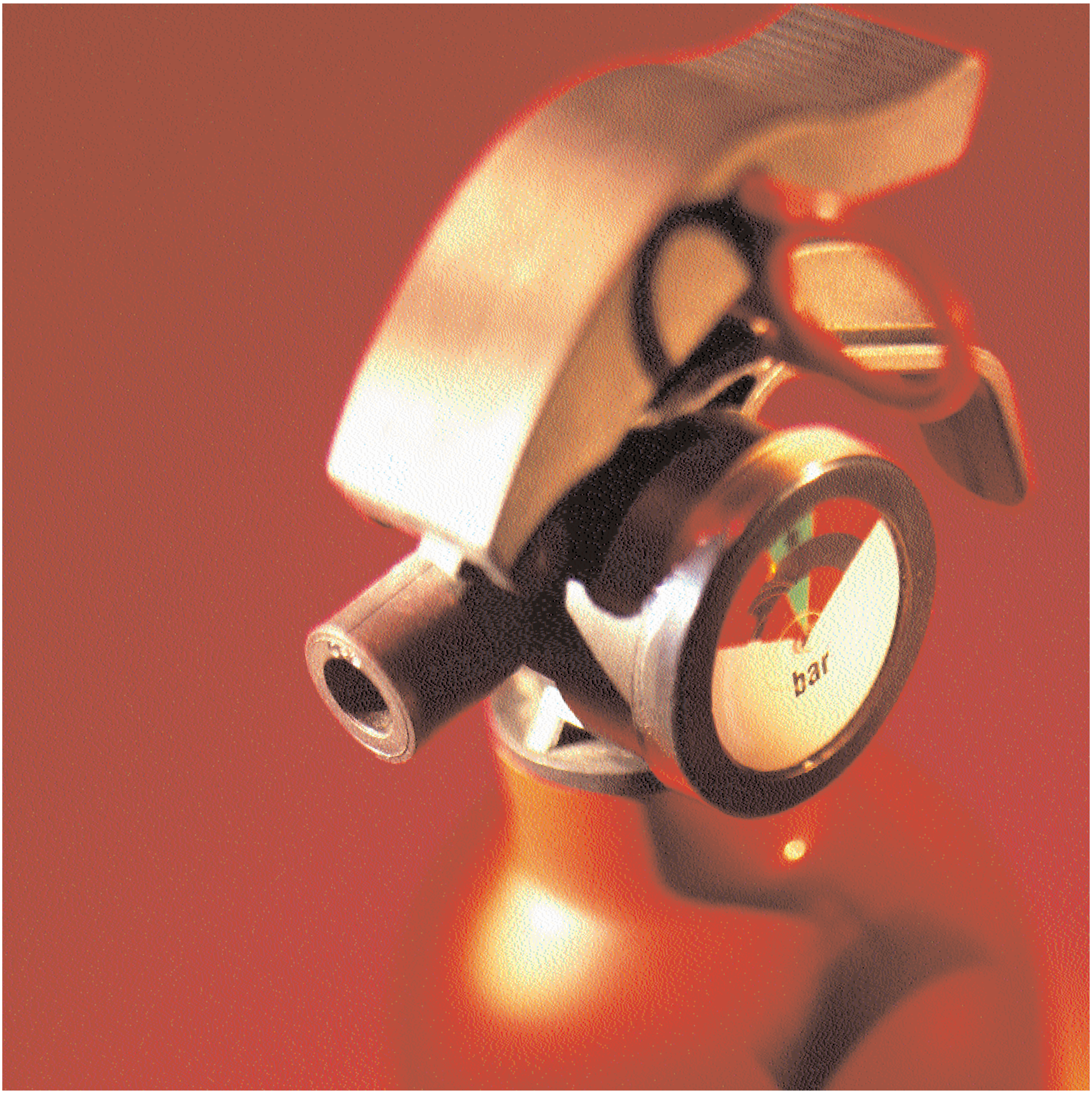
# LONDON SECURITY PLC

annual report and accounts for the year ended 31 December 2002



## EUROPEAN GROUP BRANDS

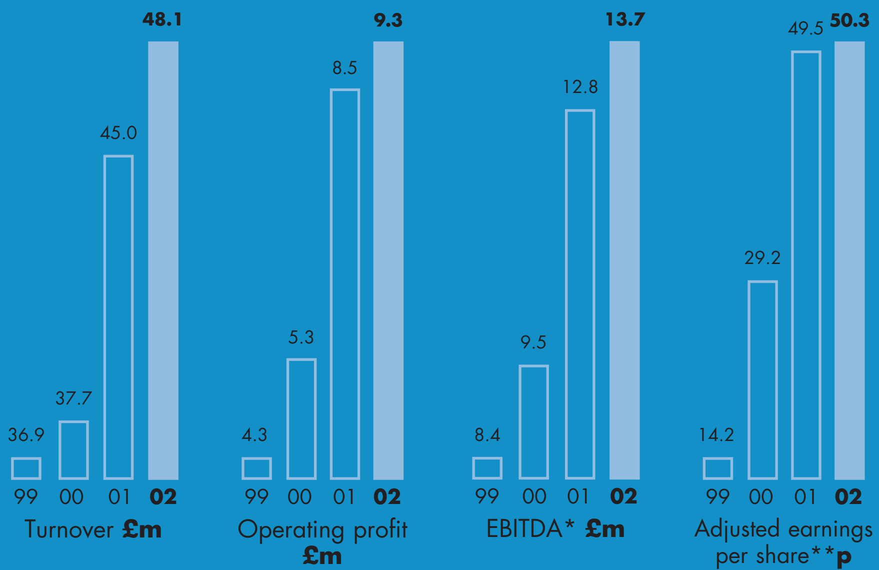
# CORPORATE STATEMENT

London Security plc is a leader in Europe's fire security industry. Each year we provide fire protection for over 250,000 customers through our local presence in the United Kingdom, Holland, Belgium, Switzerland and Austria.

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

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

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




* Earnings before interest, taxation, depreciation and amortisation

** Earnings per share after eliminating the effect of amortisation of goodwill and profit on disposal of property investment companies

# CHAIRMAN'S STATEMENT

## THE GROUP HAS DELIVERED EXCELLENT RESULTS IN DIFFICULT MARKET CONDITIONS

I am again able to report that the Group has delivered excellent results in difficult market conditions.

Financial highlights are:

- Turnover increased by 7% to £48.1 million
- Operating profit increased by 9% to £9.3 million
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 7% to £13.7 million
- Net gearing reduced from 21% at 31 December 2001 to 10%
- Dividend increased by 27% to 7.0p per share
- £3.5 million invested in acquisition of subsidiaries

### Trading Review

The financial highlights confirm considerable progress made in the year. This is very encouraging as it follows the tremendous growth reported in 2001. There follows an Operational Review from each country on pages 4 to 6.

The activities of each subsidiary, together with a full Company history, can be found on the Group's investor relations website – www.londonsecurity.org

### Future Prospects

The outlook for 2003 is cautiously optimistic. On the fire extinguisher service side, our objective is to provide a greater range of fire protection services including improvements to the fire training, fire alarms and risk assessment services currently offered. Other services such as emergency plans and escape routes will be offered to provide our customers with a one-stop-shop solution for their fire protection requirements.

BSI has recommended that Nu-Swift International Limited receive a licence under ISO 14001, the new environmental standard accreditation. As evidence of our long-term commitment to the environment, it is our intention to expand this across our European subsidiaries.

### Change of Name

The Board was of the opinion that the name London Security plc better reflects the emphasis of the Group in the fire protection and safety field than London Securities plc. The Company's name was, therefore, changed to London Security plc at our Extraordinary General Meeting held on 9 April 2003.


## Acquisitions

In addition to organic growth, it remains a principal aim of the Company to grow through acquisition. Acquisitions are being sought throughout Europe and the Group will invest at the upper end of the price spectrum where an adequate return is envisaged.

In 2002 we have been successful in this objective with the acquisitions of Asco Extinguishers Company Limited and CFP Cavelle Limited in the United Kingdom and HUG S.A. in Switzerland.

## Management and Staff

2002 was a year in which the staff excelled and, on your behalf, I would like to express thanks and appreciation for their contribution.

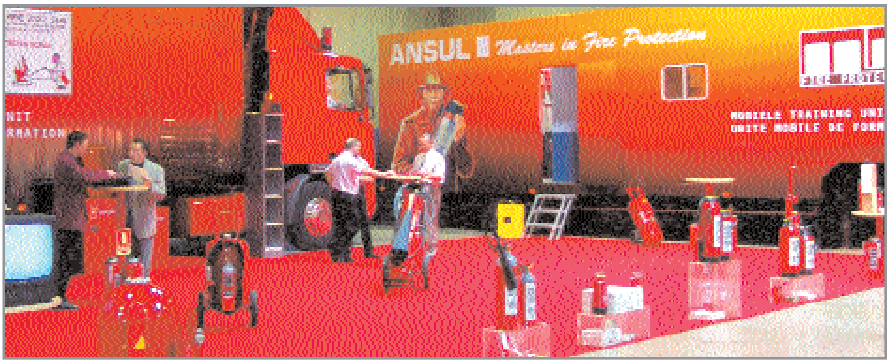
## Dividend

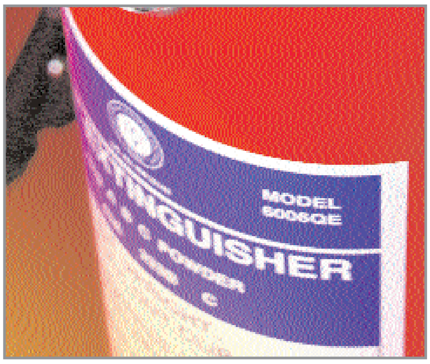
A final dividend of 5.0p (2001: 4.0p) per share is proposed, payable on 20 June 2003 to shareholders on the register on 23 May 2003. An interim dividend of 2.0p per share (2001: 1.5p) was paid in November 2002, making a total dividend for the year of 7.0p (2001: 5.5p) per share.

## Annual General Meeting

The Annual General Meeting will be held at the Grosvenor House Hotel, Park Lane, London W1 on 5 June 2003 at 11.00 am. You will find enclosed a form of proxy for use at that Meeting which you are requested to complete and return in accordance with the instructions thereon. I shall, along with your Directors, look forward to meeting you at that time.

J.G. Murray
Chairman



## OPERATIONAL REVIEW | BELGIUM

Despite a difficult economic climate, each of the four subsidiaries had another good year reporting a collective increase in turnover.

Moreover, we increased the intake of new service contracts leading to organic growth of the customer database which bodes well for the future.

Ansul's strategy of "one-stop-shopping" for its customers was further reinforced with the official opening of a new fire training centre in Brussels in October 2002.

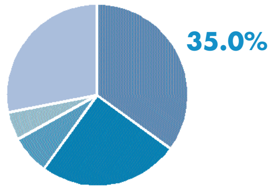
Finally, 2002 also saw the granting of the CE 0029 quality marking for the Ansul factory, manufacturer of Ansul-branded fire extinguishers.

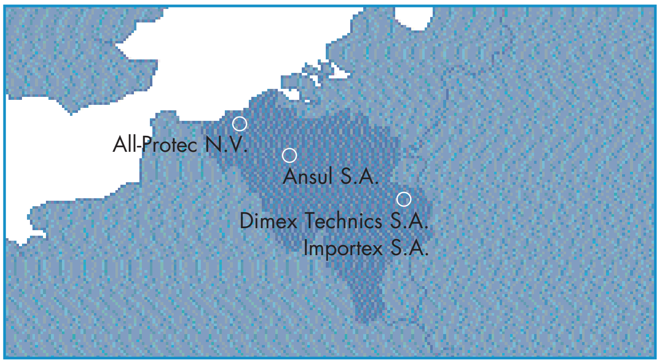
Importex, Dimex and All-Protec also enjoyed a fine performance thanks to an increase in the number of extinguishers serviced.

Belgium turnover
**£16,818,000**

Market position
(ranked by turnover)
**1st**

% Group turnover




## OPERATIONAL REVIEW | HOLLAND

Although the market situation stabilised in 2002, we were still able to realise growth of 15% in turnover.

The strong focus on our customers and, in particular, the fire safety of our customers, their employees and their visitors resulted in an increase of turnover as well as a customer satisfaction level of over 90%. The focus of the management team was intensified on our core activities. This resulted in an improvement of our service processes.

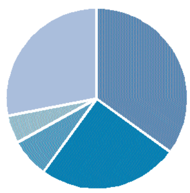
A re-design of our sales processes resulted in a modest growth of the customer base.

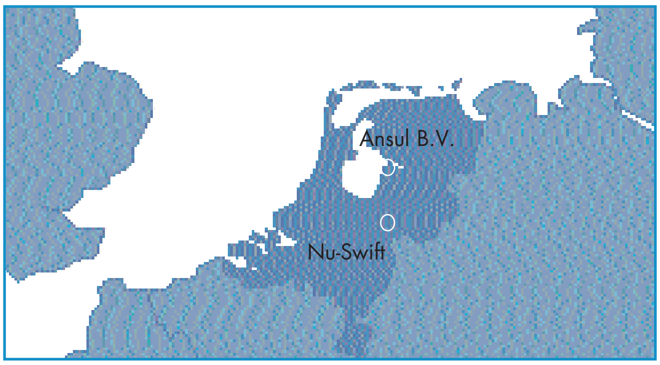
Our marketing efforts in export activities regarding foam hardware in 2001 resulted in an increased turnover, mainly due to a large project we delivered in India.

Holland turnover
**£13,148,000**

Market position
(ranked by turnover)
**1st**

% Group turnover



## OPERATIONAL REVIEW | AUSTRIA

TOTAL Firestop has attained an increase in turnover with a corresponding increase in profitability.

Legislation changes led to a reduction in the number of types of fire extinguisher recommended for the Austrian market. Many of our customers were equipped with powder fire extinguishers which, according to the new recommendation, are often not appropriate.

Furthermore, customers had fire extinguishers older than recommended ages. Many of these fire extinguishers had to be exchanged for safety reasons. All service staff are now certified according to the most recent European Standard ONR 61053.

By setting up a second management tier, we were able to perform more product instruction and staff training in 2002. Both these measures improved customer satisfaction throughout the year. Thereby communication between the Company management and the service staff was enhanced.

Austria turnover

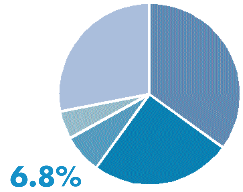
**£3,262,000**

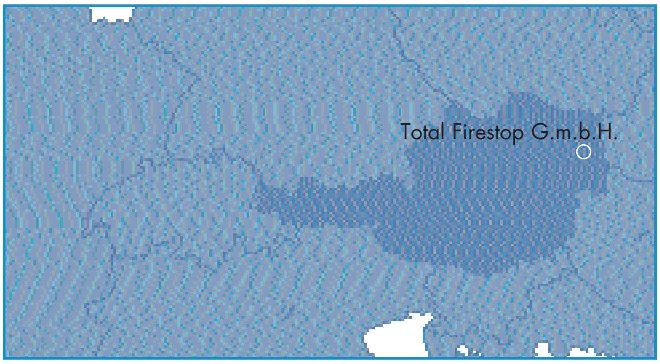
Market position

(ranked by turnover)

**1st**

% Group turnover




## OPERATIONAL REVIEW | SWITZERLAND

The Swiss operations recorded a jump in operating profits, thanks to an increase in the service engineers' productivity and the closure of the loss-making cold calling sales division.

The spectacular leap in productivity was achieved through better planning and a greater control over the service engineers' activity.

2002 was marked by the full integration of Maclin S.A. into our NMT branding and a move to the same computer platform as the majority of Group companies. The acquisition of HUG S.A., an extinguisher maintenance company based in Basel, towards the end of the year further emphasises the Group's commitment to enforcing our market position in Switzerland.

Switzerland turnover

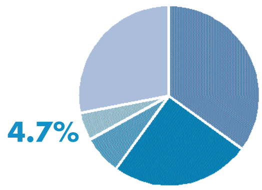
**£2,271,000**

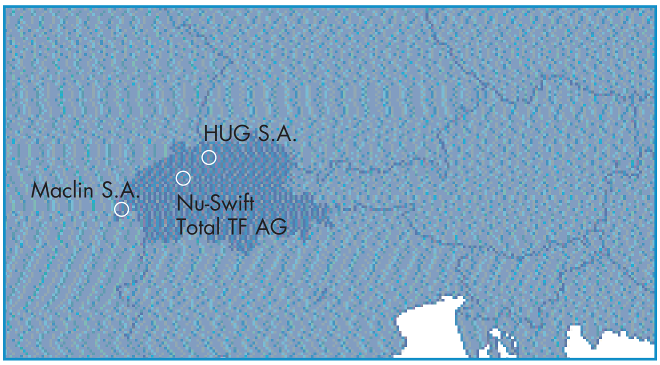
Market position

(ranked by turnover)

**3rd**

% Group turnover



# OPERATIONAL REVIEW | UNITED KINGDOM

nu-swift L.W. Safety CFP Cavelle Limited THE ASCO FIRE GROUP GFA Hoyles Fire & Safety Ltd

2002 was a year of growth through acquisition. On 30 May 2002, the Group acquired the entire issued share capital of CFP Cavelle Limited. The principal activity of this company is the provision of fire alarm equipment, maintenance and servicing. This acquisition represents an expansion into alarm maintenance for the Group and it is hoped this will provide a springboard to the provision of a one-stop-shop for fire protection for our customers.

On 12 November 2002, the Group acquired the entire issued share capital of Asco Extinguisher Company Limited ("Asco"), a company operating in fire extinguisher service and fire alarm installation and maintenance. Asco has its Head Office in Glasgow, with branch offices in Edinburgh and Preston. This acquisition increased our United Kingdom customer service pool and gives the Group a substantial presence in Scotland which previously had been one of our less well-represented areas.

Trading held up reasonably well despite difficult trading conditions although service customers were less willing to buy new extinguishers, preferring to rectify existing equipment. Another trend was the continuing shift of Nu-Swift customers towards preferring to rent extinguishers rather than purchasing outright.

Efforts to improve customer satisfaction, and hence retain customers, have been fundamental to the year's progress. Management now has a much improved understanding of customer care and every effort has been made to deliver a service of the highest quality. Retraining of staff and management reporting on these matters has helped in this regard.

Field staff retention was much improved in 2002, resulting in much reduced recruitment and training costs and a more stable workforce.

Market forces gave rise to increased insurance and pension costs.

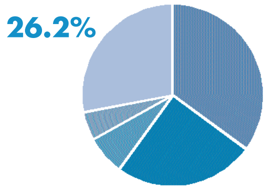
United Kingdom turnover

**£12,579,000**

Market position
(ranked by turnover)

**2nd**

% Group turnover





# FINANCIAL REVIEW

## CASH AT THE BANK HAS INCREASED BY £3.0 MILLION AND £2.9 MILLION OF DEBT HAS BEEN REPAID

| FINANCIAL HIGHLIGHTS | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Turnover | 48,078 | 45,005 |
| Operating profit | 9,278 | 8,544 |
| EBITDA | 13,694 | 12,839 |
| Profit on ordinary activities before taxation | 8,443 | 7,729 |
| Dividend per share | 7.0p | 5.5p |

### Profit and Loss Account

Turnover from the Group's existing operations has increased by 5% to £47.4 million. The acquisitions in the year of ASCO, CFP Cavelle and HUG added £0.6 million to turnover and immediately contributed to profits.

Operating profits have increased by 8.6% in the year.

EBITDA as a percentage of turnover was held at 28.5%, underlining the fact that the turnover growth was not achieved by reducing margins or profitability.

Interest payable is reduced from 2001 as the Group benefited from lower debt levels and a reduction in lending rates.

### Balance Sheet/Cash Flow

The balance sheet has been strengthened by the repayment of £2.9 million of debt (offset by £1.4 million of new borrowings and exchange movements of £0.3 million), an increase of £3.0 million in cash deposits and an increase in net worth to £48.0 million. Stocks and trade debtors have increased reflecting higher trading levels. Trade debtors represent 53 days' sales (2001: 56 days) and stocks represent 50 days' cost of sales (2001: 39 days).

London Security is a service business with a track record of being able to convert profits into positive cash flows. Cash flow from operating activities increased by £3.9 million. Net debt levels excluding unamortised finance arrangement costs of £0.3 million (2001: £0.4 million) have reduced from £9.1 million to £4.8 million, reducing gearing to 10%.

### Taxation

Excluding goodwill charges, which in the main are not tax deductible, the Group's overall effective tax rate is 34.5%.

The Group has negligible taxation losses carried forward and should expect to pay similar levels of taxation going forward.

### Treasury Management and Policy

The Board considers foreign currency translation exposure and interest rates to be the only potential treasury risks. Treasury policies and guidelines are authorised and reviewed by the Board. The Group's policy is to hedge its international assets with respect to foreign currency balance sheet translation exposure. Consequently, 59% of the Group's debt is denominated in foreign currencies, which also proportionately matches foreign currency interest and capital payments. The Group does not hedge against foreign currency transaction exposure.

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

### Interest Rate Risk

The majority of the Group's borrowings are subject to floating rate debt aligned to LIBOR. New interest rate caps were taken out in 2003 to provide interest rate cover for 60% of the Group's debt. The Directors consider that, in the current economic climate, the level of risk does not warrant the relatively high level of costs that would be incurred taking out further financial derivatives to cover interest rate risk.

J-C Pillois
Finance Director

# DIRECTORS AND ADVISERS

**Jacques Gaston Murray (83)**
**Chairman**
His involvement in the fire industry began in 1961 with his investment in a business which became General-Incendie S.A., one of France's largest fire extinguisher companies. He invested in Nu-Swift and became Chairman in 1982 and became the majority shareholder in 1984 when Nu-Swift acquired Associated Fire Protection Limited which owned General-Incendie S.A. J.G. Murray has a business interest in Andrews Sykes Group plc ("Andrews Sykes"), a separately listed United Kingdom company, owning approximately 84% of the issued share capital. He is Chairman of British Security Limited, a listed Bermuda company.

**Jean-Jacques Murray (36)**
**Executive Director**
Jean-Jacques is the son of Jacques Gaston Murray. His prime responsibility is the control and strategic direction of the Group. He is a Non-Executive Director of Andrews Sykes.

**Jean-Christophe Pillois (46)**
**Finance Director**
He 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 (34)**
**Operations Director**
He 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 (65)**
**Senior Independent Non-Executive Director**
H. Shouler is Deputy Chairman of Jobs.co.uk plc, an AIM listed company. He also has a number of directorships in private companies. He was appointed as a Director on 18 August 1994.

**Michael Gailer (67)**
**Independent Non-Executive Director**
He is a Non-Executive Director of Andrews Sykes and a number of private companies.

**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 7JE

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

**Nominated Advisers**
**Ernst & Young**
PO 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 2002.

## Principal Activities

London Security plc, which changed its name on 9 April 2003 from London Securities 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 2002 amounted to £4,603,000 (2001: £4,524,000). A final dividend of 5p per ordinary share is proposed, payable on 20 June 2003 to shareholders on the register at 23 May 2003.

## 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.G. Murray and E. Sebag retire by rotation and 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 2002 had any disclosable interest in the share capital of the Company or any subsidiary undertaking.

| | Ordinary shares of 10p each | | |
|---|---|---|---|
| | At 24 April 2003 | At 31 December 2002 | At 1 January 2002 |
| J.G. Murray | 14,232,214 | 14,229,214 | 14,206,614 |

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 24 April 2003, the Company had been notified of the following interest of 3% or more in the share capital of the Company:

| | Number of shares | Percentage of share capital |
|---|---|---|
| EOI Fire SARL | 11,602,320 | 80.09% |
| British Security Group Limited | 1,397,680 | 9.6% |
| 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 24 April 2003 | At 29 December 2002 | At 30 December 2001 |
| J.G. Murray | 50,472,257 | 50,566,257 | 51,315,257 |
| J-J. Murray | 295,000 | 270,000 | 245,000 |
| J-C. Pillois | 1,038,580 | 1,038,580 | 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 2002:

| | Number of ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| | At 29 December 2002 | At 30 December 2001 | Period of exercise | | | Exercise price pence |
| 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 further ISO 14001 accreditation, having already achieved this accreditation at the Elland headquarters.

## 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 2002 Group average creditor days was 46 days (2001: 45 days).

The Company has no trade creditors.

### Donations

The Company and Group made no political donations during the year (2001: £nil) and charitable donations of £3,000 (2001: £4,000).

### Purchase of Own Shares

During the year the Company did not purchase any of its own ordinary shares of 10p each. As at 1 January 2003 there remained outstanding general authority for the Directors to purchase a further 250,000 10p ordinary shares.

The special business to be proposed at the 2003 Annual General Meeting includes, at resolution number 6, a special resolution to authorise the Directors to issue shares for cash, other than pro-rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £72,436, 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.

### Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 28 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

### Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 39 and 40 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

The Listing Rules applicable to the Company contain the Principles of Good Governance and Code of Best Practice ("the Combined Code").

The purpose of this 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.

## 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. The majority of 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.

## 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 15.

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 12.

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 Control

The Combined Code introduced a new 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.

As a Company listed on the Alternative Investment Market ("AIM"), the Company is not required to adhere to the Combined Code and all of the disclosures made in this Report are voluntary. In light of this fact 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 the non-compliance with "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance).

# CORPORATE GOVERNANCE

## Internal 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.

## 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 2002 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.

By order of the Board

R. Pollard
Company Secretary
29 April 2003

# 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 listed it is not required to make disclosures specified by the new 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

An analysis of the remuneration received by each Director in office during the year ended 31 December 2002 is set out below:

| | Salary £ | Directors' fees £ | Benefits in kind £ | Total 2002 £ | Total 2001 £ |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| J.G. Murray | — | — | — | — | — |
| J-C. Pillois* | — | 63,500 | — | 63,500 | 64,000 |
| E. Sebag | 110,000 | — | 14,095 | 124,095 | 111,957 |
| J-J. Murray | — | — | — | — | — |
| **Non-Executive** | | | | | |
| H. Shouler | — | 20,000 | — | 20,000 | 20,000 |
| M. Gailer | — | 19,000 | — | 19,000 | 19,000 |
| | 110,000 | 102,500 | 14,095 | 226,595 | 214,957 |

* 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 £1,300,000 (2001: £1,170,000) for the year ended 31 December 2002 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
29 April 2003

# INDEPENDENT AUDITORS' REPORT
## TO THE MEMBERS OF LONDON SECURITY PLC (FORMERLY KNOWN AS LONDON SECURITIES 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 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 14.

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 and the Listing Rules of the Financial Services Authority. 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 or the Listing Rules 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 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 2002 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
29 April 2003

# FINANCIAL CONTENTS

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | Year ended 31 December 2002 £'000 | Year ended 31 December 2001 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 48,078 | 45,005 |
| Cost of sales | | (7,288) | (6,756) |
| **Gross profit** | | 40,790 | 38,249 |
| Distribution costs | | (18,079) | (17,357) |
| Administrative expenses | | (13,433) | (12,348) |
| **Operating profit** | | 9,278 | 8,544 |
| EBITDA** | | 13,694 | 12,839 |
| Depreciation | 11 | (1,735) | (1,637) |
| Amortisation of goodwill | 10 | (2,681) | (2,658) |
| **Operating profit** | | 9,278 | 8,544 |
| Income from fixed asset investments | | 111 | 93 |
| Net interest payable and others | 4 | (946) | (908) |
| **Profit on ordinary activities before taxation** | 5 | 8,443 | 7,729 |
| Taxation | 6 | (3,840) | (3,205) |
| **Profit on ordinary activities after taxation** | | 4,603 | 4,524 |
| Dividends | 7 | (1,014) | (797) |
| **Retained profit** | 20 | 3,589 | 3,727 |
| **Basic earnings per ordinary share** | 9 | 31.8p | 31.2p |
| **Adjusted earnings per ordinary share** | 9 | 50.3p | 49.5p |
| **Dividend per ordinary share** | 7 | 7.0p | 5.5p |

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

**Earnings Before Interest, Taxation, Depreciation and Amortisation

# CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 47,128 | 47,351 |
| Tangible assets | 11 | 7,363 | 6,068 |
| Investments | 12 | 70 | 70 |
| | | 54,561 | 53,489 |
| **Current assets** | | | |
| Stocks | 13 | 3,425 | 2,882 |
| Debtors | 14 | 9,740 | 9,457 |
| Cash at bank and in hand | | 10,303 | 7,292 |
| | | 23,468 | 19,631 |
| **Creditors:** amounts falling due within one year | | | |
| Finance debt | 15 | (3,503) | (3,090) |
| Other creditors | 16 | (13,383) | (11,731) |
| | | (16,886) | (14,821) |
| **Net current assets** | | 6,582 | 4,810 |
| **Total assets less current liabilities** | | 61,143 | 58,299 |
| **Creditors:** amounts falling due after more than one year | | | |
| Finance debt | 15 | (11,255) | (12,848) |
| **Provisions for liabilities and charges** | 17 | (1,907) | (1,657) |
| **Net assets** | | 47,981 | 43,794 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | 1,449 | 1,449 |
| Share premium | 20 | 27,476 | 27,476 |
| Capital redemption reserve | 20 | 115 | 115 |
| Merger reserve | 20 | 2,033 | 2,033 |
| Profit and loss account | 20 | 16,908 | 12,721 |
| **Total equity shareholders' funds** | | 47,981 | 43,794 |

The financial statements on pages 18 to 38 were approved by the Board of Directors on 29 April 2003 and were signed on its behalf by:

J.G. Murray
Chairman

# COMPANY BALANCE SHEET
## AS AT 31 DECEMBER 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 11 | 968 | 574 |
| Investments | 12 | 49,775 | 47,260 |
| | | 50,743 | 47,834 |
| **Current assets** | | | |
| Debtors | 14 | 1,069 | 318 |
| Cash at bank and in hand | | 1,147 | 55 |
| | | 2,216 | 373 |
| **Creditors:** amounts falling due within one year | 16 | (20,762) | (14,701) |
| **Net current liabilities** | | (18,546) | (14,328) |
| **Net assets** | | 32,197 | 33,506 |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | 19 | 1,449 | 1,449 |
| Share premium account | 20 | 27,476 | 27,476 |
| Capital redemption reserve | 20 | 115 | 115 |
| Profit and loss account | 20 | 3,157 | 4,466 |
| **Total equity shareholders' funds** | | 32,197 | 33,506 |

The financial statements on pages 18 to 38 were approved by the Board of Directors on 29 April 2003 and were signed on its behalf by:

J.G. Murray
Chairman

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | Year ended 31 December 2002 £'000 | Year ended 31 December 2001 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 21 | 14,980 | 11,803 |
| **Return on investments and servicing of finance** | | | |
| Interest received | | 204 | 366 |
| Interest paid | | (889) | (1,227) |
| Dividends received | | 111 | 93 |
| **Net cash outflow from return on investments and servicing of finance** | | (574) | (768) |
| **Taxation** | | | |
| Corporation tax paid | | (4,034) | (612) |
| **Capital expenditure** | | | |
| Payments to acquire intangible fixed assets | 10 | (52) | (66) |
| Payments to acquire tangible fixed assets | 11 | (3,343) | (2,160) |
| Receipts from sales of tangible fixed assets | | 845 | 212 |
| **Net cash outflow for capital expenditure** | | (2,550) | (2,014) |
| **Acquisitions and disposals** | | | |
| Payments to acquire subsidiary undertakings | 23 | (2,714) | — |
| Cash acquired with subsidiary undertakings | 23 | 331 | — |
| **Net cash outflow for acquisitions** | | (2,383) | — |
| **Equity dividends paid to shareholders** | | (870) | (652) |
| **Net cash inflow before use of liquid resources and financing** | | 4,569 | 7,757 |
| **Financing** | | | |
| Purchase of own shares | | — | (338) |
| New long-term loans | | 1,350 | — |
| Repayment of long-term loans | | (2,908) | (3,437) |
| **Net cash outflow from financing** | | (1,558) | (3,775) |
| **Increase in cash and equivalents** | 22 | 3,011 | 3,982 |

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
## FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|---|---|---|
| Profit for the financial year | | 4,603 | 4,524 |
| Currency translation differences on foreign currency net investments | 20 | 598 | (70) |
| **Total recognised gains and losses** | | 5,201 | 4,454 |

# RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS
## FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|---|---|---|
| Profit for the financial year | | 4,603 | 4,524 |
| Dividends | 7 | (1,014) | (797) |
| | | 3,589 | 3,727 |
| Purchase of own shares | | — | (338) |
| Currency translation differences on foreign currency net investments | 20 | 598 | (70) |
| Net addition to Group equity shareholders' funds | | 4,187 | 3,319 |
| Opening Group equity shareholders' funds | | 43,794 | 40,475 |
| **Closing Group equity shareholders' funds** | | 47,981 | 43,794 |

# RECONCILIATION OF MOVEMENTS IN COMPANY EQUITY SHAREHOLDERS' FUNDS
## FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|---|---|---|
| Loss for the financial year | | (295) | (173) |
| Dividends | 7 | (1,014) | (797) |
| | | (1,309) | (970) |
| Purchase of own shares | | — | (338) |
| Net reduction in Company equity shareholders' funds | | (1,309) | (1,308) |
| Opening Company equity shareholders' funds | | 33,506 | 34,814 |
| **Closing Company equity shareholders' funds** | | 32,197 | 33,506 |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2002

### 1 Principal Accounting Policies

**Basis of Accounting**

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable Accounting Standards. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

**Change in Accounting Policy**

The Group has adopted FRS 19 'Deferred Tax' in these financial statements. The adoption of this new accounting standard has not had a material impact and hence the comparative figures have not been restated.

**Basis of Consolidation**

The Group financial statements incorporate the financial statements of the Parent Company and its subsidiaries made up to 31 December 2002.

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.

**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% |
| Aircraft | 5% |

**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.

**Turnover**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

## 1 Principal Accounting Policies (continued)

### Revenue Recognition

The Group derives its revenue from four major 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; 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 Taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

### Finance Arrangement Costs

Costs of arranging bank loans 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.

### Leases

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

## 2 Turnover

Turnover may be analysed geographically by origin as follows:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| United Kingdom | 12,579 | 12,419 |
| Belgium | 16,818 | 15,712 |
| Holland | 13,148 | 11,409 |
| Austria | 3,262 | 2,990 |
| Switzerland | 2,271 | 2,475 |
| | 48,078 | 45,005 |

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

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| **Staff costs, including Directors' emoluments** | | |
| Wages and salaries | 16,685 | 16,396 |
| Social security costs | 3,009 | 2,851 |
| Other pensions costs | 332 | 221 |
| | 20,026 | 19,468 |

The average number of persons employed by the Group during the year was:

| | 2002 number | 2001 number |
|---|---|---|
| **By geographical area** | | |
| United Kingdom | 208 | 204 |
| Rest of Europe | 452 | 440 |
| | 660 | 644 |

### Directors' Emoluments

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Aggregate emoluments | 227 | 215 |

Detailed disclosures of Directors' individual remunerations are given on page 15.

## 4 Net Interest Payable

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Interest payable: | | |
| Bank loans, overdrafts and other loans repayable within five years | 889 | 1,227 |
| Amortisation of finance arrangement costs | 85 | 89 |
| Cost of interest rate capping | 33 | 33 |
| Exchange loss/(gain) on foreign currency loans | 143 | (75) |
| | 1,150 | 1,274 |
| Interest receivable | (204) | (366) |
| | 946 | 908 |

## 5 Profit on Ordinary Activities before Taxation

This is stated after charging:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Staff costs including Directors' emoluments | 20,026 | 19,468 |
| Depreciation on tangible fixed assets | 1,735 | 1,637 |
| Amortisation on intangible fixed assets | 2,681 | 2,658 |
| Hire charges under operating leases: | | |
| Plant and machinery | 143 | 146 |
| Other | 44 | 47 |
| Auditors' remuneration for: | | |
| Audit services (Company: £11,000; 2001: £11,000) | 140 | 111 |
| Other services to the Company and its United Kingdom subsidiaries | 48 | 60 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2002

### 6 Tax on Profit on Ordinary Activities

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Based on profit for the year: | | |
| United Kingdom corporation tax at 30% (2001: 30%) | 696 | 870 |
| Overseas tax | 3,098 | 2,341 |
| Deferred tax | — | 82 |
| | 3,794 | 3,293 |
| Underprovision in respect of prior years: | | |
| United Kingdom corporation tax | 46 | (23) |
| Overseas tax | — | (65) |
| | 3,840 | 3,205 |

The tax for the period is higher (2001: higher) than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Profit on ordinary activities before taxation | 8,443 | 7,729 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2001: 30%) | 2,533 | 2,319 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 955 | 791 |
| Adjustment to tax in respect of prior period | 46 | (88) |
| Adjustment in respect of foreign tax rates | 317 | 84 |
| Depreciation in excess of capital allowances | (11) | 40 |
| Short-term timing differences | — | (23) |
| Current year tax charge | 3,840 | 3,123 |

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

### 7 Dividends

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Interim paid 2.0p (2001: 1.5p) | 290 | 217 |
| Final proposed 5.0p (2001: 4.0p) | 724 | 580 |
| | 1,014 | 797 |

### 8 Loss 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 loss of the Parent Company included within the consolidated profit is £295,000 (2001: £173,000).

## 9 Earnings per Share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £4,603,000 (2001: £4,524,000) and on 14,487,316 (2001: 14,504,217) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of adjusted earnings per ordinary share is based on 14,487,316 (2001: 14,504,217) ordinary shares in issue prior to 31 December 2002 and on adjusted earnings which comprise:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | £'000 | pence | £'000 | pence |
| Profit on ordinary activities after taxation | 4,603 | 31.8 | 4,524 | 31.2 |
| Eliminate effect of: | | | | |
| Amortisation of goodwill | 2,681 | 18.5 | 2,658 | 18.3 |
| Adjusted profit on ordinary activities after taxation | 7,284 | 50.3 | 7,182 | 49.5 |

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

## 10 Intangible Fixed Assets

| **Group** | Goodwill £'000 |
|---|---|
| **Cost** | |
| At 1 January 2002 | 52,649 |
| On acquisition of subsidiaries (note 24) | 2,301 |
| Other additions | 52 |
| Exchange differences | 105 |
| **At 31 December 2002** | 55,107 |
| | |
| **Amortisation** | |
| At 1 January 2002 | 5,298 |
| Charge for the year | 2,681 |
| **At 31 December 2002** | 7,979 |
| | |
| **Net book amount at 31 December 2002** | 47,128 |
| Net book amount at 31 December 2001 | 47,351 |

The goodwill arising on aquisitions 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2002

### 11 Tangible Fixed Assets

| Group | Freehold land and buildings £'000 | Plant and machinery £'000 | Motor vehicles and aircraft £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2002 | 5,113 | 11,123 | 4,294 | 2,221 | 22,751 |
| Additions | 4 | 513 | 2,561 | 265 | 3,343 |
| On acquisition of subsidiaries (note 23) | 57 | 42 | 164 | 33 | 296 |
| Disposals | — | (317) | (1,733) | (61) | (2,111) |
| Exchange adjustment | 268 | 660 | 171 | 113 | 1,212 |
| **At 31 December 2002** | 5,442 | 12,021 | 5,457 | 2,571 | 25,491 |
| **Depreciation** | | | | | |
| At 1 January 2002 | 2,743 | 10,271 | 1,826 | 1,843 | 16,683 |
| Disposals | — | (296) | (913) | (55) | (1,264) |
| Charge for the year | 97 | 483 | 937 | 218 | 1,735 |
| Exchange adjustment | 184 | 612 | 78 | 100 | 974 |
| **At 31 December 2002** | 3,024 | 11,070 | 1,928 | 2,106 | 18,128 |
| **Net book amount** | | | | | |
| **At 31 December 2002** | 2,418 | 951 | 3,529 | 465 | 7,363 |
| Net book amount | | | | | |
| At 31 December 2001 | 2,370 | 852 | 2,468 | 378 | 6,068 |

Freehold land and buildings as at 31 December 2002 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 £6,734,000 (2001: £6,311,000) and a net book value of £466,000 (2001: £482,000).

| Company | Motor vehicles and aircraft £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2002 | 574 | 574 |
| Additions | 1,019 | 1,019 |
| Disposals | (574) | (574) |
| **At 31 December 2002** | 1,019 | 1,019 |
| **Depreciation** | | |
| At 1 January 2002 | — | — |
| Charge for the year | 51 | 51 |
| **At 31 December 2002** | 51 | 51 |
| **Net book amount** | | |
| **At 31 December 2002** | 968 | 968 |
| Net book amount | | |
| At 31 December 2001 | 574 | 574 |

## 12 Investments

| Group | Shares in unlisted companies £'000 |
|---|---|
| **Cost** | |
| At 1 January 2002 and **at 31 December 2002** | 70 |

| Company | Shares in subsidiary undertakings £'000 | Long-term loans to subsidiary undertakings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2002 | 4,816 | 42,444 | 47,260 |
| Additions | — | 2,515 | 2,515 |
| **At 31 December 2002** | 4,816 | 44,959 | 49,775 |
| At 31 December 2001 | 4,816 | 42,444 | 47,260 |

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

## 13 Stocks

| | Group | |
|---|---|---|
| | 2002 £'000 | 2001 £'000 |
| Raw materials and consumables | 1,409 | 1,296 |
| Work in progress | 189 | 131 |
| Finished goods | 1,827 | 1,455 |
| | 3,425 | 2,882 |

## 14 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| Trade debtors | 8,187 | 8,077 | — | — |
| Amounts owed by related undertakings | 156 | 112 | 4 | 91 |
| Other debtors | 792 | 489 | 234 | 8 |
| Prepayments and accrued income | 477 | 285 | — | 52 |
| Taxation recoverable | 128 | 494 | 831 | 104 |
| Group relief receivable | — | — | — | 63 |
| | 9,740 | 9,457 | 1,069 | 318 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2002

### 15 Finance Debt

| | Group | |
|---|---|---|
| | 2002 £'000 | 2001 £'000 |
| Bank loans and overdrafts (secured on the assets of certain Group undertakings) | 15,105 | 16,358 |
| Unamortised finance arrangement costs | (347) | (420) |
| | 14,758 | 15,938 |
| Repayable by instalments as follows: | | |
| Between two and five years | 7,519 | 9,758 |
| Between one and two years | 3,736 | 3,090 |
| | 11,255 | 12,848 |
| Within one year on demand | 3,503 | 3,090 |
| | 14,758 | 15,938 |

Interest rates on the loans in existence during the year averaged 5.2% (2001: 6.2%) per annum.

Bank loans and overdrafts are stated net of unamortised finance arrangement costs of £347,000 (2001: £420,000) of which £260,000 (2001: £336,000) is to be amortised after more than one year.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| Trade creditors | 1,175 | 851 | — | — |
| Amounts owed to subsidiary undertakings | — | — | 19,728 | 13,962 |
| Amounts owed to related undertakings | 372 | 439 | — | — |
| Other creditors | 2,356 | 2,253 | 310 | 77 |
| Corporation tax | 1,840 | 2,377 | — | — |
| Other taxation and social security | 3,133 | 2,595 | — | — |
| Deferred purchase consideration | 679 | — | — | — |
| Accruals | 1,157 | 921 | — | 82 |
| Deferred income | 1,947 | 1,715 | — | — |
| Proposed dividend | 724 | 580 | 724 | 580 |
| | 13,383 | 11,731 | 20,762 | 14,701 |

## 17 Provisions for Liabilities and Charges

| Group | At 1 January 2002 £'000 | Utilised £'000 | Currency movement £'000 | Profit and loss account £'000 | At 31 December 2002 £'000 |
|---|---|---|---|---|---|
| Pensions (note 24) | 1,337 | (199) | 276 | 61 | 1,475 |
| Deferred taxation (below) | 320 | (1) | 24 | 89 | 432 |
| | 1,657 | (200) | 300 | 150 | 1,907 |

| | Amount provided | | Amount unprovided | |
|---|---|---|---|---|
| **Group** | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| **Deferred taxation** | | | | |
| The provided and unprovided deferred taxation liability/(asset) comprises: | | | | |
| Short-term timing difference – Europe | 416 | 319 | — | — |
| Accelerated capital allowances | 14 | — | (187) | (198) |
| Short-term timing difference – United Kingdom | 2 | 1 | (193) | (193) |
| Capital losses | — | — | (5) | (25) |
| Capital gains on revaluation | — | — | 105 | 105 |
| Deferred taxation | 432 | 320 | (280) | (311) |

## 18 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'.

### Interest Rate Risk Profile of Financial Liabilities

| | Floating rate financial liabilities 2002 £'000 | Weighted average interest rate percentage 2002 | Floating rate financial liabilities 2001 £'000 | Weighted average interest rate percentage 2001 |
|---|---|---|---|---|
| **Currency** | | | | |
| Sterling | 6,220 | 5.7% | 6,177 | 6.8% |
| Euro | 8,885 | 4.8% | 10,181 | 5.9% |
| | 15,105 | 5.2% | 16,358 | 6.2% |

In January 2000 the Group entered into interest rate caps for a period of three years on Sterling borrowings of £4.8 million and Euro borrowings of €13.4 million (£8.43 million equivalent) at interest rates of 8% and 6% 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. The Group has not entered into any interest rate swaps during the year.

The Group does not trade in financial instruments.

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.

Floating rate financial liabilities bear interest at rates based on interest rate fixings at 31 December 2002 including the bank's interest margin where appropriate. The Group did not have any fixed rate financial liabilities during the year.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

## 18 Financial Instruments (continued)
### Interest Rate Risk Profile of Financial Assets
Cash at bank and in hand

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| **Currency** | | |
| Sterling | 2,039 | 1,078 |
| Swiss Franc | 1,387 | 936 |
| Euro | 6,877 | 5,278 |
| At 31 December | 10,303 | 7,292 |

The cash at bank and in hand is deposited with banks for interest fixing periods of less than one month and earns interest based on relevant international rates.

### Maturity of Financial Liabilities
The maturity profile of the carrying amount of the Group's financial liabilities at 31 December 2002 is analysed in note 15.

### Borrowing Facilities
The Group had an undrawn committed borrowing facility available at 31 December 2002 of £509,000 (2001: £2.3 million).

This facility expires in December 2004 and is available to help fund the Group's expansion policy. Commitment fees are paid at market rates.

### Fair Value of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are considered to be stated at their fair values as financial assets earn interest at floating market rates and the Group's financial liabilities pay interest at floating market rates.

### Currency Exposures/Hedges
To mitigate the effect of currency exposures the Group has made borrowings in local currencies or in direct proportion to the expected income stream predicted from the investment against which the borrowing is made.

## 19 Called Up Share Capital

| | 2002 number | 2002 £'000 | 2001 number | 2001 £'000 |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of 10p each | 20,000,000 | 2,000 | 20,000,000 | 2,000 |
| **Allotted** | | | | |
| Ordinary shares of 10p each | 14,487,316 | 1,449 | 14,487,316 | 1,449 |

## 20 Share Premium Account and Reserves

| Group | Share premium account £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|---|
| At 1 January 2002 | 27,476 | 115 | 2,033 | 12,721 |
| Exchange adjustments | — | — | — | 598 |
| Retained profit for the year | — | — | — | 3,589 |
| **At 31 December 2002** | 27,476 | 115 | 2,033 | 16,908 |

| Company | Share premium account £'000 | Capital redemption reserve £'000 | Profit and loss account £'000 |
|---|---|---|---|
| At 1 January 2002 | 27,476 | 115 | 4,466 |
| Retained loss for the year | — | — | (1,309) |
| **At 31 December 2002** | 27,476 | 115 | 3,157 |

## 21 Cash Flow from Operating Activities

| Group | 2002 £'000 | 2001 £'000 |
|---|---|---|
| **Reconciliation of operating profit to net cash inflow from operating activities** | | |
| Operating profit | 9,278 | 8,544 |
| Amortisation of goodwill | 2,681 | 2,658 |
| Depreciation | 1,735 | 1,637 |
| Exchange differences | (75) | 230 |
| Decrease/(increase) in debtors | 505 | (1,195) |
| Increase in creditors and provisions | 1,230 | 191 |
| Increase in stocks | (374) | (262) |
| Cash flow from operating activities | 14,980 | 11,803 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

## 22 Reconciliation of Movement in Net Debt

| | At 1 January 2002 £'000 | Cash flow £'000 | Acquisitions £'000 | New loan £'000 | At 31 December 2002 £'000 |
|---|---|---|---|---|---|
| Cash in hand and at bank | 7,292 | 2,680 | 331 | — | 10,303 |
| Debt due within one year | (3,174) | (383) | (33) | — | (3,590) |
| Debt due after one year | (13,184) | 3,291 | (272) | (1,350) | (11,515) |
| Total | (9,066) | 5,588 | 26 | (1,350) | (4,802) |

## 23 Acquisitions

The Group purchased three companies during the year for a total consideration of £3.455 million. No adjustments were required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with Group accounting principles. Details of the net assets acquired, together with the resultant amount of goodwill arising are set out below.

From the dates of acquisition to 31 December 2002, the acquisitions contributed £632,000 to turnover, £98,000 to profit before interest and goodwill amortisation and £97,000 to profit before goodwill amortisation, but after interest.

The book and provisional fair value of the net assets aquired were as follows:

| | £'000 |
|---|---|
| Tangible fixed assets | 296 |
| Stock | 169 |
| Debtors | 1,154 |
| Creditors | (478) |
| Provisions | (13) |
| Cash | 331 |
| Loans | (305) |
| Fair value of net assets acquired | 1,154 |
| Goodwill | 2,301 |
| Consideration | 3,455 |

| | |
|---|---|
| Satisfied by: | |
| Cash | 2,714 |
| Deferred consideration | 679 |
| Accrued acquisition costs | 62 |
| | 3,455 |

The fair value of the assets and liabilities have been taken from the completion accounts as at the dates of acquisition.

### 24 Pensions

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

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

(a) The Nu-Swift Limited Group operates a funded defined benefit pension scheme, for which the majority of the United Kingdom employees are eligible, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested with Gartmore Pooled Pensions Limited. 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.

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 smaller defined contribution pension scheme for two United Kingdom Executives and a new defined contribution stakeholder pension scheme in operation within the United Kingdom.

The Ansul Group operates a number of funded pension schemes, including 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 (2001: £990,000) and £536,000 (2001: £347,000) are included in provisions for liabilities and charges representing the excess of the accumulated pension cost over the amount funded of the Nu-Swift Limited Group and the Ansul Group pension schemes respectively.

(b) In respect of the Nu-Swift Limited Group and Ansul schemes, the valuations used for FRS 17 in order to assess the liabilities of the schemes are based on actuarial valuations at 5 April 2001 and 31 December 2001 respectively. The results of these valuations have been projected to 31 December 2002 and then recalculated using the assumptions set out on page 36. The schemes assets are stated at their market value at 31 December 2002.

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2002

### 24 Pensions (continued)
The financial assumptions used to calculate liabilities of the Nu-Swift Limited Group and Ansul schemes under FRS 17 are:

| | 2002 | 2001 |
|---|---|---|
| Discount rate | 5.50% – 5.75% | 5.75% – 6.00% |
| Inflation rate | 2.00% – 2.25% | 2.00% – 2.50% |
| Salary increase rate | 2.00% – 3.75% | 2.00% – 4.25% |
| Increases for pensions in payment | 2.00% | 2.25% |
| Revaluation of deferred pensions | 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 expected at 31 December 2002 | Value at 31 December 2002 £'000 | Long-term return expected at 31 December 2001 | Value at 31 December 2001 £'000 |
|---|---|---|---|---|
| Equities | 6.50% | 4,292 | 7.00% | 5,642 |
| Assets with guaranteed interest with insurer | 3.25% – 4.75% | 639 | 3.25% – 4.75% | 639 |
| Bonds | 5.00% | 776 | 5.50% | 1,037 |
| Cash | 4.00% | 303 | 5.00% | 54 |
| | | 6,010 | | 7,372 |
| Present value of scheme liabilities | | (8,508) | | (7,736) |
| Deficit in the scheme | | (2,498) | | (364) |
| Related deferred tax asset | | 761 | | 121 |
| Net pension deficit | | (1,737) | | (243) |

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

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

| | 2002 £'000 |
|---|---|
| Current service cost | 425 |
| Total operating charge | 425 |

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

| | 2002 £'000 |
|---|---|
| Expected return on pension scheme assets | 454 |
| Interest on pension scheme liabilities | (412) |
| Net return | 42 |

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

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

## 24 Pensions (continued)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2002 would be as follows:

| | 2002 £'000 | 2001 £'000 |
|---|---|---|
| Net assets including pension provisions under SSAP 24 | 47,981 | 43,794 |
| Pension provisions under SSAP 24 | 1,475 | 1,054 |
| Pension deficits under FRS 17 | (1,737) | (243) |
| Net assets including pension deficits under FRS 17 | 47,719 | 44,605 |

| | £'000 | £'000 |
|---|---|---|
| Profit and loss reserve including pension provisions under SSAP 24 | 16,908 | 12,721 |
| Pension provisions under SSAP 24 | 1,475 | 1,054 |
| Pension deficits under FRS 17 | (1,737) | (243) |
| Profit and loss reserve including pension deficits under FRS 17 | 16,646 | 13,532 |

### Movement in Deficit During the Year

| | 2002 £'000 |
|---|---|
| Deficit at the start of the year | (364) |
| Current service cost | (425) |
| Contributions | 281 |
| Other finance income | 42 |
| Actuarial loss | (2,032) |
| Deficit at the end of the year | (2,498) |

### History of Experience Gains and Losses

| | 2002 |
|---|---|
| **Difference between the actual and expected return on scheme assets** | |
| Amount (£'000) | (1,802) |
| Percentage of scheme assets | (30%) |
| **Experience gains and losses on scheme liabilities** | |
| Amount (£'000) | — |
| Percentage of scheme liabilities | — |
| **Total amount recognised in statement of total recognised gains and losses** | |
| Amount (£'000) | (2,032) |
| Percentage of scheme liabilities | (24%) |

## 25 Operating Lease Rental Commitments on Land and Buildings

| | Group | |
|---|---|---|
| | 2002 £'000 | 2001 £'000 |
| Annual commitments for leases expiring: | | |
| Within one year | 50 | — |
| Between two and five years inclusive | 133 | 190 |
| Over five years | — | 40 |
| | 183 | 230 |

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2002

### 26 Group Undertakings
The following material subsidiary undertakings are all wholly owned:

| | 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 |
| 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 |
| The General Fire Appliance Company Limited | Fire protection | 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.

### 27 Ultimate Parent Undertaking and Controlling Party
The Company regards British Security Group Limited, a company registered in Bermuda, as its ultimate parent undertaking through its 89.7% holding in London Security plc. The Directors regard J.G. Murray as the ultimate controlling party through his controlling interest in British Security Group Limited.

### 28 Related Party Transactions
During the year the Group has incurred costs amounting to £1,300,000 (2001: £1,170,000) 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 incurred €356,000 (2001: €44,814) of expenditure on behalf of J.G. Murray during the year which has subsequently been reimbursed.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN THAT the Annual General Meeting of London Security plc will be held at the Grosvenor House Hotel, London on 5 June 2003 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 2002 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 5p per ordinary share, such dividend to be payable on 20 June 2003 to the holders of such shares on the register of members on 23 May 2003.
3. To re-elect Mr. J.G. Murray, who retires by rotation under article 23.2 of the Company's articles of association, as a Director. Mr. Murray is 83 years old.
4. To re-elect Mr. E. Sebag, 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 (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), 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.

Note to proposed resolution: Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned as auditors, and the Directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by the resignation.

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 £72,436; 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 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.

# NOTICE OF ANNUAL GENERAL MEETING

7. That the Company be and is generally and unconditionally authorised to make market purchases (as defined in Section 163 (3) of the Act) 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 250,000 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;

   (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
29 April 2003

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. 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.
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 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

**The General Fire Appliance Company 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**
Weatherstones Business Centre
Hanns Hall Road
Neston
South Wirral CH64 7UF
Tel: 0151 353 8300
Fax: 0151 353 8301
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-Protec N.V.**
Bogaertstraat 16
9910 Knesslare
Tel: 00 32 9375 2044
Fax: 00 32 9374 6895
E-mail: info@all-protec.be

**Importex S.A.**
42 rue de l'eglise
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'eglise
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

designed & produced by THE DESIGN PORTFOLIO
a member of the flathill communications group plc
www.flathillplc.com