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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.

Chairman's statement

Financial highlights of the results for the six months ended 30 June 2004 compared with the first half of 2003 are as follows:

- Turnover at £26.5 million is on the same level as the first half of 2003
- Operating profit decreased from £5.4 million to £4.5 million
- Earnings before interest, taxation, depreciation and amortisation ("EBITDA") decreased from £7.6 million to £6.9 million
- Profit on ordinary activities before taxation decreased from £5.1 million to £4.5 million
- Special dividend of 42.0p per share

Review

	Six months to 30 June		Full Year 2003 £million
	2004 £million	2003 £million	
Turnover	26.5	26.7	53.8
Operating profit	4.5	5.4	10.9
EBITDA	6.9	7.6	15.5
Profit on ordinary activities before taxation	4.5	5.1	10.4

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

In this period, we have incurred increased costs due to a sales and marketing initiative. The Group's cost structure has since been streamlined. Costs are continually reviewed to maximise profitability. Measures are also being taken to ensure that our services are delivered to customers in the most cost effective way.

Operating profit at 17% of turnover and EBITDA at 26% of turnover continue to be industry leading. We aim to continue to acquire companies in the fire and security sectors to complement and build upon the organic growth demonstrated in recent times.

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

In September the Group created United Fire Alarms Limited, a company which incorporates the fire alarm activity of all our companies in the United Kingdom. This will give the Group national coverage in the UK and the ability to supply an improved service than was previously possible.

Dividends

On 8 July 2004 the Company announced a special dividend of 42.0p (2003: 0.0p) per ordinary share which was paid on 23 July 2004. The Company had accumulated cash comfortably beyond its short to medium-term operational requirements and the Board of Directors felt it was in the best interest of shareholders to distribute a part of this surplus to shareholders.

An interim dividend of 3.0p (2003: 3.0p) per ordinary share is proposed, payable on 12 November 2004 to shareholders on the register as at 15 October 2004.

J.G. Murray

Chairman

30 September 2004

London Security plc	INTERIM STATEMENT	for the six months ended 30 June 2004	3
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Consolidated profit and loss account

	Unaudited six months to 30 June 2004 £'000	Unaudited six months to 30 June 2003 £'000	Audited year ended 31 December 2003 £'000
Turnover	26,456	26,695	53,760
Cost of sales	(4,049)	(4,219)	(8,201)
Gross profit	22,407	22,476	45,559
Distribution costs	(10,758)	(9,942)	(20,546)
Administrative expenses	(7,108)	(7,172)	(14,086)
Operating profit	4,541	5,362	10,927
EBITDA*	6,894	7,638	15,510
Depreciation	(958)	(864)	(1,838)
Amortisation of goodwill	(1,395)	(1,412)	(2,745)
Operating profit	4,541	5,362	10,927
Income from fixed asset investments	112	118	117
Net interest payable and similar charges	(128)	(414)	(665)
Profit on ordinary activities before taxation	4,525	5,066	10,379
Taxation (Note 3)	(2,034)	(2,023)	(4,587)
Profit on ordinary activities after taxation	2,491	3,043	5,792
Dividends	(6,513)	(434)	(1,882)
Retained (loss)/profit	(4,022)	2,609	3,910
Basic earnings per ordinary share (Note 2)	17.2p	21.0p	40.0p
Adjusted earnings per ordinary share (Note 2)	26.8p	30.8p	59.0p
Dividend per ordinary share	45.0p	3.0p	13.0p

All of the above results arose from continuing operations.

* Earnings before interest, taxation, depreciation and amortisation

Consolidated balance sheet

	Unaudited as at 30 June 2004 £'000	Unaudited as at 30 June 2003 £'000	Audited as at 31 December 2003 £'000
Fixed assets			
Intangible assets	43,598	46,044	45,082
Tangible assets	7,578	7,684	7,791
Investments	70	70	70
	51,246	53,798	52,943
Current assets			
Stocks	3,574	3,821	3,643
Debtors	12,342	11,408	11,666
Cash at bank and in hand	11,586	12,296	13,486
	27,502	27,525	28,795
Creditors: due within one year			
Finance debt	(4,032)	(3,781)	(4,161)
Other creditors	(19,222)	(14,682)	(15,232)
	(23,254)	(18,463)	(19,393)
Net current assets	4,248	9,062	9,402
Total assets less current liabilities	55,494	62,860	62,345
Creditors: due after more than one year			
Finance debt	(6,057)	(10,158)	(8,100)
Provisions for liabilities and charges	(1,862)	(1,761)	(1,841)
	(7,919)	(11,919)	(9,941)
Net assets	47,575	50,941	52,404
Capital and reserves			
Called up share capital	1,447	1,449	1,447
Share premium	27,476	27,476	27,476
Capital redemption reserve	117	115	117
Merger reserve	2,033	2,033	2,033
Profit and loss account	16,502	19,868	21,331
Total equity shareholders' funds	47,575	50,941	52,404

Consolidated cash flow statement

	Unaudited six months to 30 June 2004 £'000	Unaudited six months to 30 June 2003 £'000	Audited year ended 31 December 2003 £'000
Net cash inflow from operating activities	4,572	7,375	14,295
Return on investments and servicing of finance			
Interest received	112	80	231
Interest paid	(272)	(379)	(694)
Dividends received	112	118	117
Net cash outflow from return on investments and servicing of finance	(48)	(181)	(346)
Taxation			
Corporation tax paid	(1,913)	(1,700)	(3,696)
Capital expenditure			
Payments to acquire intangible fixed assets	—	(60)	(79)
Payments to acquire tangible fixed assets	(1,147)	(1,137)	(2,239)
Receipts from sales of tangible fixed assets	165	165	237
Net cash outflow for capital expenditure	(982)	(1,032)	(2,081)
Acquisitions and disposals			
Payments to acquire subsidiary undertakings	—	—	(359)
Payment of deferred consideration on prior year acquisitions	—	—	(679)
Cash acquired with subsidiary undertakings	—	—	(112)
Net cash outflow for acquisitions	—	—	(1,150)
Equity dividends paid to shareholders	(1,446)	(724)	(1,159)
Net cash inflow before use of liquid resources and financing	183	3,738	5,863
Financing			
Purchase of own shares	(121)	(171)	(171)
New long-term loans	—	237	600
Repayment of long-term loans	(1,962)	(1,811)	(3,109)
Net cash outflow from financing	(2,083)	(1,745)	(2,680)
(Decrease)/increase in cash in the period	(1,900)	1,993	3,183

Notes

1. Nature of information

The financial information contained in this interim statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the six months ended 30 June 2004 is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2003 Report and Accounts. Comparative figures for the year ended 31 December 2003 have been extracted from the statutory accounts for the year ended 31 December 2003 which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.

2. Earnings per share

The calculation of basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £2,491,000 (2003: £3,043,000) and on 14,488,218 (2003: 14,485,232) 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 the above weighted average and on adjusted earnings which comprise:

	Six months to 30 June 2004 £'000	Six months to 30 June 2003 £'000	Year ended 31 December 2003 £'000
Profit on ordinary activities after taxation	2,491	3,043	5,792
Eliminate effect of:			
Amortisation of goodwill	1,395	1,412	2,745
Adjusted earnings	3,886	4,455	8,537
Basic earnings per ordinary share	17.2p	21.0p	40.0p
Adjusted earnings per ordinary share	26.8p	30.8p	59.0p

3. Taxation

The taxation charge for the period (45%) appears high due principally to the non-deductibility for taxation purposes of the amortisation of goodwill.

4. Profit and loss account

	Profit and Loss Account £'000
As at 1 January 2004	21,331
Retained loss for the period	(4,022)
Exchange adjustments	(686)
Purchase of own shares	(121)
As at 30 June 2004	16,502

London Security plc	INTERIM STATEMENT	for the six months ended 30 June 2004	7
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Directors and advisers

Jacques Gaston Murray

Chairman

Jean-Jacques Murray

Executive Director

Jean-Christophe Pillois

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Emmanuel Sebag

Operations Director

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Senior Independent Non-Executive Director

Michael Gailer

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