

## Directors and Advisers

### **Jacques Gaston Murray (84)** **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 listed company in Bermuda.

### **Jean-Jacques Murray (37)** **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 (47)** **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 (35)** **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 (66)** **Senior Independent Non-Executive Director**

Henry Shouler is Deputy Chairman of Creative Recruitment Solutions plc and a Director of PKL Holdings plc, AIM quoted companies. He also has a number of directorships in private companies. He was appointed as a Director on 18 August 1994.

### **Michael Gailer (68)** **Independent Non-Executive Director**

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



## Directors and Advisers

### Secretary and Registered Office

**Richard Pollard**  
Wistons Lane  
Elland  
West Yorkshire HX5 9DS

### Registered Number

53417

### Registered 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

**Teather & Greenwood**  
Beaufort House  
15 St. Botolph Street  
London EC3A 7QR

### Nominated Advisers

**Ernst & Young LLP**  
P O Box 61  
Cloth Hall Court  
14 King Street  
Leeds LS1 2JN

# Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

## 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 are the manufacture, sale and rental of fire protection equipment and the provision of maintenance services.

## Results and Dividends

The profit after taxation for the year ended 31 December 2003 amounted to £5,792,000 (2002: £4,603,000). A final dividend of 10p per ordinary share is proposed, payable on 25 June 2004 to shareholders on the register on 28 May 2004.

## 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 Review.

## Directors

The Directors who served during the period were:

### Executive Directors

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

### Non-Executive Directors

M. Gailer, H. Shouler

J-J. Murray and M. Gailer retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors have a service contract.

## Directors' Interests

Other than the beneficial interests disclosed below, no Director in office at 31 December 2003 had any disclosable interest in the share capital of the Company or any subsidiary undertaking.

|             | Ordinary shares of 10p each |                           |                         |
|-------------|-----------------------------|---------------------------|-------------------------|
|             | At<br>30 April<br>2004      | At<br>31 December<br>2003 | At<br>1 January<br>2003 |
| J.G. Murray | 14,232,214                  | 14,232,214                | 14,229,214              |

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.

## Substantial Shareholdings

At 30 April 2004, the Company had been notified of the following interest of 3% or more in the share capital of the Company:

|                                | Number of<br>shares | Percentage of<br>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.

## Report of the Directors

### Andrews Sykes

The Companies Act 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 plc, the following disclosure is required.

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

|              | Ordinary shares of 10p each |                           |                           |
|--------------|-----------------------------|---------------------------|---------------------------|
|              | At<br>24 April<br>2004      | At<br>29 December<br>2003 | At<br>29 December<br>2002 |
| J.G. Murray  | 49,608,192                  | 49,608,192                | 50,566,257                |
| J-J. Murray  | 755,000                     | 755,000                   | 270,000                   |
| J-C. Pillois | 538,580                     | 538,580                   | 1,038,580                 |
| E. Sebag     | 17,560                      | 17,560                    | 17,560                    |
| M. Gailer    | 20,000                      | 20,000                    | 20,000                    |

The following options to subscribe for ordinary shares in Andrews Sykes were held at 29 December 2003:

|              | Number of ordinary shares |                           | Period of exercise         | Exercise price<br>pence |
|--------------|---------------------------|---------------------------|----------------------------|-------------------------|
|              | At<br>29 December<br>2003 | At<br>29 December<br>2002 |                            |                         |
| J-C. Pillois | 373,707                   | 373,707                   | 1 Nov 2004 to 31 Oct 2011  | 89.5                    |
|              | 500,000                   | 500,000                   | 1 June 2003 to 31 May 2010 | 89.5                    |
| E. Sebag     | 325,862                   | 325,862                   | 1 Nov 2004 to 31 Oct 2011  | 89.5                    |
|              | 500,000                   | 500,000                   | 1 June 2003 to 31 May 2010 | 89.5                    |
| J.G. Murray  | 1,900,000                 | 1,900,000                 | 1 Nov 2004 to 31 Oct 2011  | 89.5                    |

### 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 2003 Group average creditor days was 45 days (2002: 46 days). The Company has no trade creditors.

# Report of the Directors

## Donations

The Company and Group made no political donations during the year (2002: £nil) and charitable donations of £3,000 (2002: £3,000). These donations are made to charities local to the Company's offices.

## Purchase of Own Shares

During the year the Company purchased 12,500 of its own ordinary shares of 10p each, which represented 0.09% of the issued share capital, for consideration of £171,478. As at 1 January 2004 there remained outstanding general authority for the Directors to purchase a further 250,000 10p ordinary shares. Resolution 7 is to be proposed at the Annual General Meeting to extend this authority until the 2005 AGM at the lower level of 200,000 shares.

The special business to be proposed at the 2004 Annual General Meeting also includes, at resolution number 6, a special resolution to authorise the Directors to issue shares for cash, other than pro-rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £72,374, 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")

The Group, in conjunction with its external auditors, PricewaterhouseCoopers LLP, has embarked upon a process to identify the issues connected to the adoption of IFRS with effect from 1 January 2005. 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 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 50 and 51 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



# Corporate Governance Statement

As a Company quoted on the Alternative Investment Market ("AIM"), the Company is not required to adhere to the Combined Code issued in June 1998 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 June 1998.

In addition, the Board has noted the issuance of the new Combined Code in July 2003 and is currently considering the implications on the Company.

## 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 facility for independent professional advice in connection with his duties at the Company's expense.

# Corporate Governance Statement

## 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 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 25.

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 once 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 21.

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.

## 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).

# Corporate Governance Statement

## Internal Financial Control (continued)

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.
- 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 June 1998.

## 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 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 2003 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.

# Corporate Governance Statement

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  
30 April 2004

A handwritten signature in black ink, appearing to be 'R. Pollard', written over a horizontal line.

# Directors' Remuneration Report

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.

## 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

The total figure for directors' aggregate emoluments was £233,000 (2002 : £227,000). This includes an amount paid to the highest paid director of £111,000 (2002: £124,000).

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 (2002: £1,300,000) for the year ended 31 December 2003 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  
30 April 2004

# Independent Auditors' Report

To the Members of London Security plc

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, the Accounting Policies 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 23.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, 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 Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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 Corporate Statement, the Chairman's Statement, the Operational Review, the Financial Review, the Report of the Directors, the Corporate Governance Statement and the Directors' Remuneration Report.

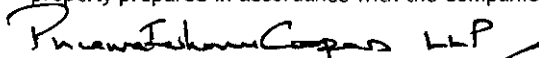
## Basis of Audit Opinion

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 2003 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

30 April 2004

## Consolidated Profit and Loss Account

For the year ended 31 December 2003

|  | Notes | Year ended<br>31 December<br>2003<br>£'000 | Year ended<br>31 December<br>2002<br>£'000 |
|--|-------|--|--|
| Turnover   | 2     | 53,760                                     | 48,078                                     |
| Cost of sales  |       | (8,201)                                    | (7,288)                                    |
| <b>Gross profit</b>                                  |       | <b>45,559</b>                              | <b>40,790</b>                              |
| Distribution costs                                   |       | (20,546)                                   | (18,079)                                   |
| Administrative expenses                              |       | (14,086)                                   | (13,433)                                   |
| <b>Operating profit</b>                              |       | <b>10,927</b>                              | <b>9,278</b>                               |
| EBITDA**   |       | 15,510                                     | 13,694                                     |
| Depreciation   | 11    | (1,838)                                    | (1,735)                                    |
| Amortisation of goodwill                             | 10    | (2,745)                                    | (2,681)                                    |
| <b>Operating profit</b>                              |       | <b>10,927</b>                              | <b>9,278</b>                               |
| Income from fixed asset investments                  |       | 117  | 111  |
| Net interest payable and similar charges             | 4     | (665)                                      | (946)                                      |
| <b>Profit on ordinary activities before taxation</b> | 5     | <b>10,379</b>                              | <b>8,443</b>                               |
| Taxation   | 6     | (4,587)                                    | (3,840)                                    |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>5,792</b>                               | <b>4,603</b>                               |
| Dividends  | 7     | (1,882)                                    | (1,014)                                    |
| <b>Retained profit</b>                               | 20    | <b>3,910</b>                               | <b>3,589</b>                               |
| <b>Basic and diluted earnings per ordinary share</b> | 9     | <b>40.0p</b>                               | <b>31.8p</b>                               |
| <b>Adjusted earnings per ordinary share</b>          | 9     | <b>59.0p</b>                               | <b>50.3p</b>                               |
| <b>Dividend per ordinary share</b>                   | 7     | <b>13.0p</b>                               | <b>7.0p</b>                                |

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 10.

\*\*Earnings Before Interest, Taxation, Depreciation and Amortisation

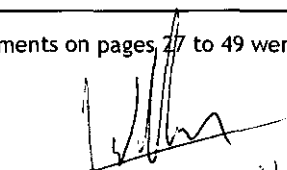
# Consolidated Balance Sheet

As at 31 December 2003

|  | Notes | 2003<br>£'000   | 2002<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>Fixed assets</b>  |       |                 |                 |
| Intangible assets  | 10    | 45,082          | 47,128          |
| Tangible assets  | 11    | 7,791           | 7,363           |
| Investments  | 12    | 70              | 70              |
|  |       | <b>52,943</b>   | <b>54,561</b>   |
| <b>Current assets</b>  |       |                 |                 |
| Stocks   | 13    | 3,643           | 3,425           |
| Debtors  | 14    | 11,666          | 9,740           |
| Cash at bank and in hand                                       |       | 13,486          | 10,303          |
|  |       | <b>28,795</b>   | <b>23,468</b>   |
| <b>Creditors: amounts falling due within one year</b>          |       |                 |                 |
| Finance debt   | 15    | (4,161)         | (3,503)         |
| Other creditors  | 16    | (15,232)        | (13,383)        |
|  |       | <b>(19,393)</b> | <b>(16,886)</b> |
| <b>Net current assets</b>                                      |       | <b>9,402</b>    | <b>6,582</b>    |
| <b>Total assets less current liabilities</b>                   |       | <b>62,345</b>   | <b>61,143</b>   |
| <b>Creditors: amounts falling due after more than one year</b> |       |                 |                 |
| Finance debt   | 15    | (8,100)         | (11,255)        |
| <b>Provisions for liabilities and charges</b>                  | 17    | <b>(1,841)</b>  | <b>(1,907)</b>  |
| <b>Net assets</b>  |       | <b>52,404</b>   | <b>47,981</b>   |
| <b>Capital and reserves</b>                                    |       |                 |                 |
| Called up share capital  | 19    | 1,447           | 1,449           |
| Share premium  | 20    | 27,476          | 27,476          |
| Capital redemption reserve                                     | 20    | 117             | 115             |
| Merger reserve   | 20    | 2,033           | 2,033           |
| Profit and loss account  | 20    | 21,331          | 16,908          |
| <b>Total equity shareholders' funds</b>                        |       | <b>52,404</b>   | <b>47,981</b>   |

The financial statements on pages 27 to 49 were approved by the Board of Directors on 30 April 2004 and were signed on its behalf by:

J.G. Murray  
Chairman



J.G. Murray

# Company Balance Sheet

As at 31 December 2003

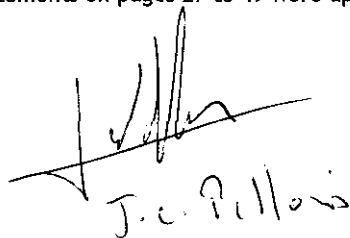
|   | Notes | 2003<br>£'000 | 2002<br>£'000 |
|---|-------|---------------|---------------|
| <b>Fixed assets</b>                                   |       |               |               |
| Tangible assets                                       | 11    | 917           | 968           |
| Investments   | 12    | 51,680        | 49,775        |
|   |       | 52,597        | 50,743        |
| <b>Current assets</b>                                 |       |               |               |
| Debtors   | 14    | 843           | 1,069         |
| Cash at bank and in hand                              |       | 826           | 1,147         |
|   |       | 1,669         | 2,216         |
| <b>Creditors: amounts falling due within one year</b> | 16    | (21,053)      | (20,762)      |
| <b>Net current liabilities</b>                        |       | (19,384)      | (18,546)      |
| <b>Net assets</b>                                     |       | 33,213        | 32,197        |

## Capital and reserves

|   |    |        |        |
|---|----|--------|--------|
| Called up share capital                 | 19 | 1,447  | 1,449  |
| Share premium account                   | 20 | 27,476 | 27,476 |
| Capital redemption reserve              | 20 | 117    | 115    |
| Profit and loss account                 | 20 | 4,173  | 3,157  |
| <b>Total equity shareholders' funds</b> |    | 33,213 | 32,197 |

The financial statements on pages 27 to 49 were approved by the Board of Directors on 30 April 2004 and were signed on its behalf by:

J.G. Murray  
Chairman



J.G. Murray

# Consolidated Cash Flow Statement

For the year ended 31 December 2003

|   | Notes | Year ended<br>31 December<br>2003<br>£'000 | Year ended<br>31 December<br>2002<br>£'000 |
|---|-------|--|--|
| <b>Net cash inflow from operating activities</b>                                | 21    | 14,295                                     | 14,980                                     |
| <b>Return on investments and servicing of finance</b>                           |       |  |  |
| Interest received   |       | 231  | 204  |
| Interest paid   |       | (694)                                      | (889)                                      |
| Dividends received  |       | 117  | 111  |
| <b>Net cash outflow from return on investments<br/>and servicing of finance</b> |       | (346)                                      | (574)                                      |
| <b>Taxation</b>   |       |  |  |
| Corporation tax paid  |       | (3,696)                                    | (4,034)                                    |
| <b>Capital expenditure</b>  |       |  |  |
| Payments to acquire intangible fixed assets                                     | 10    | (79)                                       | (52)                                       |
| Payments to acquire tangible fixed assets                                       | 11    | (2,239)                                    | (3,343)                                    |
| Receipts from sales of tangible fixed assets                                    |       | 237  | 845  |
| <b>Net cash outflow for capital expenditure</b>                                 |       | (2,081)                                    | (2,550)                                    |
| <b>Acquisitions and disposals</b>   |       |  |  |
| Payments to acquire subsidiary undertakings                                     | 10    | (359)                                      | (2,714)                                    |
| Payment of deferred consideration on prior year acquisitions                    |       | (679)                                      | -  |
| (Overdraft)/cash acquired with subsidiary undertakings                          |       | (112)                                      | 331  |
| <b>Net cash outflow for acquisitions</b>  |       | (1,150)                                    | (2,383)                                    |
| <b>Equity dividends paid to shareholders</b>                                    |       | (1,159)                                    | (870)                                      |
| <b>Net cash inflow before use of financing</b>                                  |       | 5,863                                      | 4,569                                      |
| <b>Financing</b>  |       |  |  |
| Purchase of own shares  |       | (171)                                      | -  |
| New long-term loans   |       | 600  | 1,350                                      |
| Repayment of long-term loans  |       | (3,109)                                    | (2,908)                                    |
| <b>Net cash outflow from financing</b>  |       | (2,680)                                    | (1,558)                                    |
| <b>Increase in cash in the year</b>   | 22    | 3,183                                      | 3,011                                      |

## Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2003

|   | Notes | 2003<br>£'000 | 2002<br>£'000 |
|---|-------|---------------|---------------|
| Profit for the financial year   |       | 5,792         | 4,603         |
| Currency translation differences on foreign<br>currency net investments | 20    | 684           | 598           |
| <b>Total recognised gains and losses</b>                                |       | <b>6,476</b>  | <b>5,201</b>  |

## Reconciliation of Movements in Group Equity Shareholders' Funds

For the year ended 31 December 2003

|   | Notes | 2003<br>£'000 | 2002<br>£'000 |
|---|-------|---------------|---------------|
| Profit for the financial year   |       | 5,792         | 4,603         |
| Dividends   | 7     | (1,882)       | (1,014)       |
|   |       | 3,910         | 3,589         |
| Purchase of own shares  |       | (171)         | -             |
| Currency translation differences on foreign<br>currency net investments | 20    | 684           | 598           |
| Net addition to Group equity shareholders' funds                        |       | 4,423         | 4,187         |
| Opening Group equity shareholders' funds                                |       | 47,981        | 43,794        |
| <b>Closing Group equity shareholders' funds</b>                         |       | <b>52,404</b> | <b>47,981</b> |

## Reconciliation of Movements in Company Equity Shareholders' Funds

For the year ended 31 December 2003

|  | Notes | 2003<br>£'000 | 2002<br>£'000 |
|--|-------|---------------|---------------|
| Profit/(loss) for the financial year                                 |       | 3,069         | (295)         |
| Dividends  | 7     | (1,882)       | (1,014)       |
|  |       | 1,187         | (1,309)       |
| Purchase of own shares   |       | (171)         | -             |
| Net addition to/(reduction in) Company equity<br>shareholders' funds |       | 1,016         | (1,309)       |
| Opening Company equity shareholders' funds                           |       | 32,197        | 33,506        |
| <b>Closing Company equity shareholders' funds</b>                    |       | <b>33,213</b> | <b>32,197</b> |

# Notes to the financial statements

For the year ended 31 December 2003

## 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 2003.

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.

### Goodwill

Goodwill arises where the 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 and those on the translation of assets, liabilities and reserves of overseas subsidiaries 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.

# Notes to the financial statements

For the year ended 31 December 2003

## 1 Principal Accounting Policies (continued)

### 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 in Subsidiary Undertakings

Investments in subsidiary undertakings 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.

### 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 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 shown 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 FRS17 'Retirement benefits' have been adopted in these financial statements.

### Leases

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

# Notes to the financial statements

For the year ended 31 December 2003

## 2 Turnover

Turnover may be analysed geographically by origin as follows:

|                | 2003   | 2002   |
|----------------|--------|--------|
|                | £'000  | £'000  |
| United Kingdom | 14,904 | 12,579 |
| Belgium        | 19,102 | 16,818 |
| Holland        | 14,381 | 13,148 |
| Austria        | 2,881  | 3,262  |
| Switzerland    | 2,492  | 2,271  |
|                | 53,760 | 48,078 |

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

|   | 2003   | 2002   |
|---|--------|--------|
|   | £'000  | £'000  |
| <b>Staff costs, including Directors' emoluments</b> |        |        |
| Wages and salaries                                  | 19,238 | 16,685 |
| Social security costs                               | 3,128  | 3,009  |
| Other pensions costs (note 23)                      | 372    | 332    |
|   | 22,738 | 20,026 |

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

|                             | 2003  | 2002  |
|-----------------------------|-------|-------|
|                             | £'000 | £'000 |
| <b>By geographical area</b> |       |       |
| United Kingdom              | 253   | 208   |
| Rest of Europe              | 449   | 452   |
|                             | 702   | 660   |

## Directors' Emoluments

|                      | 2003  | 2002  |
|----------------------|-------|-------|
|                      | £'000 | £'000 |
| Aggregate emoluments | 233   | 227   |

The amount paid to the highest paid director was £111,000 (2002: £124,000).

## 4 Net Interest Payable and Similar Charges

|  | 2003  | 2002  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Interest payable:</b>   |       |       |
| Bank loans, overdrafts and other loans repayable within five years | 694   | 889   |
| Amortisation of finance arrangement costs                          | 59    | 85    |
| Cost of interest rate capping                                      | 4     | 33    |
| Exchange loss on foreign currency loans                            | 139   | 143   |
|  | 896   | 1,150 |
| Interest receivable  | (231) | (204) |
|  | 665   | 946   |

# Notes to the financial statements

For the year ended 31 December 2003

## 5 Profit on Ordinary Activities before Taxation

This is stated after charging:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Staff costs including Directors' emoluments | 22,738        | 20,026        |
| Depreciation on tangible fixed assets       | 1,838         | 1,735         |
| Amortisation on intangible fixed assets     | 2,745         | 2,681         |
| Research and development costs              | 36            | 26            |
| Hire charges under operating leases:        |               |               |
| Plant and machinery                         | 35            | 22            |
| Other                                       | 118           | 165           |

## 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:

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Audit services:                                    |               |               |
| - Statutory audit (Company £12,750; 2002: £11,000) | 144           | 140           |
| Further assurance services                         | -             | -             |
| Tax services                                       |               |               |
| - Compliance services                              | 80            | 33            |
| - Advisory services                                | 55            | 24            |
| Other services                                     | -             | 11            |
|  | 279           | 208           |

Non-audit fees for company and UK subsidiaries only comprised fees for tax compliance services of £64,000 and fees for tax advisory services of £55,000.

## 6 Tax on Profit on Ordinary Activities

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| <b>United Kingdom</b>                       |               |               |
| Corporation tax at 30% (2002: 30%)          | 619           | 696           |
| Adjustment in respect of prior periods      | 25            | 46            |
| <b>Foreign tax</b>                          | 644           | 742           |
| Corporation taxes                           | 3,923         | 3,098         |
| <b>Total current tax</b>                    | <b>4,567</b>  | <b>3,840</b>  |
| <b>Deferred tax</b>                         |               |               |
| Original and reversal of timing differences |               |               |
| Representing:                               |               |               |
| United Kingdom                              | 14            | -             |
| Foreign tax                                 | 6             | -             |
| <b>Total deferred tax</b>                   | <b>20</b>     | <b>-</b>      |
| <b>Total tax charge</b>                     | <b>4,587</b>  | <b>3,840</b>  |

# Notes to the financial statements

For the year ended 31 December 2003

## 6 Tax on Profit on Ordinary Activities (continued)

The tax for the period is higher (2002: higher) than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation   | 10,379        | 8,443         |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002: 30%) | 3,114         | 2,533         |
| Effects of:   |               |               |
| Expenses not deductible for tax purposes  | 834           | 955           |
| Adjustment to tax in respect of prior periods   | 25            | 46            |
| Adjustment in respect of foreign tax rates  | 577           | 317           |
| Depreciation in excess of capital allowances  | 30            | (11)          |
| Short-term timing differences   | (13)          | —             |
| Current year tax charge   | 4,567         | 3,840         |

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

## 7 Dividends

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Equity - ordinary                               |               |               |
| Interim paid 3.0p (2002: 2.0p) per 10p share    | 434           | 290           |
| Final proposed 10.0p (2002: 5.0p) per 10p share | 1,448         | 724           |
|   | 1,882         | 1,014         |

## 8 Profit/(loss) before 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 before taxation of the Parent Company included within the consolidated profit is £3,069,000 (2002: loss of £295,000).

## 9 Earnings per Share

The calculation of basic earnings per ordinary share (EPS) is based on the profit on ordinary activities after taxation of £5,792,000 (2002: £4,603,000) and on 14,481,066 (2002: 14,487,316) 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 14,488,332 (2002: 14,487,316). After taking into account the effect of dilutive securities, the basic EPS and adjusted EPS figures are unaltered.

## Notes to the financial statements

For the year ended 31 December 2003

### 9 Earnings per Share (continued)

The calculation of adjusted earnings per ordinary share is based on 14,481,066 (2002: 14,487,316) ordinary shares in issue prior to 31 December 2003 and on adjusted earnings which comprise:

|   | 2003  |       | 2002  |       |
|---|-------|-------|-------|-------|
|   | £'000 | pence | £'000 | pence |
| Profit on ordinary activities after taxation          | 5,792 | 40.0  | 4,603 | 31.8  |
| Eliminate effect of:                                  |       |       |       |       |
| Amortisation of goodwill                              | 2,745 | 19.0  | 2,681 | 18.5  |
| Adjusted profit on ordinary activities after taxation | 8,537 | 59.0  | 7,284 | 50.3  |

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<br>£'000 |
|--|-------------------|
| <b>Cost</b>                                |                   |
| At 1 January 2003                          | 55,107            |
| Additions                                  | 628               |
| Exchange differences                       | 71                |
| <b>At 31 December 2003</b>                 | <b>55,806</b>     |
| <b>Amortisation</b>                        |                   |
| At 1 January 2003                          | 7,979             |
| Charge for the year                        | 2,745             |
| <b>At 31 December 2003</b>                 | <b>10,724</b>     |
| <b>Net book amount at 31 December 2003</b> | <b>45,082</b>     |
| Net book amount at 31 December 2002        | 47,128            |

During the year, the trade and assets of Premier Fire Limited and other contracts to provide fire extinguisher maintenance were acquired by the Group for a consideration of £438,000. The provisional fair values of the net liabilities of the businesses at the date of acquisition were £190,000, which gave rise to goodwill on consolidation of £628,000.

The goodwill arising on the acquisition 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.

## Notes to the financial statements

For the year ended 31 December 2003

### 11 Tangible Fixed Assets

| <b>Group</b>                 | Freehold land<br>and buildings<br>£'000 | Plant and<br>machinery<br>£'000 | Motor vehicles<br>and share in aircraft<br>£'000 | Fixtures, fittings<br>and equipment<br>£'000 | Total<br>£'000 |
|------------------------------|---|---------------------------------|--|--|----------------|
| <b>Cost</b>                  |   |                                 |  |  |                |
| At 1 January 2003            | 5,442                                   | 12,021                          | 5,457  | 2,571  | 25,491         |
| Additions                    | 92                                      | 463                             | 1,332  | 352  | 2,239          |
| On acquisition of subsidiary | -                                       | 1                               | 4  | 1  | 6              |
| Disposals                    | -                                       | (281)                           | (930)  | (39)   | (1,250)        |
| Exchange adjustment          | 325                                     | 757                             | 213  | 129  | 1,424          |
| <b>At 31 December 2003</b>   | <b>5,859</b>                            | <b>12,961</b>                   | <b>6,076</b>                                     | <b>3,014</b>                                 | <b>27,910</b>  |
| <b>Depreciation</b>          |   |                                 |  |  |                |
| At 1 January 2003            | 3,024                                   | 11,070                          | 1,928  | 2,106  | 18,128         |
| Disposals                    | -                                       | (262)                           | (717)  | (34)   | (1,013)        |
| Charge for the year          | 91                                      | 460                             | 1,071  | 216  | 1,838          |
| Exchange adjustment          | 228                                     | 725                             | 99   | 114  | 1,166          |
| <b>At 31 December 2003</b>   | <b>3,343</b>                            | <b>11,993</b>                   | <b>2,381</b>                                     | <b>2,402</b>                                 | <b>20,119</b>  |
| <b>Net book amount</b>       |   |                                 |  |  |                |
| <b>At 31 December 2003</b>   | <b>2,516</b>                            | <b>968</b>                      | <b>3,695</b>                                     | <b>612</b>                                   | <b>7,791</b>   |
| <b>Net book amount</b>       |   |                                 |  |  |                |
| At 31 December 2002          | 2,418                                   | 951                             | 3,529  | 465  | 7,363          |

Freehold land and buildings as at 31 December 2003 have been included on an historical cost basis.

Plant and machinery includes fire extinguishers leased to customers under operating lease contracts with a cost of £7,190,000 (2002: £6,734,000) and a net book value of £423,000 (2002: £466,000).

| <b>Company</b>                    | Motor vehicles<br>and share in aircraft<br>£'000 | Total<br>£'000 |
|-----------------------------------|--|----------------|
| <b>Cost</b>                       |  |                |
| At 1 January and 31 December 2003 | 1,019  | 1,019          |
| <b>Depreciation</b>               |  |                |
| At 1 January 2003                 | 51   | 51             |
| Charge for the year               | 51   | 51             |
| <b>At 31 December 2003</b>        | <b>102</b>                                       | <b>102</b>     |
| <b>Net book amount</b>            |  |                |
| <b>At 31 December 2003</b>        | <b>917</b>                                       | <b>917</b>     |
| <b>Net book amount</b>            |  |                |
| At 31 December 2002               | 968  | 968            |

# Notes to the financial statements

For the year ended 31 December 2003

## 12 Investments

| <b>Group</b>                              | Shares in<br>unlisted<br>companies<br>£'000 |
|---|---|
| <b>Cost</b>                               |   |
| At 1 January 2003 and at 31 December 2003 | <b>70</b>                                   |

| <b>Company</b>             | Shares in<br>subsidiary<br>undertakings<br>£'000 | Long-term loans<br>to subsidiary<br>undertakings<br>£'000 | Total<br>£'000 |
|----------------------------|--|---|----------------|
| <b>Cost</b>                |  |   |                |
| At 1 January 2003          | 4,816  | 44,959  | 49,775         |
| Movement in year           | -  | 1,905   | 1,905          |
| <b>At 31 December 2003</b> | <b>4,816</b>                                     | <b>46,864</b>   | <b>51,680</b>  |
| At 31 December 2002        | 4,816  | 44,959  | 49,775         |

A schedule of Group undertakings, all of which are wholly owned subsidiary undertakings, is included in note 25.

## 13 Stocks

|                               | Group<br>2003<br>£'000 | 2002<br>£'000 |
|-------------------------------|------------------------|---------------|
| Raw materials and consumables | 1,732                  | 1,409         |
| Work in progress              | 190                    | 189           |
| Finished goods                | 1,721                  | 1,827         |
|                               | <b>3,643</b>           | <b>3,425</b>  |

## 14 Debtors

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Trade debtors                           | 9,250         | 8,187         | -             | -             |
| Amounts owed by subsidiary undertakings | -             | -             | 363           | -             |
| Amounts owed by related undertakings    | 190           | 156           | -             | 4             |
| Other debtors                           | 1,004         | 792           | 268           | 234           |
| Prepayments and accrued income          | 708           | 477           | 7             | -             |
| Taxation recoverable                    | 514           | 128           | 205           | 831           |
|   | <b>11,666</b> | <b>9,740</b>  | <b>843</b>    | <b>1,069</b>  |

## Notes to the financial statements

For the year ended 31 December 2003

### 15 Finance Debt

|   | Group         |               |
|---|---------------|---------------|
|   | 2003<br>£'000 | 2002<br>£'000 |
| Bank loans and overdrafts (secured on the assets of certain Group undertakings) | 12,596        | 15,105        |
| Unamortised finance arrangement costs   | (335)         | (347)         |
|   | 12,261        | 14,758        |

Repayable by instalments as follows:

|                            |        |        |
|----------------------------|--------|--------|
| Between two and five years | 4,184  | 7,519  |
| Between one and two years  | 3,916  | 3,736  |
|                            | 8,100  | 11,255 |
| Within one year on demand  | 4,161  | 3,503  |
|                            | 12,261 | 14,758 |

Interest rates (including bank's margin) on the loans in existence during the year averaged 4.4% (2002: 5.2%) per annum. Bank loans and overdrafts are stated net of unamortised finance arrangement costs of £335,000 (2002: £347,000) of which £224,000 (2002: £260,000) is to be amortised after more than one year.

### 16 Creditors: Amounts Falling due within One Year

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2003<br>£'000 | 2002<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
| Trade creditors                         | 1,180         | 1,175         | -             | -             |
| Amounts owed to subsidiary undertakings | -             | -             | 19,348        | 19,728        |
| Amounts owed to related undertakings    | 366           | 372           | -             | -             |
| Other creditors                         | 2,546         | 2,356         | 258           | 310           |
| Corporation tax                         | 3,088         | 1,840         | -             | -             |
| Other taxation and social security      | 3,464         | 3,133         | -             | -             |
| Deferred purchase consideration         | -             | 679           | -             | -             |
| Accruals                                | 1,006         | 1,157         | -             | -             |
| Deferred income                         | 2,135         | 1,947         | -             | -             |
| Proposed dividend                       | 1,447         | 724           | 1,447         | 724           |
|   | 15,232        | 13,383        | 21,053        | 20,762        |

## Notes to the financial statements

For the year ended 31 December 2003

### 17 Provisions for Liabilities and Charges

| Group                     | At 1 January<br>2003<br>£'000 | Utilised<br>£'000 | Currency<br>movement<br>£'000 | Profit and<br>loss account<br>£'000 | At 31 December<br>2003<br>£'000 |
|---------------------------|-------------------------------|-------------------|-------------------------------|-------------------------------------|---------------------------------|
| Pensions (note 23)        | 1,475                         | (262)             | 45                            | 97                                  | 1,355                           |
| Deferred taxation (below) | 432                           | (1)               | 35                            | 20                                  | 486                             |
|                           | 1,907                         | (263)             | 80                            | 117                                 | 1,841                           |

| Group  | Amount provided |               | Amount unprovided |               |
|--|-----------------|---------------|-------------------|---------------|
|  | 2003<br>£'000   | 2002<br>£'000 | 2003<br>£'000     | 2002<br>£'000 |
| <b>Deferred taxation</b>   |                 |               |                   |               |
| The provided and unprovided deferred taxation liability/(asset) comprises: |                 |               |                   |               |
| Short-term timing differences - Europe                                     | 471             | 416           | -                 | -             |
| Accelerated capital allowances   | 15              | 14            | (235)             | (187)         |
| Short-term timing differences - United Kingdom                             | -               | 2             | (170)             | (193)         |
| Capital losses   | -               | -             | -                 | (5)           |
| Capital gains on revaluation   | -               | -             | 105               | 105           |
| <b>Deferred taxation</b>   | <b>486</b>      | <b>432</b>    | <b>(300)</b>      | <b>(280)</b>  |

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 15.

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*

|                 | Floating<br>rate financial<br>liabilities<br>2003<br>£'000 | Weighted<br>average<br>interest rate<br>percentage<br>2003 | Floating<br>rate financial<br>liabilities<br>2002<br>£'000 | Weighted<br>average<br>interest rate<br>percentage<br>2002 |
|-----------------|--|--|--|--|
| <b>Currency</b> |  |  |  |  |
| Sterling        | 5,330  | 5.3%   | 6,220  | 5.7%   |
| Euro            | 7,266  | 3.8%   | 8,885  | 4.8%   |
|                 | 12,596   | 4.4%   | 15,105   | 5.2%   |

# Notes to the financial statements

For the year ended 31 December 2003

## 18 Financial Instruments (continued)

All the Group's creditors falling due within one year (other than bank or other borrowings) are excluded from the above table 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.

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. The borrowing covered by the caps reduces in proportion to the loans outstanding at capital repayment dates. 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.

Floating rate financial liabilities bear interest at rates based on interest rate fixings at 31 December 2003 including the bank's interest margin where appropriate. The Group did not have any fixed rate financial liabilities during the year.

### Interest Rate Risk Profile of Financial Assets

Cash at bank and in hand

|                | 2003<br>£'000 | 2002<br>£'000 |
|----------------|---------------|---------------|
| Currency       |               |               |
| Sterling       | 1,909         | 2,039         |
| Swiss Franc    | 2,653         | 1,387         |
| Euro           | 8,924         | 6,877         |
| At 31 December | 13,486        | 10,303        |

The maturity profile of the carrying amount of the Group's financial liabilities at 31 December 2003 and 2002 is analysed in note 15.

### Maturity of Financial Liabilities

The maturity profile of the carrying amount of the Group's financial liabilities at 31 December 2003 and 2002 is analysed in note 15.

### Borrowing Facilities

The Group had an undrawn committed borrowing facility available at 31 December 2003 of £7,100,000 (2002: £509,000).

Funds can be drawn under this facility until December 2006 and it is available to help fund the Group's expansion policy. Commitment fees are paid at market rates.

### 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 2003 and 2002 is provided. 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 2003, there is no material difference between its fair value and carrying value.

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

# Notes to the financial statements

For the year ended 31 December 2003

## 18 Financial Instruments (continued)

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 lower than the book value by £21,000.

### 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.

| 2003  | Net Foreign Currency Monetary Assets/(Liabilities) |               |                       |                |
|---|--|---------------|-----------------------|----------------|
|   | Sterling<br>£'000                                  | Euro<br>£'000 | Swiss Francs<br>£'000 | Total<br>£'000 |
| Functional currency of the group operation: |  |               |                       |                |
| Sterling                                    | -  | (1,538)       | -                     | (1,538)        |
|   | -  | (1,538)       | -                     | (1,538)        |
| 2002  |  |               |                       |                |
| Functional currency of the group operation: |  |               |                       |                |
| Sterling                                    | -  | (1,853)       | -                     | (1,853)        |
|   | -  | (1,853)       | -                     | (1,853)        |

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

|   | Unrecognised   |               | Total net<br>£'000 |
|---|----------------|---------------|--------------------|
|   | Gains<br>£'000 | Loss<br>£'000 |                    |
| Unrecognised gains and losses on hedges at 1 January 2003   | -              | -             | -                  |
| Arising in previous years recognised in the year            | -              | -             | -                  |
| Gains and losses not recognised in the year:                |                |               |                    |
| Arising before 1 January 2003                               | -              | -             | -                  |
| Arising in 2003   | -              | (21)          | (21)               |
| Gains and losses on hedges at 31 December 2003              | -              | (21)          | (21)               |
| of which:   |                |               |                    |
| Gains and losses expected to be recognised in 2004          | -              | (5)           | (5)                |
| Gains and losses expected to be recognised in 2005 or later | -              | (16)          | (16)               |

## Notes to the financial statements

For the year ended 31 December 2003

### 19 Called Up Share Capital

|                             | 2003<br>number | 2003<br>£'000 | 2002<br>number | 2002<br>£'000 |
|-----------------------------|----------------|---------------|----------------|---------------|
| <b>Authorised</b>           |                |               |                |               |
| Ordinary shares of 10p each | 20,000,000     | 2,000         | 20,000,000     | 2,000         |
| <b>Allotted</b>             |                |               |                |               |
| Ordinary shares of 10p each | 14,474,816     | 1,447         | 14,487,316     | 1,449         |

During the year, the Company purchased 12,500 of its own ordinary shares of 10p each, which represented 0.09% of the issued share capital, for a cash consideration of £171,478.

Certain senior executives hold options to subscribe for shares in the Company under the unapproved share option scheme. The outstanding options under this scheme at 31 December 2003 were as follows:

| Date granted | At 1 January 2003 | Granted in year | At 31 December 2003 | 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 2003 was £13.88 and the range during the year was £11.50 to £14.00.

### 20 Share Premium Account and Reserves

| Group                        | Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | Merger reserve<br>£'000 | Profit and loss account<br>£'000 |
|------------------------------|--------------------------------|-------------------------------------|-------------------------|----------------------------------|
| At 1 January 2003            | 27,476                         | 115                                 | 2,033                   | 16,908                           |
| Exchange adjustments         | -                              | -                                   | -                       | 684                              |
| Purchase of own shares       | -                              | 2                                   | -                       | (171)                            |
| Retained profit for the year | -                              | -                                   | -                       | 3,910                            |
| <b>At 31 December 2003</b>   | <b>27,476</b>                  | <b>117</b>                          | <b>2,033</b>            | <b>21,331</b>                    |

| Company                      | Share premium account<br>£'000 | Capital redemption reserve<br>£'000 | Profit and loss account<br>£'000 |
|------------------------------|--------------------------------|-------------------------------------|----------------------------------|
| At 1 January 2003            | 27,476                         | 115                                 | 3,157                            |
| Purchase of own shares       | -                              | 2                                   | (171)                            |
| Retained profit for the year | -                              | -                                   | 1,187                            |
| <b>At 31 December 2003</b>   | <b>27,476</b>                  | <b>117</b>                          | <b>4,173</b>                     |

# Notes to the financial statements

For the year ended 31 December 2003

## 21 Cash Flow from Operating Activities

| Group  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| <b>Reconciliation of operating profit to net cash inflow from operating activities</b> |               |               |
| Operating profit   | 10,927        | 9,278         |
| Amortisation of goodwill   | 2,745         | 2,681         |
| Depreciation   | 1,838         | 1,735         |
| Exchange differences   | 216           | (75)          |
| (Increase)/decrease in debtors   | (1,395)       | 505           |
| Increase in creditors  | 166           | 1,230         |
| Increase in stocks   | (202)         | (374)         |
| Cash flow from operating activities  | 14,295        | 14,980        |

## 22 Reconciliation of Movement in Net Debt

|                          | At 1 January<br>2003<br>£'000 | Cash flow<br>£'000 | New loan<br>£'000 | Other<br>non-cash<br>changes | At 31 December<br>2003<br>£'000 |
|--------------------------|-------------------------------|--------------------|-------------------|------------------------------|---------------------------------|
| Cash in hand and at bank | 10,303                        | 3,183              | -                 | -                            | 13,486                          |
| Debt due within one year | (3,503)                       | (682)              | -                 | 24                           | (4,161)                         |
| Debt due after one year  | (11,255)                      | 3,791              | (600)             | (36)                         | (8,100)                         |
| Total                    | (4,455)                       | 6,292              | (600)             | (12)                         | 1,225                           |

Non-cash changes comprise the net of the capitalisation and amortisation of finance arrangement costs.

## 23 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 5 April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

# Notes to the financial statements

For the year ended 31 December 2003

## 23 Pensions (continued)

The most recent actuarial valuation showed that the market value of the scheme's assets was £7,241,000 and that the actuarial value of those assets represented 104% 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 £939,000 (2002: £939,000) and £416,000 (2002: £536,000) 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 FRS17 in order to assess the liabilities of the schemes are based on actuarial valuations at 5 April 2001 and 31 December 2001 respectively. The results of these valuations have been projected to 31 December 2003 and then recalculated using the assumptions set out below. The schemes' assets are stated at their market value at 31 December 2003.

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

|                                   | 2003          | 2002          | 2001          |
|-----------------------------------|---------------|---------------|---------------|
| Discount rate                     | 5.50% - 5.75% | 5.50% - 5.75% | 5.75% - 6.00% |
| Inflation rate                    | 2.00% - 2.80% | 2.00% - 2.25% | 2.00% - 2.50% |
| Salary increase rate              | 2.00% - 4.25% | 2.00% - 3.75% | 2.00% - 4.25% |
| Increases for pensions in payment | 2.50%         | 2.00%         | 2.25%         |
| Revaluation of deferred pensions  | 2.80%         | 2.25%         | 2.50%         |

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

|   | Long-term return<br>expected at<br>31 December<br>2003 | Value at<br>31 December<br>2003<br>£'000 | Long-term return<br>expected at<br>31 December<br>2002 | Value at<br>31 December<br>2002<br>£'000 | Long-term return<br>expected at<br>31 December<br>2001 | Value at<br>31 December<br>2001<br>£'000 |
|---|--|--|--|--|--|--|
| Equities  | 7.00%  | 3,688                                    | 6.50%  | 4,292                                    | 7.00%  | 5,642                                    |
| Assets with guaranteed<br>interest with insurer | 3.25% - 4.75%  | 639                                      | 3.25% - 4.75%  | 639                                      | 3.25% - 4.75%  | 639                                      |
| Bonds   | 5.50%  | 2,455                                    | 5.00%  | 776                                      | 5.50%  | 1,037                                    |
| Cash  | 5.00%  | 30                                       | 4.00%  | 303                                      | 5.0%   | 54                                       |
|   |  | 6,812                                    |  | 6,010                                    |  | 7,372                                    |
| Present value of scheme liabilities             |  | (9,955)                                  |  | (8,508)                                  |  | (7,736)                                  |
| Deficit in the scheme                           |  | (3,143)                                  |  | (2,498)                                  |  | (364)                                    |
| Related deferred tax asset                      |  | 955                                      |  | 761                                      |  | 121                                      |
| Net pension deficit                             |  | (2,188)                                  |  | (1,737)                                  |  | (243)                                    |

# Notes to the financial statements

For the year ended 31 December 2003

## 23 Pensions (continued)

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

### *Analysis of the Amount that would be Charged to Operating Profit*

|                        | 2003<br>£'000 | 2002<br>£'000 |
|------------------------|---------------|---------------|
| Current service cost   | 421           | 425           |
| Total operating charge | 421           | 425           |

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

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Expected return on pension scheme assets | 328           | 454           |
| Interest on pension scheme liabilities   | (420)         | (412)         |
| Net (charge)/return                      | (92)          | 42            |

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

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Actual return less expected return on pension scheme assets                     | 540           | (1,802)       |
| Changes in assumptions underlying the present value of the scheme liabilities   | (907)         | (230)         |
| Actuarial loss recognised in the statement of total recognised gains and losses | (367)         | (2,032)       |

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2003 would be as follows:

|   | 2003<br>£'000 | 2002<br>£'000 |
|---|---------------|---------------|
| Net assets including pension provisions under SSAP 24 | 52,983        | 47,981        |
| Pension provisions under SSAP 24                      | 1,355         | 1,475         |
| Pension deficits under FRS 17                         | (2,188)       | (1,737)       |
| Net assets including pension deficits under FRS 17    | 52,150        | 47,719        |

|  | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|
| Profit and loss reserve including pension provisions under SSAP 24 | 21,910        | 16,908        |
| Pension provisions under SSAP 24                                   | 1,355         | 1,475         |
| Pension deficits under FRS 17                                      | (2,188)       | (1,737)       |
| Profit and loss reserve including pension deficits under FRS 17    | 21,077        | 16,646        |

### *Movement in Deficit During the Year*

|                                  | 2003<br>£'000 | 2002<br>£'000 |
|----------------------------------|---------------|---------------|
| Deficit at the start of the year | (2,498)       | (364)         |
| Current service cost             | (421)         | (425)         |
| Contributions                    | 235           | 218           |
| Other finance income             | (92)          | 42            |
| Actuarial loss                   | (367)         | (1,969)       |
| Deficit at the end of the year   | (3,143)       | (2,498)       |

## Notes to the financial statements

For the year ended 31 December 2003

### 23 Pensions (continued)

#### *History of Experience Gains and Losses*

|  | 2003  | 2002    |
|--|-------|---------|
| <b>Difference between the actual and expected return on scheme assets</b>        |       |         |
| Amount (£'000)   | 540   | (1,802) |
| Percentage of scheme assets  | 8%    | (30%)   |
| <b>Experience gains and losses on scheme liabilities</b>                         |       |         |
| Amount (£'000)   | -     | -       |
| Percentage of scheme liabilities   | -     | -       |
| <b>Total amount recognised in statement of total recognised gains and losses</b> |       |         |
| Amount (£'000)   | (367) | (2,032) |
| Percentage of scheme liabilities   | (4%)  | (24%)   |

### 24 Operating Lease Rental Commitments on Land and Buildings

|   | 2003<br>£'000 | Group<br>2002<br>£'000 |
|---|---------------|------------------------|
| Annual commitments for leases expiring: |               |                        |
| Within one year                         | 84            | 50                     |
| Between two and five years inclusive    | 237           | 133                    |
| Over five years                         | 68            | -                      |
|   | <b>389</b>    | <b>183</b>             |

# Notes to the financial statements

For the year ended 31 December 2003

## 25 Group Undertakings

The following material 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                                   |
| CFP Cavelle Limited                | Alarms          | 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  |
| HUG S.A.                           | Fire protection | Switzerland*   |
| Importex S.A.                      | Fire protection | Belgium  |
| L W Safety Limited                 | Fire protection | England  |
| Maclin S.A.                        | Fire protection | Switzerland*   |
| 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  |
| Toldwell Limited                   | Sub-holding     | England  |
| Total Firestop G.m.b.H.            | Fire protection | Austria  |
| Total TF AG                        | Fire protection | Switzerland*   |

\*Auditors other than PricewaterhouseCoopers

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

## 26 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.

## 27 Related Party Transactions

During the year the Group has incurred costs amounting to £1,400,000 (2002: £1,300,000) 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 £268,000 (2002: £233,000) of expenditure on behalf of J.G. Murray during the year, which is to be reimbursed.

# Notice of Annual General Meeting

**NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc will be held at 10 Bruton Street, 5th Floor, London W1 on 10 June 2004 at 11:00 am for the following purposes:**

To consider the following resolutions as ordinary resolutions:

1. To receive the financial statements for the year ended 31 December 2003 and the reports of the Directors and auditors and the Remuneration Report for that period.
2. To approve the payment of a final dividend of 10p per ordinary share, such dividend to be payable on 25 June 2004 to the holders of such shares on the register of members on 28 May 2004.
3. To re-elect Mr. J-J. Murray, who retires by rotation under article 23.2 of the Company's articles of association, as a Director.
4. To re-elect Mr. M. Gailer, 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:

5. 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:

6. 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 £72,374; 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.
7. 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;

## Notice of Annual General Meeting

- (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

Richard Pollard  
Secretary  
30 April 2004



### 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 the 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

#### Nu-Swift International Limited

Wistons Lane  
Elland  
West Yorkshire HX5 9DS  
Tel: 01422 372852  
Fax: 01422 379569  
E-mail: customerservice@nu-swift.co.uk  
Website: www.nu-swift.com

#### GFA Premier Limited

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

#### 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

#### 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

#### Asco Extinguishers

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

#### CFP Cavelle Limited

Sandwash Close  
Rainford Industrial Estate  
Rainford St. Helens  
Merseyside WA11 8LY  
Tel: 01744 885161  
Fax: 01744 882410  
E-mail: info@cfpcavelle.co.uk  
Website: www.cfpcavelle.co.uk

### Austria

#### Total Firestop G.m.b.H.

Percostrasse 15  
1220 Wien  
Tel: 00 431 259 36310  
Fax: 00 431 259 363118  
E-mail: info@total.at  
Belgium

#### Ansul S.A.

Industrialaan 35  
B-1702 Groot-Bijgaarden  
Tel: 00 32 2467 7211  
Fax: 00 32 2466 4456  
E-mail: mail@ansul.be  
Website: www.ansul.be

#### All-Protex N.V.

Bogaertstraat 16  
9910 Knesslare  
Tel: 00 32 9375 2044  
Fax: 00 32 9374 6895  
E-mail: info@all-protex.be

#### Importex S.A.

42 rue de l'église  
4710 Lontzen Herbesthal  
Tel: 00 32 8788 0242  
Fax: 00 32 8788 3766  
E-mail: info@importex.be

#### Dimex Technics S.A.

42 rue de l'église  
4710 Lontzen Herbesthal  
Tel: 00 32 8788 0242  
Fax: 00 32 8788 3766  
E-mail: info@dimex-technics.be

### Holland

#### Ansul B.V.

Platinastraat 14 NL 8211  
AR Lelystad  
Tel: 00 31 320 240864  
Fax: 00 31 320 247707  
E-mail: info@ansul.nl

#### Nu-Swift Brandbeveiliging B.V.

Ringoven 32  
6826 TR Arnhem  
Tel: 00 31 263 630330  
Fax: 00 31 263 640828  
E-mail: nu-swift@planet.nl

### Switzerland

#### Feuerloscher Nu-Swift (Schweiz) AG

Bahnhofplatz 1  
2501 Biel/Bienne  
Tel: 00 41 32 323 1314  
Fax: 00 41 32 322 0412  
E-mail: info@nu-swift.ch

#### Total TF AG

Bahnhofplatz 1  
2501 Biel/Bienne  
Tel: 00 41 32 323 1314  
Fax: 00 41 32 322 0412  
E-mail: info@total.ch

#### Maclin S.A.

Chemin de la Mairie, 5  
1223 Cologny  
Tel: 00 41 22 735 1400  
Fax: 00 41 22 700 5789  
E-mail: info@maclin.ch

#### HUG S.A.

Postfach 4012  
4055 BS Basel  
Tel: 00 41 61301 8272  
Fax: 00 41 61301 8274  
E-mail: hug@datacomm.ch  
Website: www.hugfeuerschutz.ch