nil) and charitable donations of £3,000 (2003: £3,000). These donations are made to charities local to the Company's offices.

PURCHASE OF OWN SHARES

During the year the Company purchased 9,000 of its own Ordinary Shares of 10p each, which represented 0.06% of the issued share capital, for consideration of £120,694. As at 1 January 2005 there remained outstanding general authority for the Directors to purchase a further 192,500 10p Ordinary Shares. Resolution 6 is to be proposed at the Annual General Meeting to extend this authority until the 2006 AGM at the level of 200,000 shares. This authority will be superseded in the event that the resolution to be proposed at the Extraordinary General Meeting of the Company on the same date as the Annual General Meeting is passed and takes effect.

The special business to be proposed at the 2005 Annual General Meeting also 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 £72,291, being 5% 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

On 7 October 2004 the London Stock Exchange announced the deferral of the mandatory adoption of IFRS for companies quoted on AIM until the financial year commencing 1 January 2007.

The Group, in conjunction with its external auditors, PricewaterhouseCoopers LLP, is continuing the process to identify the issues connected to the adoption of IFRS with effect from 1 January 2007. The principal issues for which the Group's accounting policies may need to be adjusted relate to pensions and deferred tax.

INDEPENDENT AUDITORS

A resolution is to be proposed at the Annual General Meeting in accordance with section 384 of the Companies Act 1985 for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company.

ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting is set out on pages 43 and 44 and all Shareholders are invited to attend in person if they wish or by proxy if they are unable to attend.

By order of the Board

R. Pollard
Company Secretary
Wistons Lane
Elland
West Yorkshire
HX5 9DS
5 May 2005

As a Company whose securities are traded on the Alternative Investment Market ("AIM"), the Company is not required to adhere to the provisions of the new 2003 FRC Combined Code on Corporate Governance and all of the disclosures made in this Report are voluntary.

The purpose of this voluntary statement is to describe the Company's approach to corporate governance and, in particular, to explain, review and report upon the effectiveness of how the Company has applied the principles set out in section 1 of the Combined Code issued in July 2003 which are commensurate with its size.

COMPOSITION

The Board is composed of a mixture of Executive and Non-Executive members in order to provide the division of responsibilities and balance which are considered appropriate to the Company's individual circumstances.

The Company is 90% owned by British Security Group Limited ("BSG"), which is itself controlled by the Chairman of the Company, J.G. Murray. In the absence of a substantial third party shareholder, it is considered unnecessary and, to a large degree unrealistic, to separate the roles of Chairman and Chief Executive. All the Executive Directors are connected with BSG (Messrs J.G. Murray, J-J. Murray, J-C. Pillois and E. Sebag) and are therefore not considered to be independent as required by the Combined Code.

To limit the effect of the majority shareholder, the Company and BSG's subsidiary company, EOI Fire SARL ("EOI") entered into a relationship agreement dated 10 December 1999 in which EOI has provided certain assurances to the Company with regard to its relationship with the Company. The agreement confirms that the business and affairs of the Company shall be managed by the Board in accordance with the Company's Memorandum and Articles of Association and with applicable laws and all relevant statutory provisions for the benefit of the Shareholders as a whole. Any transactions or other relationships between any member of the EOI Group and the Company would be at arm's length and on a normal commercial basis. The above Directors declare their interest and take no part in decisions where appropriate.

H. Shouler and M. Gailer are considered to be independent Non-Executive Directors.

H. Shouler is the recognised senior independent Non-Executive Director.

Due to the small size of the Board and close involvement of the majority shareholder, the Directors have no current intentions to appoint a third Non-Executive Director.

OPERATION

Due to the relatively small size of the Company and the nature of its businesses, the Executive Directors are more directly involved in the day to day activities than would be the case in a larger more diversified organisation.

The full Board meets regularly to review current trading and to make key operational and strategic decisions and has extensive access to detailed information in addition to the monthly management accounts and other reports that are circulated on a monthly basis. A schedule is maintained of matters specifically reserved for decision by the full Board, which includes matters of business strategy, business acquisitions, business disposals, approval of budgets and approval of financial statements. Interim meetings or appropriate sub-committees are established when decisions at full Board level are required between scheduled meetings.

All Directors have access to the Company Secretary who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. Each Director has the right to take independent professional advice in connection with his duties at the Company's expense.

BOARD COMMITTEES

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

The remuneration committee comprises H. Shouler, M. Gailer and J-J. Murray. The committee is chaired by H. Shouler. The remuneration committee reviews the performance of Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the Shareholders. No Director is permitted to participate in decisions concerning his own remuneration.

Details of Directors' remuneration are set out in the Remuneration Report on page 18.

BOARD COMMITTEES CONT...

The audit committee currently comprises H. Shouler, M. Gailer, J-J. Murray and J-C. Pillois. H. Shouler and M. Gailer are independent of management and BSG. The committee is chaired by H. 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 twice a year.

The audit committee considers the need to introduce an internal audit function each year. After taking into consideration the current size and complexity of the Group, the committee believes that it would not be cost effective to have an internal audit function and the committee feels that sufficient comfort is obtained through the scope and quality of management's ongoing monitoring of risks.

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

APPOINTMENT AND REMOVAL OF BOARD MEMBERS

The appointment of Directors involves selection by the full Board and Directors so appointed must be re-elected at the following Annual General Meeting. All Directors are subject to retirement by rotation and at least one third of Directors must offer themselves for re-election at each Annual General Meeting. The rotation is structured so that all Directors submit themselves for re-election at least every three years.

The removal of Board members, and the Company Secretary, is a matter for the Board as a whole.

RELATIONS WITH SHAREHOLDERS

The relationship between the Company and its majority shareholder is discussed on page 15.

The Company monitors its share register to ensure that dialogue is entered into with other Shareholders as appropriate. All proxy votes are counted and the results are announced in respect of each resolution at the Annual General Meeting.

The Company's last Annual General Meeting was conducted in accordance with the Combined Code.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company recognises that it is more likely than not that it will be required to prepare its financial statements under IFRS for the financial year ending 31 December 2007. The Board intends to keep this matter under review and monitor its impact in the period to the transition date.

INTERNAL FINANCIAL CONTROL

The Combined Code introduced a requirement that the Directors review the effectiveness of the Group's system of internal controls. This extended the existing requirement in respect of internal financial controls to cover all controls.

The Directors have considered the Combined Code requirement to review and report upon the effectiveness of the Group's system of internal controls and have concluded that the benefits gained in meeting this requirement are outweighed by the costs involved. The Directors have therefore continued to report upon internal financial controls only in accordance with the ICAEW's guidance "Internal Control and Financial Reporting" (the Rutteman guidance), and to report non-compliance with "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance).

Key elements of the Group's system of internal financial controls are as follows:

- Control environment – the Directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. This is reinforced by the direct supervision of the Executive Directors supported by appropriate policy statements.
- Risk management – the Executive Directors are responsible for identifying risks facing the business and for putting in place procedures to mitigate and monitor risks. Risks are assessed and monitored at Board level on an ongoing basis, as well as during the annual business planning process.
- Information systems – the Group has a comprehensive system of financial reporting. The annual budget is approved by the Board. Actual results and variances compared with the budget are reported to the Board monthly, supported by detailed management commentaries. Revised forecasts for the period are prepared and reported to the Board each quarter.

INTERNAL FINANCIAL CONTROL CONT...

- Control procedures – policies and procedures manuals are maintained at all significant business locations. In particular, there are clearly defined policies for capital expenditure including appropriate authorisation levels. Larger capital projects and major investments and divestment decisions require Board approval.
- Monitoring systems – internal controls are monitored by management review.

The Directors confirm that they have reviewed the effectiveness of the system of internal financial controls.

With the exception of certain matters set out in this Report in relation to the appointment of a separate Chairman and Chief Executive, the independence of Directors, the requirement to have written Directors' service contracts, the absence of a nomination committee enabling a formal procedure for the appointment of new Directors, having only two Non-Executive Directors, the appointment of an Executive Director to the remuneration committee and two Executive Directors to the audit committee, the Company has complied throughout the year with the provisions of Section 1 of the Combined Code issued in July 2003.

GOING CONCERN

After making enquiries, the Directors consider that the Company and Group have 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently, that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements will be published on the Company's website, in addition to the paper version posted to Shareholders. The maintenance and integrity of the London Security plc website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

R. Pollard
Company Secretary
5 May 2005

The Company has followed the provisions in Schedule B of the Combined Code with respect to Directors' remuneration except that due to the small size of the Board, the remuneration committee does not consist exclusively of independent Non-Executive Directors. As the Company is AIM quoted it is not required to make disclosures specified by the Directors' Remuneration Report Regulations 2002.

REMUNERATION COMMITTEE

The remuneration committee comprises H. Shouler, M. Gailer and J-J. Murray, the majority being Non-Executive Directors of the Company who are independent of management. The committee is chaired by H. 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

Directors' emoluments totalled £242,000 (2003: £233,000). This includes an amount paid to the highest paid Director of £110,000 (2003: £111,000).

The emoluments in respect of J-C. Pillois were paid to S.B. Corporate Services Limited, a company connected with J-C. Pillois.

The costs relating to the Head Office and other expenses of the Executive Directors are limited under a Services Agreement dated 10 December 1999. The total costs amounted to £1,400,000 (2003: £1,400,000) for the year ended 31 December 2004 as per the Services Agreement.

None of the Directors participate in Group pension arrangements.

On behalf of the Board

H. Shouler
Chairman of the Remuneration Committee
5 May 2005

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Group and Company Equity Shareholders' Funds and the related Notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities on page 17.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 regarding Directors' remuneration and transactions is not disclosed.

We read the other 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. The other information comprises only the Chairman's Statement, the Operational Review, the Financial Review, the Report of the Directors, the Corporate Governance Statement, the Directors' Remuneration Report and the other items listed in the Contents section.

BASIS OF AUDIT 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 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 of the Group at 31 December 2004 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 LLP
Chartered Accountants and Registered Auditors
Leeds
5 May 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Turnover	2	52,332	53,760
Cost of sales		(7,901)	(8,201)
Gross profit		44,431	45,559
Distribution costs		(20,740)	(20,546)
Administrative expenses		(14,220)	(14,086)
Operating profit		9,471	10,927
EBITDA*		14,160	15,510
Depreciation	11	(1,903)	(1,838)
Amortisation of goodwill	10	(2,786)	(2,745)
Operating profit		9,471	10,927
Income from fixed asset investments		114	117
Net interest payable and similar charges	4	(418)	(665)
Profit on ordinary activities before taxation	5	9,167	10,379
Taxation	6	(3,777)	(4,587)
Profit on ordinary activities after taxation		5,390	5,792
Dividends	7	(6,508)	(1,882)
(Sustained loss)/retained profit	20	(1,118)	3,910
Basic and diluted earnings per ordinary share	9	37.3p	40.0p
Adjusted earnings per ordinary share	9	56.5p	59.0p
Dividend per ordinary share	7	45.0p	13.0p

*Earnings Before Interest, Taxation, Depreciation and Amortisation

All of the above results arose from continuing operations. Turnover, operating profit and cash flow attributable to acquisitions have not been separately disclosed on the face of the profit and loss account and the cash flow statement on the grounds of materiality, and further details are provided in note 23.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	10	49,684	45,082
Tangible assets	11	8,408	7,791
Investments	12	70	70
		58,162	52,943
Current assets			
Stocks	13	4,052	3,643
Debtors	14	14,929	11,666
Cash at bank and in hand		7,723	13,486
		26,704	28,795
Creditors: amounts falling due within one year			
Finance debt	15	(5,489)	(4,161)
Other creditors	16	(16,854)	(15,232)
		(22,343)	(19,393)
Net current assets		4,361	9,402
Total assets less current liabilities		62,523	62,345
Creditors: amounts falling due after more than one year			
Finance debt	15	(9,912)	(8,100)
Provisions for liabilities and charges	17	(1,662)	(1,841)
Net assets		50,949	52,404
Capital and reserves			
Called up share capital	19	1,447	1,447
Share premium	20	27,476	27,476
Capital redemption reserve	20	117	117
Merger reserve	20	2,033	2,033
Profit and loss account	20	19,876	21,331
Equity shareholders' funds		50,949	52,404

The financial statements on pages 20 to 42 were approved by the Board of Directors on 5 May 2005 and were signed on its behalf by:

J.G. Murray
Chairman

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	11	866	917
Investments	12	48,794	51,680
		49,660	52,597
Current assets			
Debtors	14	1,538	843
Cash at bank and in hand		420	826
		1,958	1,669
Creditors: amounts falling due within one year	16	(15,926)	(21,053)
Net current liabilities		(13,968)	(19,384)
Net assets		35,692	33,213
Capital and reserves			
Called up share capital	19	1,447	1,447
Share premium account	20	27,476	27,476
Capital redemption reserve	20	117	117
Profit and loss account	20	6,652	4,173
Equity shareholders' funds		35,692	33,213

The financial statements on pages 20 to 42 were approved by the Board of Directors on 5 May 2005 and were signed on its behalf by:

J.G. Murray
Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	21	14,884	14,295
Return on investments and servicing of finance			
Interest received		218	231
Interest paid		(505)	(694)
Dividends received		114	117
Net cash outflow from return on investments and servicing of finance		(173)	(346)
Taxation			
Corporation tax paid		(4,710)	(3,696)
Capital expenditure			
Payments to acquire intangible fixed assets	10	(54)	(79)
Payments to acquire tangible fixed assets	11	(2,208)	(2,239)
Receipts from sales of tangible fixed assets		644	237
Net cash outflow for capital expenditure		(1,618)	(2,081)
Acquisitions and disposals			
Payments to acquire subsidiary undertakings	23	(9,185)	(359)
Payment of deferred consideration on prior year acquisitions		—	(679)
Net cash/(overdraft) acquired with subsidiary undertakings		412	(112)
Net cash outflow for acquisitions		(8,773)	(1,150)
Equity dividends paid to shareholders		(7,955)	(1,159)
Net cash (outflow)/inflow before use of financing		(8,345)	5,863
Financing			
Purchase of own shares		(120)	(171)
New long-term loans		7,146	600
Repayment of long-term loans		(4,444)	(3,109)
Net cash inflow/(outflow) from financing		2,582	(2,680)
(Decrease)/increase in cash in the year	22	(5,763)	3,183

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Profit for the financial year		5,390	5,792
Currency translation differences on foreign currency net investments	20	(217)	684
Total recognised gains and losses for the year		5,173	6,476

RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Profit for the financial year		5,390	5,792
Dividends	7	(6,508)	(1,882)
		(1,118)	3,910
Purchase of own shares		(120)	(171)
Currency translation differences on foreign currency net investments	20	(217)	684
Net (reduction in)/addition to Group equity shareholders' funds		(1,455)	4,423
Opening Group equity shareholders' funds		52,404	47,981
Closing Group equity shareholders' funds		50,949	52,404

RECONCILIATION OF MOVEMENTS IN COMPANY EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
Profit for the financial year		9,107	3,069
Dividends	7	(6,508)	(1,882)
		2,599	1,187
Purchase of own shares		(120)	(171)
Net addition to Company equity shareholders' funds		2,479	1,016
Opening Company equity shareholders' funds		33,213	32,197
Closing Company equity shareholders' funds		35,692	33,213

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom and under the historical cost convention. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of Consolidation

The Group financial statements incorporate the financial statements of the Parent Company and its subsidiaries made up to 31 December 2004.

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. All acquisitions are accounted for using acquisition accounting.

Goodwill

Goodwill arises where the purchase cost of a subsidiary exceeds the fair values attributable to the underlying separable 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.

Goodwill is reviewed for impairment at the end of the first full year after acquisition and in other years if events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment assessed is charged to the profit and loss account.

Currency Translation

The balance sheets of overseas subsidiaries and items denominated in foreign currency in the balance sheets of United Kingdom companies are translated into Sterling at the rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated into Sterling at the average rates of exchange ruling during the year.

Gains or losses on foreign exchange are dealt with in arriving at operating profit except those relating to the translation of assets, liabilities and reserves of overseas subsidiaries which are shown as a movement on Group reserves.

Tangible Fixed Assets

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

Depreciation is provided for on all tangible fixed assets, 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 annual rates are as follows:

Freehold buildings	2–6%
Plant, machinery and motor vehicles	10–33%
Fixtures, fittings and equipment	10%
Share in aircraft	5%

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

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.

Investments

Investments in subsidiary undertakings and unlisted investments are included at cost unless, in the opinion of the Directors, a permanent diminution in value has occurred, in which case the deficiency is provided for and charged in the Company's profit and loss account.

Turnover

Group turnover represents amounts invoiced to customers net of returns and value added tax.

1 PRINCIPAL ACCOUNTING POLICIES CONT...

Revenue Recognition

The Group derives its revenue from a number of sources – the outright sale of fire fighting equipment, the servicing and maintaining of this equipment and the provision of fire fighting equipment under rental contracts. The revenue recognition policies for each of these sources is as follows:

- revenue from the outright sale of equipment is recognised upon delivery to a customer;
- revenue from the installation and servicing of equipment is recognised when the installation or service has been performed;
- revenue from the provision of maintenance services is recognised over the term of the maintenance contract on a pro-rata basis with the unexpired portion held in deferred income; and
- revenue from the equipment leased to customers under an operating lease is recognised over the term of the lease on a pro-rata basis.

Deferred Tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Finance Arrangement Costs

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

Research and Development Expenditure

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

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 Group expects to benefit from the employees' services. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted in these financial statements. Contributions under defined contribution pension schemes are charged to the profit and loss account as incurred.

Leases

Rentals payable under operating leases are charged against profit on a straight line basis over the lease term.

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a sum of digits basis.

2 TURNOVER

Turnover may be analysed geographically by origin as follows:

	2004 £'000	2003 £'000
United Kingdom	14,808	14,904
Belgium	19,357	19,102
Holland	13,245	14,381
Austria	2,560	2,881
Switzerland	2,362	2,492
	52,332	53,760

The Directors consider that the Group's activities constitute both one class of business and, given the relative characteristics of each country in which the Group operates, one geographical market.

3 EMPLOYEES AND DIRECTORS

	2004 £'000	2003 £'000
Staff costs, including Directors' emoluments		
Wages and salaries	18,425	19,238
Social security costs	3,426	3,128
Other pensions costs (note 24)	345	372
	22,196	22,738

The average monthly number of persons, including Executive Directors, employed by the Group during the year was:

	2004 £'000	2003 £'000
By geographical area		
United Kingdom	199	253
Rest of Europe	453	449
	652	702

Directors' Emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	242	233

The amount paid to the highest paid Director was £110,000 (2003: £111,000). None of the Directors participate in the Group's pension arrangements.

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
Interest payable:		
Bank loans, overdrafts and other loans repayable within five years	505	694
Amortisation of finance arrangement costs	60	59
Cost of interest rate capping	9	4
Exchange loss on foreign currency balances	81	—
Exchange (gain)/loss on foreign currency loans	(19)	139
	636	896
Bank interest receivable	(218)	(231)
	418	665

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	2004 £'000	2003 £'000
Staff costs including Directors' emoluments	22,222	22,738
Depreciation on tangible fixed assets	1,903	1,838
Amortisation on intangible fixed assets	2,786	2,745
Research and development costs	40	36
(Profit)/loss on disposal of fixed assets	(230)	36
Hire charges under operating leases:		
Plant and machinery	30	35
Other	178	118

Services Provided by the Group's External Auditors and Network Firms

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

	2004 £'000	2003 £'000
Audit services:		
– Statutory audit (Company £19,250; 2003: £12,750)	142	144
Further assurance services	—	—
Tax services		
– Compliance services	46	80
– Advisory services	3	55
Other services	18	—
	209	279

Non-audit fees for Company and UK subsidiaries only comprised fees for tax compliance services of £31,000 (2003: £64,000) and fees for tax advisory services of £3,000 (2003: £55,000).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
United Kingdom		
– Corporation tax at 30% (2003: 30%)	523	619
– Adjustment in respect of prior periods	(37)	25
	486	644
Foreign tax		
– Corporation taxes	3,422	3,923
Total current tax	3,908	4,567
Deferred tax		
Original and reversal of timing differences		
Representing:		
– United Kingdom	15	14
– Foreign tax	(146)	6
Total deferred tax	(131)	20
Total tax charge	3,777	4,587

6 TAX ON PROFIT ON ORDINARY ACTIVITIES CONT...

The tax for the period is higher (2003: higher) than the standard rate of corporation tax in the United Kingdom (30%) (2003: 30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	9,167	10,379
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003: 30%)	2,750	3,114
Effects of:		
– Expenses not deductible for tax purposes	747	834
– Adjustment to tax in respect of prior periods	(37)	25
– Adjustment in respect of foreign tax rates	466	577
– Depreciation in excess of capital allowances	(18)	30
– Short-term timing differences	—	(13)
Current year tax charge	3,908	4,567

The Group expects to pay similar levels of taxation going forward.

7 DIVIDENDS

	2004 £'000	2003 £'000
Equity – ordinary		
Special dividend paid 42.0p (2003: Nil) per 10p share	6,074	—
Interim paid 3.0p (2003: 3.0p) per 10p share	434	434
Final proposed Nil (2003: 10.0p) per 10p share	—	1,448
	6,508	1,882

8 PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR

London Security plc has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The profit after taxation of the Parent Company included within the consolidated profit is £9,107,000 (2003: profit of £3,069,000).

9 EARNINGS PER SHARE

The calculation of basic earnings per Ordinary Share ("EPS") is based on the profit on ordinary activities after taxation of £5,390,000 (2003: £5,792,000) and on 14,469,566 (2003: 14,481,066) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

For diluted earnings per Ordinary Share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. The revised weighted average number of shares is 14,482,899 (2003: 14,488,332). After taking into account the effect of dilutive securities, the basic EPS and adjusted EPS figures are unaltered.

9 EARNINGS PER SHARE CONT...

The calculation of adjusted earnings per Ordinary Share is based on 14,469,566 (2003: 14,481,066) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the year and on adjusted earnings which are calculated as follows:

	2004		2003	
	£'000	pence	£'000	pence
Profit on ordinary activities after taxation	5,390	37.3	5,792	40.0
Eliminate effect of:				
Amortisation of goodwill	2,786	19.2	2,745	19.0
Adjusted profit on ordinary activities after taxation	8,176	56.5	8,537	59.0

Adjusted earnings per share figures are given in order that Shareholders may understand the importance of goodwill amortisation on the results for the year.

10 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost	
At 1 January 2004	55,806
Additions (see note 23)	7,407
Exchange differences	(19)
At 31 December 2004	63,194
Amortisation	
At 1 January 2004	10,724
Charge for the year	2,786
At 31 December 2004	13,510
Net book amount	
At 31 December 2004	49,684
Net book amount	
At 31 December 2003	45,082

During the year, the entire issued share capital of MK Fire Limited and TVF (UK) Plc was acquired by the Group for a consideration of £9.2 million. The provisional fair values of the net assets of the businesses at the date of acquisition were £1.8 million, which gave rise to goodwill on consolidation of £7.35 million (see note 23). Additional contracts to provide fire extinguisher maintenance totalling £54,000 were also acquired in the period.

The goodwill arising on the acquisitions during the year is being amortised on a straight line basis over 20 years. This is the period over which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets and liabilities.

11 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and machinery £'000	Motor vehicles and share in aircraft £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost					
At 1 January 2004	5,859	12,961	6,076	3,014	27,910
Additions	69	383	1,416	340	2,208
On acquisition of subsidiaries	57	88	517	30	692
Disposals	(73)	(316)	(1,317)	(129)	(1,835)
Exchange adjustment	10	(59)	67	31	49
At 31 December 2004	5,922	13,057	6,759	3,286	29,024
Depreciation					
At 1 January 2004	3,343	11,993	2,381	2,402	20,119
Disposals	(18)	(291)	(986)	(126)	(1,421)
Charge for the year	89	393	1,119	302	1,903
Exchange adjustment	3	(21)	34	(1)	15
At 31 December 2004	3,417	12,074	2,548	2,577	20,616
Net book amount					
At 31 December 2004	2,505	983	4,211	709	8,408
At 31 December 2003	2,516	968	3,695	612	7,791

Freehold land and buildings as at 31 December 2004 have been included on an historical cost basis.

Motor vehicles includes vehicles under hire purchase contracts with a cost of £583,000 (2003: £Nil) and a net book value of £425,000 (2003: £Nil).

Plant and machinery includes fire extinguishers leased to customers under operating lease contracts with a cost of £7,097,000 (2003: £7,190,000) and a net book value of £371,000 (2003: £423,000).

Company	Share in aircraft £'000	Total £'000
Cost		
At 1 January and 31 December 2004	1,019	1,019
Depreciation		
At 1 January 2004	102	102
Charge for the year	51	51
At 31 December 2004	153	153
Net book amount		
At 31 December 2004	866	866
Net book amount		
At 31 December 2003	917	917

12 INVESTMENTS

Group	Shares in unlisted companies £'000
Cost	
At 1 January 2004 and at 31 December 2004	70

None of the investments exceeded 15% of the issued equity share capital of the companies concerned.

Company	Shares in subsidiary undertakings £'000	Long-term loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2004	4,816	46,864	51,680
Additions	9,185	—	9,185
Disposal on liquidation	(4,811)	—	(4,811)
Movement on long-term loans	—	(7,260)	(7,260)
At 31 December 2004	9,190	39,604	48,794
At 31 December 2003	4,816	46,864	51,680

A schedule of Group undertakings, all of which are wholly owned subsidiary undertakings, is included in note 26.

During the year, the Company liquidated its subsidiary undertaking London Securities Limited (formerly Suitsort Limited) which resulted in a profit of £2,187,000. The liquidation had no impact on the consolidation results for the year.

13 STOCKS

	Group 2004 £'000	Group 2003 £'000
Raw materials and consumables	1,755	1,732
Work in progress	157	190
Finished goods	2,140	1,721
	4,052	3,643

14 DEBTORS

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Amounts falling due within one year:				
Trade debtors	11,634	9,250	—	—
Amounts owed by subsidiary undertakings	—	—	786	363
Amounts owed by related undertakings	234	190	—	—
Other debtors	683	1,004	356	268
Prepayments and accrued income	1,228	708	9	7
Taxation recoverable	1,150	514	387	205
	14,929	11,666	1,538	843

15 FINANCE DEBT

	Group 2004 £'000	Group 2003 £'000
Bank loans and overdrafts (secured on the assets of certain Group undertakings)	15,298	12,596
Unamortised finance arrangement costs	(225)	(335)
	15,073	12,261
Hire purchase creditors	328	—
	15,401	12,261
Repayable by instalments as follows:		
Between two and five years		
Bank loans and overdrafts	4,420	4,184
Hire purchase creditors	67	—
	4,487	4,184
Between one and two years:		
Bank loans and overdrafts	5,309	3,916
Hire purchase creditors	116	—
	5,425	3,916
Total due after more than one year	9,912	8,100
Within one year on demand:		
Bank loans and overdrafts	5,344	4,161
Hire purchase creditors	145	—
	5,489	4,161
	15,401	12,261

Interest rates (including bank's margin) on the loans in existence during the year averaged 5.0% (2003: 4.4%) per annum. Bank loans and overdrafts are stated net of unamortised finance arrangement costs of £225,000 (2003: £335,000) of which £113,000 (2003: £224,000) is to be amortised after more than one year.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Trade creditors	2,501	1,180	—	—
Amounts owed to subsidiary undertakings	—	—	14,833	19,348
Amounts owed to related undertakings	348	366	—	—
Other creditors	2,650	2,546	77	258
Corporation tax	2,860	3,088	—	—
Other taxation and social security	3,778	3,464	—	—
Deferred purchase consideration (see note 23)	750	—	750	—
Accruals	1,795	1,006	266	—
Deferred income	2,172	2,135	—	—
Proposed dividend	—	1,447	—	1,447
	16,854	15,232	15,926	21,053

17 PROVISIONS FOR LIABILITIES AND CHARGES

Group	At 1 January 2004 £'000	On acquisition of subsidiary £'000	Utilised £'000	Currency movement £'000	Profit and loss account £'000	At 31 December 2004 £'000
Pensions (note 24)	1,355	—	(134)	1	64	1,286
Deferred taxation (below)	486	21	(144)	(6)	19	376
	1,841	21	(278)	(5)	83	1,662

	Amount provided		Amount unprovided	
Group	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Deferred taxation				
The provided and unprovided deferred taxation liability/(asset) comprises:				
– Short-term timing differences – Europe	309	471	—	—
– Accelerated capital allowances	57	15	(229)	(235)
– Short-term timing differences – United Kingdom	10	—	(240)	(170)
– Capital gains on revaluation	—	—	105	105
Deferred taxation	376	486	(364)	(300)

No provision has been made for deferred tax on gains recognised on revaluing property or on the sale of property where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. No deferred tax assets have been recognised as it is not considered to be more likely than not that they will be recovered. At present, it is not envisaged that any tax for the above such matters will become payable or recoverable in the foreseeable future.

18 FINANCIAL INSTRUMENTS

Details of the Board's policy on treasury management and interest rate risk are included in the Financial Review on page 9.

The Group does not trade in financial instruments.

Short-term debtors and creditors have been excluded from all of the following disclosures as permitted under FRS 13 'Derivatives and other financial instrument disclosures'.

The investments in unlisted shares have been excluded from the interest rate risk profile of financial assets since the investment is in equity shares with no fixed return or maturity period.

Interest Rate Risk Profile of Financial Liabilities

	Fixed rate financial liabilities 2004 £'000	Floating rate financial liabilities 2004 £'000	Total 2004 £'000	Weighted average interest rate 2004 percentage	Floating rate financial liabilities 2003 £'000	Weighted average interest rate 2003 percentage
Currency						
Sterling	328	10,451	10,779	5.6%	5,330	5.3%
Euro	—	4,847	4,847	2.9%	7,266	3.8%
	328	15,298	15,626	4.8%	12,596	4.4%

18 FINANCIAL INSTRUMENTS CONT...

Interest Rate Risk Profile of Financial Liabilities cont...

All the Group's creditors falling due within one year (other than bank or other borrowings) are excluded from the table on page 34 due to the exclusion of short-term items or because they do not meet the definitions of a financial liability, such as tax and pension balances.

The Group's policy is to hedge interest rate risk using interest rate caps and swaps to the extent that this is appropriate in relation to the Directors' interest rate expectations. In March 2003 the Group entered into interest rate caps for a period of four years on Sterling borrowings of £2.5 million and Euro borrowings of €7.0 million (£4.8 million equivalent) at interest rates of 5% and 4.5% respectively excluding the bank margin at a cost of £33,000. The borrowing covered by the caps reduces in proportion to the loans outstanding at capital repayment dates. These caps are released to the profit and loss account over the life of the cap.

Floating rate financial liabilities bear interest at rates based on interest rate fixings at 31 December 2004 including the bank's interest margin where appropriate.

Interest Rate Risk Profile of Financial Assets

Cash at bank and in hand	2004 £'000	2003 £'000
Currency		
Sterling	1,729	1,909
Swiss Franc	1,672	2,653
Euro	4,322	8,924
At 31 December	7,723	13,486

Maturity of Financial Liabilities

The maturity profile of the carrying amount of the Group's financial liabilities at 31 December 2004 and 2003 is analysed in note 15.

Borrowing facilities

The Group had an undrawn committed borrowing facility of £Nil (2003: £7,100,000).

Fair Values of Financial Assets and Financial Liabilities

FRS 13 requires that a comparison is provided of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2004 and 2003. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale.

In respect of finance debt, as all positions maintained are for periods under three months and most fixings were made on 29 December 2004, there is no material difference between its fair value and book value.

In respect of the unlisted investments, the Directors believe that there is no material difference between the fair value and carrying value.

In addition, the carrying value of cash at bank and in hand represents its fair value due to its short maturity, and the fair value of the interest rate caps is higher than the book value of £19,000 by £11,000 (2003: lower by £7,000).

In respect of the assets held under hire purchase agreements, these are held as tangible fixed assets at cost less accumulated depreciation. There is no material difference between the fair value of these assets and their net book value.

18 FINANCIAL INSTRUMENTS CONT...

Currency Exposures/Hedges

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

	Net foreign currency monetary assets/(liabilities)			
2004	Sterling £'000	Euro £'000	Swiss Francs £'000	Total £'000
Functional currency of the Group operation:				
Sterling	—	(1,038)	—	(1,038)
	—	(1,038)	—	(1,038)
2003				
Functional currency of the Group operation:				
Sterling	—	(1,538)	—	(1,538)
	—	(1,538)	—	(1,538)

19 CALLED UP SHARE CAPITAL

	2004 number	2004 £'000	2003 number	2003 £'000
Authorised				
Ordinary shares of 10p each	20,000,000	2,000	20,000,000	2,000
Allotted				
Ordinary shares of 10p each	14,467,407	1,447	14,476,407	1,447

The allotted share capital has been reduced for shares held by the Company awaiting cancellation. During the year, the Company purchased 9,000 of its own Ordinary Shares of 10p each, which represented 0.06% of the issued share capital, for a cash consideration of £120,694.

Certain senior executives hold options to subscribe for shares in the Company under the unapproved share option scheme. The share options are exercisable three years after the date of grant subject to EBITDA exceeding £13,694,000 in the preceding financial statements. The outstanding options under this scheme at 31 December 2004 were as follows:

Date granted	At 1 January 2004	Granted in year	At 31 December 2004	Exercise price (£)	Dates normally exercisable
14/01/03	90,000	—	90,000	£11.50	14/01/06 – 14/01/13

The mid-market price of the Company's shares at 31 December 2004 was £13.86 and the range during the year was £12.50 to £14.50.

20 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 2004	27,476	117	2,033	21,331
Exchange adjustments	—	—	—	(217)
Purchase of own shares	—	—	—	(120)
Sustained loss for the year	—	—	—	(1,118)
At 31 December 2004	27,476	117	2,033	19,876

Company	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2004	27,476	117	4,173
Purchase of own shares	—	—	(120)
Retained profit for the year	—	—	2,599
At 31 December 2004	27,476	117	6,652

21 CASH FLOW FROM OPERATING ACTIVITIES

Group	2004 £'000	2003 £'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	9,471	10,927
Amortisation of goodwill	2,786	2,745
Depreciation	1,903	1,838
Profit on disposal of fixed assets	(230)	—
Exchange differences	(295)	216
Decrease/(increase) in debtors	476	(1,395)
Increase in creditors	802	286
Decrease in provisions	(69)	(120)
Decrease/(increase) in stocks	40	(202)
Net cash inflow from operating activities	14,884	14,295

22 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 1 January 2004 £'000	Cash flow £'000	Aquisitions	Non-cash items £'000	At 31 December 2004 £'000
Cash in hand and at bank	13,486	(6,175)	412	—	7,723
Debt due within one year	(4,161)	(1,073)	—	(110)	(5,344)
Debt due after one year	(8,100)	(1,629)	—	—	(9,729)
Finance leases	—	—	(328)	—	(328)
Total	1,225	(8,877)	84	(110)	(7,678)

22 RECONCILIATION OF MOVEMENT IN NET DEBT CONT...

Reconciliation of Decrease in Cash to Movement in Net Debt

	2004 £'000	2003 £'000
(Decrease)/increase in cash	(5,763)	3,183
(Increase)/decrease in debt	(2,702)	2,509
Change in net debt from cash flows	(8,465)	5,692
Non cash changes	(110)	(12)
Acquisitions	(328)	—
Net debt 1 January	1,225	(4,455)
Net debt 31 December	(7,678)	1,225

Non cash changes relate to the amortisation of finance arrangement costs.

23 ACQUISITIONS

In December 2004 the Group purchased MK Fire Limited and TVF (UK) plc for a total consideration of £9.185 million, including costs. No adjustment is currently envisaged to the book values of the assets and liabilities of the companies acquired in order to present the net assets at fair values in accordance with Group accounting principles. Details of the net assets acquired, together with the resultant amount of goodwill arising are set out below.

Due to the proximity of the acquisition to the year end, no turnover or profits have been included in these accounts. The profit after tax for MK Fire Limited for the period to 16 December 2004 was £105,000 (year ended 31 January 2004: £221,000). The provisional loss after tax for TVF (UK) plc for the period to 22 December 2004 was £169,000 (year ended 31 March 2004: profit £95,000).

The book and provisional fair value of the net assets acquired of MK Fire Limited and TVF (UK) Plc were as follows:

	£'000
Tangible fixed assets	692
Stock	449
Debtors	3,164
Creditors	(2,536)
Provisions	(21)
Cash	412
Hire purchase creditors	(328)
Provisional fair value of net assets acquired	1,832
Goodwill	7,353
Consideration	9,185
Satisfied by:	
– Cash	8,250
– Deferred consideration	750
– Accrued acquisition costs	185
	9,185

The provisional fair values of the assets and liabilities have been taken from the draft completion accounts as at the dates of acquisition. Deferred consideration is due to be paid in December 2005.

24 PENSIONS

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

The Group has continued to account for pensions in accordance with SSAP 24 'Accounting for pension costs' and the disclosures given in (a) are those required by that standard. FRS 17 'Retirement benefits' was issued in November 2000. Accounting under FRS 17 is not mandatory for the Group until the year ended 31 December 2005 but transitional disclosures are required from 31 December 2001. These disclosures, to the extent not given in (a), are set out in (b).

(a) The Nu-Swift Limited Group operates a funded defined benefit pension scheme, for which the majority of the United Kingdom employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested with Legal and General Investment Management. The total pension cost of the Group is determined by an independent qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 6 April 2004. 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 7% per annum, that salary increases would average 4% per annum and that present and future pensions would increase at the rate of 3% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £6,411,000 and that the actuarial value of those assets represented 79% of the benefits that had accrued to members.

This scheme is now closed to new entrants.

In addition there is a defined contribution stakeholder pension scheme in operation within the United Kingdom, as well as a defined contribution pension scheme for two United Kingdom Executives.

The Ansul Group operates a number of funded pension schemes, the majority of which are prescribed by the State. Included within these is a funded pension scheme for which the majority of the Belgian employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Ansul Group being invested with Swiss Life. The total pension cost of the Ansul Group scheme is determined by an independent qualified actuary.

Provisions of £851,000 (2003: £939,000) and £435,000 (2003: £416,000) are included in provisions for liabilities and charges representing the excess of the accumulated pension cost over the amount funded of the Nu-Swift Limited Group and the Ansul Group pension schemes respectively.

(b) In respect of the Nu-Swift Limited Group and Ansul schemes, the valuations used for FRS 17 in order to assess the liabilities of the schemes are based on actuarial valuations at 6 April 2004 and 31 December 2001 respectively. The results of these valuations have been projected to 31 December 2004 and then recalculated using the assumptions set out below. The schemes' assets are stated at their market value at 31 December 2004.

The financial assumptions used to calculate liabilities of the Nu-Swift Limited Group and Ansul schemes under FRS 17 are:

	2004	2003	2002
Discount rate	5.30% – 5.75%	5.50% – 5.75%	5.50% – 5.75%
Inflation rate	2.00% – 2.90%	2.00% – 2.80%	2.00% – 2.25%
Salary increase rate	2.00% – 3.90%	2.00% – 4.25%	2.00% – 3.75%
Increases for pensions in payment	2.60%	2.50%	2.00%
Revaluation of deferred pensions	2.90%	2.80%	2.25%

24 PENSIONS CONT...

The assets in the Nu-Swift Limited Group and Ansul schemes and the expected rates of return were:

	Long-term return expected at 31 December 2004	Value at 31 December 2004 £'000	Long-term return expected at 31 December 2003	Value at 31 December 2003 £'000	Long-term return expected at 31 December 2002	Value at 31 December 2002 £'000
Equities	7.00%	4,118	7.00%	3,688	6.50%	4,292
Assets with guaranteed interest with insurer	3.25% – 4.75%	739	3.25% – 4.75%	639	3.25% – 4.75%	639
Bonds	5.30%	2,646	5.50%	2,455	5.00%	776
Cash	4.50%	56	5.00%	30	4.00%	303
		7,559		6,812		6,010
Present value of scheme liabilities		(12,702)		(9,955)		(8,508)
Deficit in the scheme		(5,143)		(3,143)		(2,498)
Related deferred tax asset		1,551		955		761
Net pension deficit		(3,592)		(2,188)		(1,737)

The following disclosures relate to the Nu-Swift Limited Group and Ansul schemes:

Analysis of the Amount that would be Charged to Operating Profit

	2004 £'000	2003 £'000
Current service cost	319	421
Total operating charge	319	421

Analysis of the Amount that would be Credited to other Finance Income

	2004 £'000	2003 £'000
Expected return on pension scheme assets	426	328
Interest on pension scheme liabilities	(500)	(420)
Net charge	(74)	(92)

Analysis of the Amount that would be Recognised in the Statement of Total Recognised Gains and Losses

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	287	540
Experience gains and losses arising on the scheme liabilities	(726)	—
Changes in assumptions underlying the present value of the scheme liabilities	(1,391)	(907)
Actuarial loss recognised in the statement of total recognised gains and losses	(1,830)	(367)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2004 would be as follows:

	2004 £'000	2003 £'000
Net assets including pension provisions under SSAP 24	50,949	52,404
Pension provisions under SSAP 24	1,286	1,355
Pension deficits under FRS 17	(3,592)	(2,188)
Net assets including pension deficits under FRS 17	48,643	51,571

24 PENSIONS CONT...

	2004 £'000	2003 £'000
Profit and loss reserve including pension provisions under SSAP 24	19,876	21,331
Pension provisions under SSAP 24	1,286	1,355
Pension deficits under FRS 17	(3,592)	(2,188)
Profit and loss reserve including pension deficits under FRS 17	17,570	20,498

Movement in Deficit During the Year

	2004 £'000	2003 £'000
Deficit at the start of the year	(3,143)	(2,498)
Current service cost	(319)	(421)
Contributions	223	235
Other finance income	(74)	(92)
Actuarial loss	(1,830)	(367)
Deficit at the end of the year	(5,143)	(3,143)

History of Experience Gains and Losses

	2004	2003	2002
Difference between the actual and expected return on scheme assets			
Amount (£'000)	217	540	(1,802)
Percentage of scheme assets	3%	8%	(30%)
Experience gains and losses on scheme liabilities			
Amount (£'000)	(726)	—	—
Percentage of scheme liabilities	(6%)	—	—
Total amount recognised in statement of total recognised gains and losses			
Amount (£'000)	(1,900)	(367)	(2,032)
Percentage of scheme liabilities	(16%)	(4%)	(24%)

25 OPERATING LEASE RENTAL COMMITMENTS ON LAND AND BUILDINGS

	Group	
	2004 £'000	2003 £'000
Annual commitments for leases expiring:		
Within one year	87	84
Between two and five years inclusive	163	237
Over five years	—	68
	250	389

26 GROUP UNDERTAKINGS

The following subsidiary undertakings are all wholly owned in ordinary share capital:

	Activity	Country of registration or incorporation and operation
All-Protec N.V.	Fire protection	Belgium
Ansul B.V.	Fire protection	Holland
Ansul S.A.	Fire protection	Belgium
ASCO Extinguishers Company Limited	Fire protection	Scotland and England
Dimex Technics S.A.	Fire protection	Belgium
Feuerloscher Nu-Swift (Schweiz) AG	Fire protection	Switzerland*
Fire Protection Holdings Limited	Sub-holding	England
GFA Premier Limited	Fire protection	England
Hoyles Fire & Safety Limited	Fire protection	England
Hoyles Limited	Sub-holding	England
Importex S.A.	Fire protection	Belgium
L W Safety Limited	Fire protection	England
Maclin S.A.	Fire protection	Switzerland*
MK Fire Limited	Fire protection	England
Nu-Swift (Engineering) Limited	Fire protection	England
Nu-Swift Brandbeveiliging B.V.	Fire protection	Holland*
Nu-Swift International Limited	Fire protection	England
Nu-Swift Limited	Sub-holding	England
Othmar Hug Feuerschutz G.m.b.H.	Fire protection	Switzerland*
Toldwell Limited	Sub-holding	England
Total Firestop G.m.b.H.	Fire protection	Austria
Total TF AG	Fire protection	Switzerland*
TVF (UK) plc	Fire protection	England
United Fire Alarms Limited	Alarms	England

*Auditors other than PricewaterhouseCoopers LLP and network member firms.

With the exception of Fire Protection Holdings Limited the shares in all Group undertakings are held by subsidiary undertakings.

A full list of subsidiary undertakings at 31 December 2004 will be annexed to the Company's next annual general return as a full list is considered by the Directors to be excessive.

27 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company regards British Security Group Limited, a company registered in Bermuda, as its ultimate parent undertaking through its 90% holding in London Security plc. The Directors regard J.G. Murray as the ultimate controlling party through his controlling interest in British Security Group Limited.

28 RELATED PARTY TRANSACTIONS

During the year the Group has incurred costs amounting to £1,400,000 (2003: £1,400,000) in respect of the Executive Directors including the Head Office and other expenses under the Services Agreement referred to in the Remuneration Report. Balances disclosed in notes 14 and 16 as being due from and to related undertakings are with companies controlled by J.G. Murray.

The Group has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' from disclosing transactions between related parties within the Group.

The Company has incurred £357,000 (2003: £268,000) of expenditure on behalf of J.G. Murray during the year, which is to be reimbursed by a related undertaking.

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc will be held at 10 Bruton Street, 5th Floor, London W1J 6TX on 9 June 2005 at 11.00am for the following purposes:

To consider the following resolutions as ordinary resolutions:

1. To receive the financial statements for the year ended 31 December 2004 and the reports of the Directors and auditors and the Remuneration Report for that period.
2. To re-elect Mr. J-C. Pillois, who retires by rotation under article 23.2 of the Company's articles of association, as a Director.
3. To re-elect Mr. H. Shouler, who retires by rotation under article 23.2 of the Company's articles of association, as a Director.

To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

4. That PricewaterhouseCoopers LLP be re-appointed as auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

As special business to consider the following resolutions as special resolutions:

5. That the Directors be and are empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) of the Company for cash pursuant to the general authority conferred by the resolution passed at the 2000 Annual General Meeting for the purposes of section 80 of the Act as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
   (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of Ordinary Shares and other persons entitled to participate in such offer in proportion (as nearly as may be) to their respective holdings of Ordinary Shares, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and
   (ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £72,291 and such power shall expire on the date of the next Annual General Meeting of the Company or 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement as if the power conferred by this resolution had not expired.
6. That the Company be and is generally and unconditionally authorised to make one or more market purchases (as defined in Section 163 (3) of the Act) on the London Stock Exchange of Ordinary Shares of 10p each in the capital of the Company ("Ordinary Shares") provided that:
   (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 200,000 shares;
   (ii) the minimum price which may be paid for such shares is 10p per share;
   (iii) the maximum price (exclusive of expenses) which may be paid for such shares is not more than 5% above the average of the middle market quotations for the five business days immediately preceding the day on which the purchase is contracted to take place;

6. cont...

   (iv) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution (whichever is the earlier); and

   (v) the Company may make a contract to purchase its own shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By order of the Board

R. Pollard
Secretary
5 May 2005

Registered Office
Wistons Lane
Elland
West Yorkshire
HX5 9DS

NOTES:

1. Any member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. Any form of proxy and power of attorney or other authority under which it is signed or a certified or office copy of such power or authority, in order to be valid, must reach Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Meeting. Completion of a proxy does not preclude a member from subsequently attending and voting at the Meeting in person if he so wishes.
3. The register of Directors' interests in the share capital of the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and Public Holidays excluded) from the date of this Notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

GROUP COMPANIES

UNITED KINGDOM
Asco Extinguishers Company Limited
Melissa House
Unit 3, Festival Court,
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Glasgow G51 1DR
Tel: 0141 427 1144
Fax: 0141 427 6644
E-mail: sales@asco.uk.com
Website: www.asco.uk.com

GFA Premier Limited
Wistons Lane
Elland
West Yorkshire HX5 9DS
Tel: 01422 377521
Fax: 01422 377524

Hoyles Fire & Safety Limited
Sandwash Close
Rainford Industrial Estate
Rainford St. Helens
Merseyside WA11 8LY
Tel: 01744 885161
Fax: 01744 882410
E-mail: customer.service@hoylesfire.co.uk
Website: www.hoylesfire.co.uk

L.W. Safety Limited
Unit 12 Derby Road
The Metropolitan Centre
Greenford
Middlesex UB6 8UJ
Tel: 020 8575 9000
Fax: 020 8575 0600
E-mail: administration1@lwsafety.co.uk
Website: www.lwsafety.com

Nu-Swift International Limited
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Fax: 01422 379569
E-mail: customerservice@nu-swift.co.uk
Website: www.nu-swift.com

MK Fire Limited
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Bradwell Abbey
Milton Keynes
MK13 9HG
Tel: 01908 310800
Fax: 01908 220778
E-mail: info@mkfire.co.uk
Website: www.mkfire.co.uk

TVF (UK) plc
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Buckinghamshire
HP13 6AH
Tel: 01494 450641
Fax: 01494 465378
E-mail: info@tvfplc.co.uk
Website: www.tvfplc.co.uk

United Fire Alarms Limited
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Website: www.unitedfirealarms.co.uk

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Total Firestop G.m.b.H.
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Fax: 00 431 259 363118
E-mail: info@total.at

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Fax: 00 32 9374 6895
E-mail: info@all-protec.be

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