A World of Security Solutions

Group 4 Securicor plc

ANNUAL REPORT AND ACCOUNTS

2005

CONSTANT/CHANGE

In a world of constant change, we strive to develop our position as the global leader in the provision of security services, cash services and justice services in more than 100 countries across the world.

CHANGING NEEDS / CONSTANT VISION

OUR VISION

The group has a clear corporate vision and a strong set of values which ensure that everyone is clear about the strategy of the organisation and their role in its delivery:

To be recognised as a global leader in providing security solutions.

Recognised – our stakeholders know the organisation well and respect its position as a leader in its field.

Global Leader – the largest security company in the world, which delivers the highest quality services in the fields of security services, cash services and justice services, and achieves the best financial returns in the industry.

Security Solutions – we take time to get close to our customers to ensure that we understand their security needs – our skill is in providing solutions to their needs which deliver business benefits for them.

Group 4 Securı

OUR VALUES

- ***Customer Focus*** *– The organisation focuses on customers – understanding the issues they face, the markets in which they operate, and delivering the highest quality of service.*
- ***Expertise*** *– We are experts in security solutions and know what makes a difference to our customers.*
- ***Performance*** *– Through understanding customers' needs, applying our expertise and working together to always deliver on what we promise, we are able to drive superior performance - service performance for customers and financial performance for the organisation and its shareholders.*
- ***Best People*** *– By attracting, employing and developing the best people in the industry, we use our security expertise to develop solutions to customers' needs.*
- ***Integrity*** *– Integrity is a fundamental principle of our organisation – openness, honesty and operating to the group's ethical standards underpins every element of the organisation.*
- ***Teamwork & Collaboration*** *– Teamwork and collaboration is the "glue" which binds the organisation together. Our people strive to create the best organisation and to deliver on what we promise to our stakeholders. We will only achieve our vision by working together. Sharing of knowledge and resources brings continuous improvement and ongoing development of the organisation.*

OUR PERFORMANCE FOR 2005

Organic growth +7%

Group turnover of continuing businesses +8.2% to £4.13 billion*

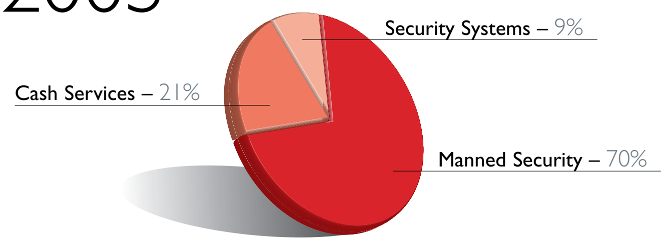
PBITA** of continuing businesses +16% to £254m*

Operating cash flow of £198m 80% of PBITA**

Whilst bringing the new organisation together and developing the strategy for the future, we have also continued to drive growth, improve profits and develop a platform from which the company can continue to move forward.

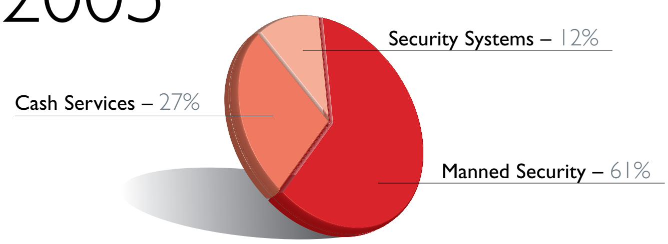
Continuing Turnover

2005



Continuing PBITA**

2005



* at constant exchange rates, with 2004 comparatives being proforma for the combined businesses

** PBITA = Profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items

Group at a Glance

THE GLOBAL LEADER IN SECURITY SOLUTIONS

Group 4 Securicor is the global leader in the provision of security services, cash services and justice services in more than 100 countries across the world.

EUROPE:
114,492 employees

Austria Belgium Bulgaria Cyprus Czech Republic Denmark Estonia Finland France Germany Greece Guernsey Hungary Ireland Isle of Man Jersey Latvia Lithuania Luxembourg Malta The Netherlands Norway Poland Romania Russia Slovakia Slovenia Sweden Turkey Ukraine United Kingdom

NORTH AMERICA:
50,439 employees

Canada
United States

MIDDLE EAST:
15,787 employees

Bahrain
Egypt
Israel
Jordan
Kuwait
Lebanon
Oman
Qatar
Saudi Arabia
Syria
United Arab Emirates
Yemen

AFRICA:
68,864 employees

Botswana
Cameroon
Central African Republic
Democratic Republic of Congo
Gambia
Ghana
Ivory Coast
Kenya
Lesotho
Malawi
Morocco
Mozambique
Namibia
Nigeria
Sierra Leone
South Africa
Tanzania
Uganda
Zambia

CENTRAL / SOUTH AMERICA:
27,371 employees

Argentina
Barbados
Bolivia
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
Trinidad & Tobago
Uruguay
Venezuela

ASIA PACIFIC:
138,098 employees

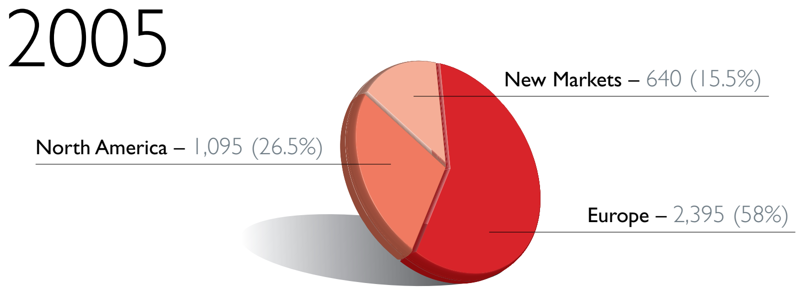
Australia
Azerbaijan
Bangladesh
Brunei
China
Guam
Hong Kong
India
Indonesia
Kazakhstan
Korea
Macau
Malaysia
Nepal
Pakistan
Philippines
Singapore
Taiwan
Thailand
Uzbekistan

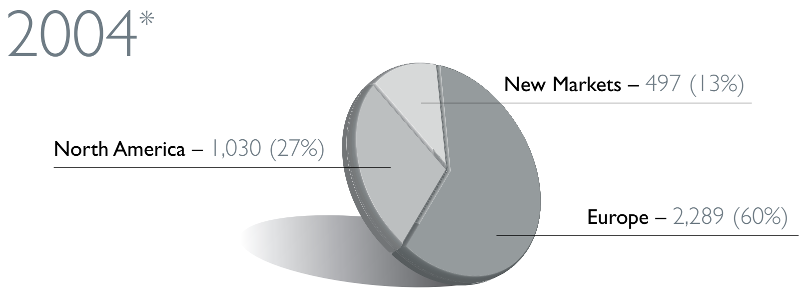
Countries of Operation: Group 4 Securicor is a global company operating in over 100 countries across the world.

Employee numbers as at 31 December 2005

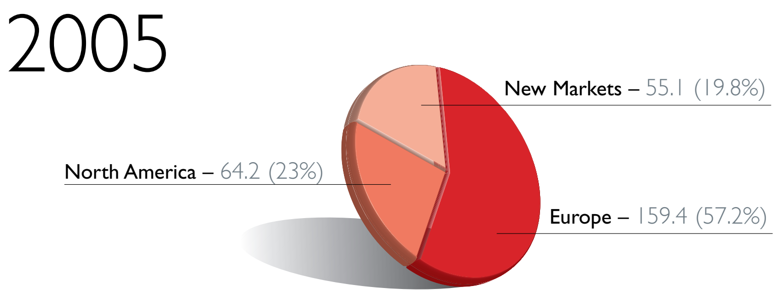
CHANGING MARKETS / CONSTANT OPPORTUNITIES

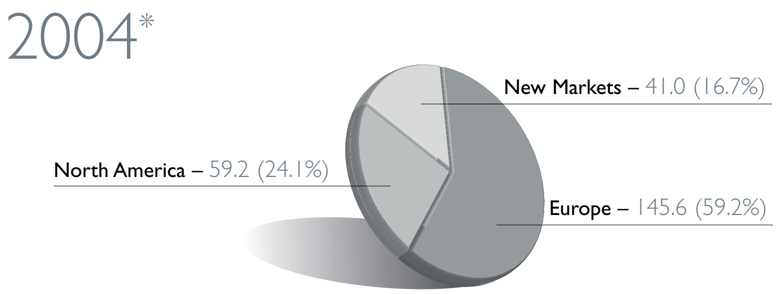
Continuing turnover by geography
(£m) 2005 / 2004





Continuing PBITA by geography
(£m) 2005 / 2004





* At 2005 exchange rates

Chairman's Statement

"IT GIVES ME GREAT PLEASURE TO PAY TRIBUTE TO THE FOUR HUNDRED THOUSAND GROUP EMPLOYEES AROUND THE WORLD.

They uphold and enhance Group 4 Securicor's excellent reputation as the world leader in the security industry." **Jørgen Philip-Sørensen**

The first full year of trading for Group 4 Securicor focused on bringing together two organisations to create one company which is stronger and able to maximise the opportunities available across a wide range of markets.

Results

The excellent results for 2005 reflect the first full year of trading for Group 4 Securicor following completion of the merger between Securicor and the security businesses of Group 4 Falck in July 2004.

Profit before interest, taxation, amortisation and exceptional items increased by 16% from £218.5m* to £254.0m, derived as to £169.9m from manned security, £32.1m from security systems and £76.7m from cash services, less head office costs of £24.7m. The overall profit margin on sales from continuing business improved from 5.7%* to 6.2%. Organic turnover growth increased from 6.2%* to 7.0%. Adjusted earnings per share increased from 9.5p to 11.1p.

* To show a meaningful comparison, these prior year figures are pro forma, and at constant exchange rates.

Dividend

In accordance with the board's aim to reduce the company's target dividend cover from over three times to two and a half times over the medium term, the directors recommend a final dividend of 2.24p or DKK0.2435 per share, payable on 11 July 2006, which, taken with the interim dividend of 1.30p or DKK0.143 per share paid on 16 December 2005, makes a total dividend of 3.54p or DKK0.3865 per share for the year ended 31 December 2005. This compares with a total dividend of 2.71p per share for 2004 for those shareholders who formerly held Securicor shares and 1.85p per share for those shareholders who formerly held Group 4 Falck shares.

January 2005
Group 4 Securicor donates £100,000 to Save the Children to support countries affected by the Asian tsunami

February 2005
Group 4 Securicor works with the bid team for the 2012 Olympics in London and the police to conduct a risk audit of the proposed site of the Olympic Park

April 2005
The Wackenhut Corporation receives Safety Act Designation & Certification from the US Department of Homeland Security

May 2005
Group 4 Securicor launches its striking new brand identity across its global businesses

CHANGING DYNAMICS / CONSTANT PERFORMANCE

Board changes

I paid tribute in my statement last year to Lars Nørby Johansen and Colin Sharman who left us, respectively, on 30 June and 31 December 2005.

Grahame Gibson joined the board on 1 April 2005 and became Chief Operating Officer in July. At the start of this year, we welcomed Mark Seligman to the board as a non-executive director. Mark has an impeccable City background and is already proving a valuable addition to the board.

Last September, Waldemar Schmidt announced that he would retire following the annual general meeting in June 2006. I accepted his decision with regret as he is one of the most experienced service sector industrialists in Europe.

As previously announced, I will retire following the Annual General Meeting after 50 years of service in the industry. It is service which I have thoroughly enjoyed. I am delighted that Alf Duch-Pedersen will take over from me as chairman of the board. I believe firmly that the board is well structured to take on new challenges in the future. It has my full support as a major shareholder.

Staff tributes

It gives me great pleasure to pay tribute to the four hundred thousand group employees around the world. They uphold and enhance Group 4 Securicor's excellent reputation as the world leader in the security industry. I thank all of them, for their support both to the group and to me personally, and I send them my very best wishes for the future.

Future prospects

The first full year of trading for Group 4 Securicor focused on bringing together two organisations to create one company which is stronger and able to maximise the opportunities available across a wide range of markets. The integration of the two companies has been a great success and is a credit to everyone involved in the process. Whilst bringing the organisation together and developing the strategy for the future, we have also continued to drive growth, improve profits and develop a platform from which the company can continue to move forward.

Our decision to significantly increase the dividend for 2005 and to aim to reduce dividend cover over the medium term reflects the culmination of a successful merger and our confidence in the strength of our business and the sustainability of its performance into the future.

Jørgen Philip-Sørensen
Chairman

July 2005
G4S Justice Services acquires ADT Offender Monitoring and consolidates its position as the global leader in offender monitoring services

August 2005
Group 4 Securicor sells the security contracts and related assets of Cognisa Security, Inc. to US Security Associates, Inc.

October 2005
Group 4 Securicor announces a 26% Black Economic Empowerment deal with Kagiso Ventures and a newly established employee trust in South Africa

November 2005
G4S Cash Services (UK) agrees a landmark four-year pay deal for its employees

Chief Executive's Review

"WE WERE EXTREMELY PLEASED WITH THE BUSINESS PERFORMANCE ACHIEVED IN 2005 AND IT WAS A CREDIT TO EVERYONE IN THE ORGANISATION WHO WORKED SO HARD to ensure that the integration went smoothly and that the focus on the business did not waiver through an incredible time of change." **Nick Buckles**

We had some very strong performances in 2005, particularly from the cash services division, the US security services business and New Markets overall.

2005 Performance

Having announced a substantial merger in 2004, the next eighteen months were bound to be challenging for the organisation as we focused on bringing two large international companies together, achieving the cost savings that we had promised to our investors and maintaining our focus on the day-to-day business.

We were extremely pleased with the business performance achieved in 2005 and it was a credit to everyone in the organisation who worked so hard to ensure that the integration went smoothly and that the focus on the business did not waiver through an incredible time of change.

When we presented our full year results to the market in March 2006 we were pleased to report that:

> Our strong growth record continued in 2005 with organic growth at 7% and overall turnover growth up 8.2% to £4.13 billion.

> PBITA was up 16% at constant exchange rates to £254 million, representing a margin improvement of 0.5% to 6.2% overall.

> We had generated £198 million as cash flow, representing 80% of PBITA – exactly in line with the group target.

> Adjusted earnings per share increased to 11.1p.

> We increased our final dividend by 21% to 2.24 pence per share and announced a new dividend policy, with the medium term aim of reducing our dividend cover to two and a half times earnings.

We exited 2005 with some challenges remaining in a number of European manned security markets and in the German cash services market which was experiencing a certain amount of turmoil following the difficulties caused by a major competitor. We had some very strong performances in 2005, particularly from the cash services division, the US security services business and New Markets overall.

CHANGING BOUNDARIES / CONSTANT DELIVERY

2005 Organic Growth

Organic Growth 2005	Europe	North America	New Markets	Total
Manned Security	2.5%	8.5%	19.3%	7.1%
Security Systems	4.0%	63.2%	48.7%	8.0%
Cash Services	5.8%	(5.0%)	19.8%	6.2%
Total	3.7%	7.7%	21.1%	7.0%

Our strong growth record continued in 2005 with overall organic growth of 7%, significantly stronger than the 6.2% achieved in 2004.

The highlights in growth terms were North America manned security which grew 8.5%, the cash services division which achieved 6.2% and New Markets overall which continue to grow strongly at more than 20%.

Future Growth Opportunities

We expect future growth to continue across all product areas towards our medium-term targets. New Markets continue to grow strongly overall and, as our cash services businesses in different countries move through the phases of development from pure cash-in-transit to cash management and ATM outsourcing, there are further opportunities for the businesses to grow.

We have a great deal of expertise in the cash services sector within the group and will focus on spreading this further throughout the organisation.

Our ability to service international accounts is a strong point of differentiation for the organisation, made possible through our global coverage. We expect demand for quality security services across international boundaries to increase in the future as blue chip organisations become more global and require high quality, consistent services across their operations.

G4S Global Risks, our consulting and specialist security business, has opportunities for future growth across a wide range of services, from risk consultancy to investigative and government security support services. By using the international footprint of the group, the business is able to provide these specialist services across a wide range of countries.

Opportunities for the development of Justice Services exist in exporting our expertise into new markets as well as growing our current contract base, particularly in electronic monitoring of offenders.

We do not believe that there will be substantial opportunities for combined security systems and manned security in the short term, but we are confident that, by having a systems capability closely aligned to our manned security businesses, we will be able to take advantage of opportunities to provide complete security solutions to our customers.

We have recently brought our manned security and security systems businesses closer together as a single division, focused on providing security solutions to our customers.

Our systems businesses remain key to our strategy, but we do not intend to build up a large systems division to compete with global systems competitors. Our focus will be on a few niche areas which add value to our manned security business.

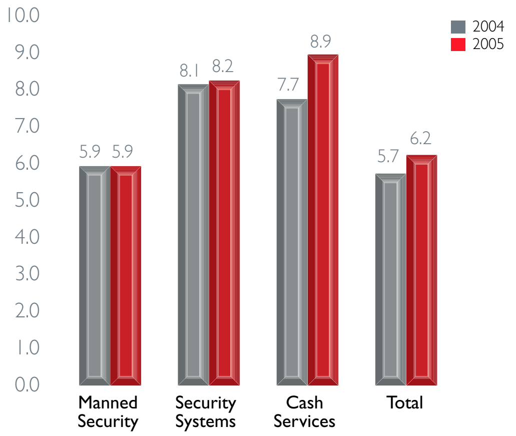
ORGANIC GROWTH TARGETS

Manned Security Developed Markets	5%+
Manned Security Developing Markets	10%+
Security Systems	8%+
Cash Services	8%+
Justice Services	15%+

Chief Executive's Review (continued)

2005 Margin Development

PBITA Margin by Business Line (%)



Note: At constant exchange rates and with prior year comparatives being pro forma for the combined group

We achieved our targeted 0.5% margin growth in 2005 with strong progression in Cash Services and Security Systems.

Future Margin Progression

We will achieve future margin progression through driving growth in our traditional sectors, through product development and market development, and as a result of our usual tight control of costs and effective management of resources. There are also a number of businesses which were operating below our margin targets in 2005 and our focus in 2006 will be on bringing these businesses back up to the expectations of the group as quickly as possible.

MARGIN TARGETS

Manned Security Developed Markets	6%+
Manned Security Developing Markets	6%+
Security Systems	10%+
Cash Services	10%+
Justice Services	10%+

Mergers & Acquisitions

Our acquisition strategy remains unchanged and focused on a few key areas. We are constantly seeking bolt-on acquisitions across all services which add scale or additional expertise to our businesses or continue to consolidate fragmented markets.

Whilst the organisation currently operates in more than 100 countries, we will seek to fill any appropriate geographic gaps in the security services businesses. This will enable further development of our Global Risks customer base and increase the opportunities for expanding international accounts.

In cash services, it is not essential to have wide international coverage, but it is important to be the market leader in each market and to choose markets carefully depending on the role of the central bank, the sophistication of the cash cycle and the competitive landscape. Therefore, we will be selective about new country entries and target specific key markets.

Our acquisition strategy will remain focused on these key areas and we will ensure that any acquisition opportunities meet our internal criteria – the right businesses, in the right markets and with the opportunity to deliver the appropriate level of return on investment.

Strategic Development

We believe that the group is uniquely positioned as a provider of security solutions, focused on the needs of our customers across a wide range of markets.

In New Markets, it is essential to offer the full range of security services as customer buying decisions are co-ordinated in this way. Once a strategic relationship is established, customers require a single provider to take care of their every security need.

We believe that future demand will continue to focus on combined security solutions, where security systems provide a support to the manned security offering.

We have seen significant improvements in the performance of the cash services businesses as a result of spreading our cash services expertise throughout businesses involved in providing these services.

Whilst specific service delivery expertise differs between various product ranges, we believe that there are shared competencies amongst our management which provide us with competitive advantage. It also means that we have a broad talent pool from which we can develop our future management expertise.

Due to our customer focus, we believe we are stronger as one organisation providing a range of security solutions than we would be if focused on a single product area.

Summary & Outlook

The key focus of 2005 was in bringing the two organisations together, integrating our major businesses and delivering on the targeted synergy benefits. At the same time we continued with our organic growth and margin improvements and delivered a very strong set of trading results.

Some businesses require added focus to get them back on track, particularly some of the manned security businesses in Europe. Issues in Germany which surfaced early in 2006 mean that there is an opportunity for significantly improving the market for, and the performance of, our cash services business.

Our confidence in our ability to continue to drive through strong results is reflected in our decision to increase dividends and our commitment to reducing dividend cover over time.

We are extremely pleased with the performance of the group in its first full year of trading and are confident that we will be able to continue this success into the future.

Nick Buckles
Chief Executive Officer

Our People

GROUP 4 SECURICOR HAS A CLEAR STRATEGY

to ensure that the organisation derives the optimum performance from its people in pursuit of the group's vision and values.

We have adopted a performance management culture which ensures our people remain close to our customers, use their expertise to make sound decisions and are fully accountable for their actions.

The development of our culture and values is an ongoing, evolving process. By living our values every day and working together, our people will ensure that we achieve our vision.

We understand what it means to be a leader in Group 4 Securicor. We have identified the areas of leadership competence which have relevance across all our businesses, regardless of product or geographic region. We invest in those development activities which improve performance for our customers and our business as well as enabling people to realise their potential for future roles.

Investing in our people and providing opportunities for career development means that high achievers are able to flourish. In 2005 we launched a Global Leadership Programme which is designed to develop the leaders of the future from high potential managers within the business. Through this innovative programme, our people are being encouraged to develop their leadership capability and their business and security expertise in line with the way our business is developing as a whole.

Following an intensive selection process, a number of high potential managers from across the world were invited to join the two-year Global Leadership Programme. This programme, designed in conjunction with the world famous Manchester Business School (MBS), allows the candidates to attend a series of quarterly seminars held in various G4S operating areas on different continents. Here they receive the latest business management tools from MBS alongside tutorials from some of the group's top executives. Each year a new intake of such managers will join the programme.

2005 has been a year of great change for every employee. In May 2005 we introduced the new G4S brand and the businesses have until December 2006 to fully implement it across all our operations. While the physical manifestation of the brand is complex in such a large organisation, the real challenge is ensuring that the values which support the brand are lived by our people and become an everyday part of doing business.

A culture and values programme has begun within the business, led by the group's Executive Committee. The objective of the programme is to ensure that the way we do business around the world is aligned with our brand values. We believe that this will be key to achieving our vision. The programme aims to ensure that every employee understands our values, what they stand for and, more importantly, how to live them.

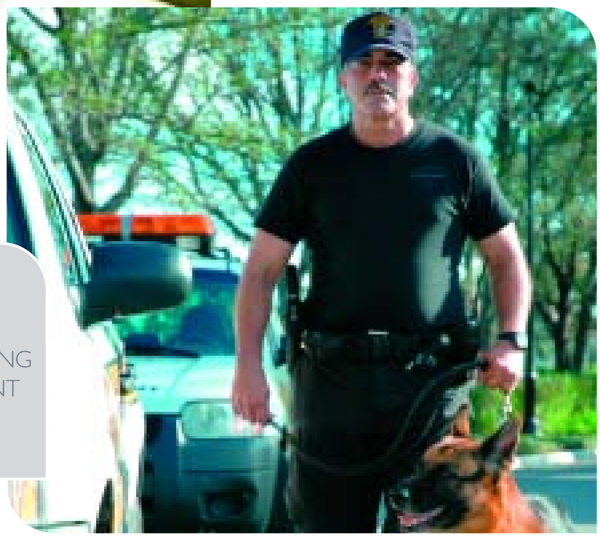
We want our people to feel proud of the organisation they work for – proud to wear their uniform and to know that, when they see the G4S name, they are part of a global organisation committed to delivering security expertise to its customers and which invests in the training and development of its people at every level.

Through our brand values we will continue to build a successful and sustainable business with every employee understanding the importance and value of their own contribution.

CHANGING PROSPECTS / CONSTANT FOCUS

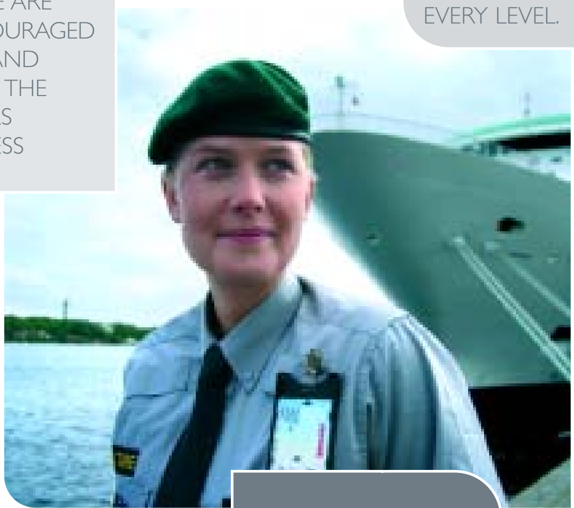
OUR PEOPLE HELP US TO ACHIEVE OUR AIM TO BE THE BEST SECURITY SOLUTIONS PROVIDER IN THE WORLD

WE HAVE ADOPTED A PERFORMANCE MANAGEMENT CULTURE WHICH ENSURES OUR PEOPLE REMAIN CLOSE TO OUR CUSTOMERS



WE ARE AN ORGANISATION WHICH IS SERIOUS ABOUT THE TRAINING AND DEVELOPMENT OF ITS PEOPLE AT EVERY LEVEL.

OUR PEOPLE ARE BEING ENCOURAGED TO GROW AND DEVELOP AT THE SAME TIME AS OUR BUSINESS



DRIVING THROUGH THE BRAND VALUES WILL ENABLE THE BUSINESS TO DELIVER ITS VISION AND STRATEGY

WE WANT OUR PEOPLE TO FEEL PROUD OF THE ORGANISATION THEY WORK FOR

Operating Review
Security Services

WE ARE IN THE UNIQUE POSITION OF HAVING A BROAD GEOGRAPHIC FOOTPRINT COVERING MORE THAN 100 COUNTRIES WHICH IS UNRIVALLED IN THE SECURITY INDUSTRY.

This enables us to gain local expertise in a wide range of markets which we can offer to local, regional and international customers.

We provide security services to numerous sectors, from commercial buildings and retailers, to sporting events and high security government facilities. We also operate across a number of different cultures and phases of economic development – we have had operations in many developing markets for more than 40 years.

In each country in which we operate, we use our security expertise to understand the market conditions, our customers' business and the risks that they face. This enables us to design security solutions which are both practical and effective.

Our security solutions can be tailored for individual sites, regional, national and international customers.

Demand for consistent security standards across a wide range of markets is growing as international companies expand into new markets – we established a new international accounts sales team in January 2006 to take advantage of this development.

G4S Global Risks, our consulting and specialist security business, provides a number of specialist services such as risk consultancy, investigative services and government support services. We are also a major provider of specialist security to the mining, oil and gas industries.

Our New Markets businesses are growing at a phenomenal pace as economies continue to develop. In these countries, buying decisions are made across a range of products and we work with our customers to ensure that we can offer manned security, security systems, cash services and a range of other security-related services to meet their needs.

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Demand for consistent security standards across a wide range of markets is growing as international companies expand into new markets.

Our New Markets businesses are growing at a phenomenal pace as economies continue to develop.

CHANGING BOUNDARIES / CONSTANT DEVELOPMENT

The security services division includes three main product areas:

Manned Security – Risk management and the provision of skilled security personnel for the protection of commercial premises, aviation sites, retailers and special events.

Security Systems – Supply, installation, maintenance and monitoring of electronic security equipment such as intruder alarms, closed circuit television and access control systems.

Justice Services – Custody & rehabilitation services, detention and escorting, immigration services and electronic monitoring of offenders.

Security Services
Key Markets

SECURITY SERVICES KEY MARKETS

Region	Market Position (by turnover) Manned Security	Justice Services
USA	2	3
UK	1	3
Netherlands	1	1
Canada	3	–
France	2	–
Denmark	1	–
Sweden	2	–
Germany	2	–
Belgium	1	–
Asia	1	–
Central & Eastern Europe	1	–
Middle East	1	–
Latin America	2	–
South Africa	1	–

Case study – *Security Services United Kingdom*

THE G4S SECURITY SERVICES (UK) AEGIS Project (Automated Electronic Guarding Initiative) was introduced two years ago as a means of achieving Land Securities Trillium's requirement for enhanced security throughout its estate, whilst providing a year-on-year cost saving by the reduction in the manned security presence.

The number and varying sizes of buildings comprising the estate opened up an opportunity to approach the security in a unique way. A number of areas were identified whereby electronic security systems would either enhance security or carry out a task automatically, allowing manned security resource to be reduced and/or utilised more effectively.

A combination of systems is used, comprising primarily G4S' multiMAX Integrated Access Control and Alarms Monitoring Systems, together with an Audio/Video Intercom System and the existing Intruder Detection System.

The overall aim of the AEGIS solution was cost reduction and improved efficiency. A key target for the customer was an overall reduction in security spend with improved "core hours" manned guarding. This target was met by the AEGIS solution – with the additional benefit of a better use of resources out of hours, due to a better deployment of officers. The same performance levels were achieved, as measured against the customer's KPIs, at a lower cost.

The customer has seen a reduction of 100,000 manned guarding hours per annum as a result of the solution, whilst re-aligning remaining resources to better fit its business need.

MANNED SECURITY TRADING IN 2005

* At constant exchange rates	Turnover £m 2005	Turnover £m 2004	PBITA £m 2005	PBITA £m 2004	Margins 2005	Margins 2004
Europe*	1,364.5	1,325.5	73.3	75.5	5.4%	5.7%
North America*	1,014.6	958.6	61.0	54.8	6.0%	5.7%
New Markets*	495.2	391.2	35.6	26.3	7.2%	6.7%
Total*	2,874.3	2,675.3	169.9	156.6	5.9%	5.9%
Exchange differences		(34.6)		(1.9)		
At actual exchange rates		2,640.7		154.7		

In 2005, the manned security division achieved overall organic growth of 7.1% and margins were maintained at 5.9% in line with 2004.

Justice Services in the UK started new contracts in electronic monitoring of offenders and immigration in 2005.

In 2005, the manned security division achieved overall organic growth of 7.1% and margins were maintained at 5.9% in line with 2004.

Overall organic growth in Europe for the full year was slightly less than the first half of the year at 2.5% overall, reflecting the challenges of improving turnover growth in the UK and Scandinavia.

In the **UK** organic growth was negative for the full year, but good cost control and delivery of the cost savings from integrating the two UK security businesses meant that profitability was ahead of target. The business focused on integrating the two companies, as a result of the merger in 2004, as well as implementing new regulatory requirements for individual security officers to obtain licences to operate in the industry. This involved extra training, an examination and criminal background checks for 10,000 of its staff. Customer retention during such a period of change was excellent at 85%.

Operating Review
Security Services (continued)

Justice Services in the UK started new contracts in electronic monitoring of offenders and immigration and much of the year was focused on implementing these contracts and on continuously improving service levels. As we expected, profitability in Justice Services was reduced in 2005 compared to prior years as a result of the terms of the new electronic monitoring contract which included lower margins, but increased geographical coverage and numbers of offenders being monitored.

In the **Netherlands** our manned security business performed well and finished 2005 with strong organic growth, mainly through higher volumes in aviation security contracts. We concluded the divestment of Falck Security in the Netherlands in November 2005, which was a condition of the Securicor and Group 4 Falck merger. This meant that stability returned to the Dutch security market. We expect further improvements in the Netherlands in 2006.

France had a difficult year as the industry was unable to recover government-mandated wage increases from customers during the first half of the year. We have installed a new management team and expect the business to improve in 2006.

Elsewhere in Europe, there were strong performances in **Germany**, **Austria**, **Hungary**, the **Baltic States** and **Luxembourg**. Profitability in **Greece** returned to normal levels in 2005, following the boost from the Athens Olympics security contract in 2004.

Organic growth in North America was 8.5%, representing a strong performance in the US, but a difficult year in **Canada**, which was affected by the full year impact of the loss of a major contract.

In the **US** Wackenhut continued its strong performance, with organic growth of 9% overall. The government and nuclear customer sectors were particularly strong, and the commercial sector also performed ahead of expectations, assisted by additional revenue relating to services provided as a result of the hurricanes in 2005.

In **New Markets** organic growth overall was 19.3%, continuing the strong performance of the first half into the remainder of the year. **India**, the **Middle East**, **Latin America**, **South East Asia** and **Central Asia** all performed ahead of expectations.

The business in **South Africa** has settled down following the completion of the merger integration and the conclusion of Black Economic Empowerment negotiations.

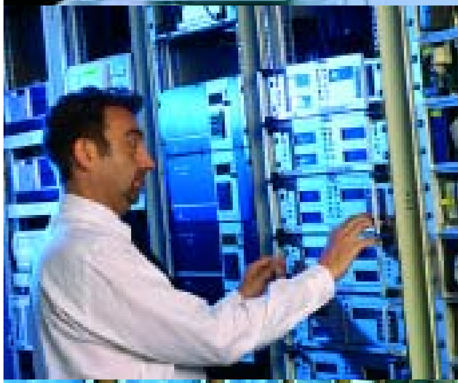
International Accounts are gaining momentum and we are working hard to make the most of our international footprint to service these customers.

In the Netherlands our manned security business performed well and finished 2005 with strong organic growth, mainly through higher volumes in aviation security contracts.

In the US Wackenhut continued its strong performance, with organic growth of 9% overall.

In New Markets organic growth overall was 19.3%, continuing the strong performance of the first half into the remainder of the year.

CHANGING BOUNDARIES / CONSTANT DEVELOPMENT



Security Systems

Security systems are a key part of our overall security services proposition. Whilst we do not compete directly on a global basis with major technology companies, we do have expertise across a number of key markets.

This allows us to bring together our skilled security workforce with the latest technology to provide security solutions for our customers.

Our security systems strategy focuses primarily on business customers although we do have consumer customers in some markets.

We expect demand for combined technology and manpower solutions to grow slowly over time and our business is well positioned to take advantage of these market developments.

We also have strong expertise in the specialist areas of CCTV and access control and are able to build these products into our overall security solutions.

SECURITY SYSTEMS TRADING IN 2005

* At constant exchange rates	Turnover £m		PBITA £m		Margins	
	2005	2004	**2005**	2004	**2005**	2004
Europe *	**342.0**	323.7	**27.7**	25.4	**8.1%**	7.8%
North America *	**3.1**	1.9	**0.4**	0.2	**12.9%**	10.5%
New Markets *	**44.5**	29.6	**4.0**	3.0	**9.0%**	10.1%
Total *	**389.6**	355.2	**32.1**	28.6	**8.2%**	8.1%
Exchange differences		(6.0)		-		
At actual exchange rates		349.2		28.6		

The security systems division achieved overall organic growth of 8.0% in 2005 and margins improved to 8.2%. This shows strong progress over the previous year.

In Europe organic growth in the systems division was 4% overall, a good improvement on the first half of the year.

Our largest systems business in **Denmark** had a very strong year with good margin improvements. There was also a good result in **Israel** and improvements in **France** and **Finland** where the businesses moved into profitability in 2005 having made small losses in 2004.

In **New Markets** systems organic growth was around 49%, continuing the trend of prior years, albeit from a relatively small revenue base. We continue to introduce security systems capability into many new markets, with particularly positive developments in the **Middle East**, **Latin America** and **East Africa**.

We expect demand for combined technology and manpower solutions to grow slowly over time and our business is well positioned to take advantage of these market developments.

The security systems division achieved overall organic growth of 8.0% in 2005 and margins improved to 8.2%.

Operating Review
Cash Services

WE PROVIDE A RANGE OF CASH SERVICES INCLUDING CASH TRANSPORTATION, COIN & CASH MANAGEMENT, ATM MANAGEMENT AND REPLENISHMENT, AND FULLY-OUTSOURCED CASH CENTRE MANAGEMENT.

The cash services division has developed rapidly in recent years from being a supplier of cash transportation services to a provider of a broad range of outsourced cash management services.

In order to be successful in the cash services market, it is important to have expertise not just in the logistics and management of cash and valuables, but also the cash cycle itself. By clearly understanding how cash circulates throughout an economy, we can help customers to maximise the efficiency of their cash management.

We have experts in all aspects of cash services throughout the group and we work hard to ensure that this expertise is shared across the organisation. This helps to drive growth and margin improvements.

We invest in technology to protect the cash and valuables in our care, to continuously improve our efficiency and to drive new product development. This has enabled us to move into new product areas such as the management of ATM networks, ATM engineering services and cash centre management. We are currently developing a retail cash management service which will vastly improve the efficiency of how cash is managed in the retail environment.

Countries throughout the world are at different stages of development in terms of the market for cash services. With our expertise, we can work with central and commercial banks, retailers and other customers to assist in this market development.

In order to be successful in the cash services market, it is important to have expertise not just in the logistics and management of cash and valuables, but also the cash cycle itself.

We invest in technology to protect the cash and valuables in our care, to continuously improve our efficiency and to drive new product development.

We are currently developing a retail cash management service which will vastly improve the efficiency of how cash is managed in the retail environment.

CHANGING BOUNDARIES / CONSTANT DEVELOPMENT

The cash services division covers a wide range of services, focused on the transportation, storage and management of cash and valuables on behalf of banks, retailers and other customers.

Services provided to customers include:

- Transport and storage of cash and valuables
- Retail cash office management
- Outsourced cash centre management
- ATM cash replenishment
- ATM maintenance
- ATM engineering
- ATM network management

Cash Services

Key Markets

CASH SERVICES KEY MARKETS	
Region	Market Position (by turnover) Cash Services
UK	1
France	3
Germany	1
Sweden	2
Belgium	1
Netherlands	1
Poland	1
Finland	1
Canada	1
Central & Eastern Europe	1
Middle East	1
Asia	1

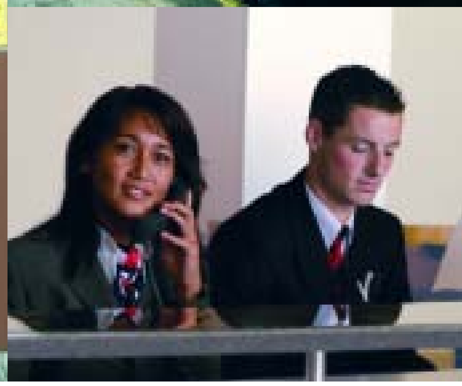
Case study – *Cash Services Finland*

In Finland, the general public look for the sign 'Otto,' when they want to get cash from an ATM. 'Otto' actually means 'withdrawal' in Finnish. There are some 1700 cash-dispensing ATMs in the country, all of which are operated under the single ownership of Automatia which is owned by a number of banks in Finland.

Automatia subcontracts the majority of its cash centre services and transportation of notes and coins to G4S Cash Services (Finland) which operates through a nationwide network of fourteen branches. As well as basic cash management services, G4S provides ATM maintenance and cash forecasting services to Automatia. In Finland, 90% of cash is withdrawn through ATMs, so ensuring they are in working order and fully replenished on a regular basis is an essential service to the public.

G4S and Automatia have had a successful working partnership for many years. In 1999 Automatia and G4S worked together to develop a currency circulation solution using bank branches and night safes. This successful partnership continues, and in January 2006 the contract with Automatia was extended for several years, providing an opportunity to develop further innovations in cash management.

Such is the importance of the work undertaken by G4S Cash Services in Finland that, in December 2005, the Managing Director of the business was awarded The Knight of the Order of the White Rose of Finland by the country's president for his contribution to the cash-carrying and cash processing sectors and the vital role he played in the smooth transition to the Euro.



CASH SERVICES TRADING IN 2005

* At constant exchange rates	Turnover £m 2005	Turnover £m 2004	PBITA £m 2005	PBITA £m 2004	Margins 2005	Margins 2004
Europe *	**688.6**	640.2	**58.4**	44.7	**8.5%**	7.0%
North America *	**76.9**	69.6	**2.8**	4.2	**3.6%**	6.0%
New Markets *	**100.5**	75.7	**15.5**	11.7	**15.4%**	15.5%
Total *	**866.0**	785.5	**76.7**	60.6	**8.9%**	7.7%
Exchange differences		(11.5)		(1.0)		
At actual exchange rates		774.0		59.6		

The cash services division achieved overall organic growth of 6.2% in 2005 and margins grew strongly to 8.9%.

Overall organic growth in Europe was 5.8%, in line with the first half of 2005 despite a significant reduction in turnover in **Germany** caused by major price reductions across the whole of the German market.

The **UK** cash services business performed very strongly in 2005, achieving good growth and improving profitability whilst absorbing a significant pay award and maintaining very high levels of customer service.

There were good growth and margin improvements in the **Netherlands** due to excellent cost control and new business wins in the banking sector.

The performance in Germany has greatly improved compared to prior years, although the business remains slightly loss-making overall. In France, increased security and wage costs have proved difficult to pass on to customers.

Finland, **Ireland**, and **Belgium** are all performing well and **Sweden** showed signs of improvement in the last quarter of 2005, with a new management team driving the business forward.

In North America, the business in **Canada** is recovering from a substantial robbery, leading to additional security costs. New management have been appointed and we expect the business to be back on track during the first half of 2006.

In New Markets, there was strong organic growth of around 20%. Whilst all markets saw further developments in bank and ATM outsourcing, growth was particularly strong in **South East Asia**, the **Middle East** and **East Africa**.

The cash services division achieved overall organic growth of 6.2% in 2005 and margins grew strongly to 8.9%.

The UK cash services business performed very strongly in 2005, achieving good growth and improving profitability whilst absorbing a significant pay award.

In New Markets there was strong organic growth of around 20%.

Group 4 Securi

Financial Review

"IN JUNE 2005 THE GROUP CONCLUDED THE REFINANCING OF A 5-7 YEAR £1bn MULTICURRENCY REVOLVING CREDIT FACILITY AT A REDUCED MARGIN."

Trevor Dighton

The total dividend of 3.54p per share represents an increase of 31% for a former Securicor shareholder and 91% for a former Group 4 Falck shareholder.

Basis of accounting

The financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"), with the 2004 comparatives being restated from those previously presented under UK GAAP. Details of the impact of this restatement were published with the interim announcement in September 2005 and are summarised in note 43 on pages 100 to 103.

Comparative information

On 19 July 2004, the security businesses of the former Group 4 Falck A/S ("Group 4") combined with Securicor plc ("Securicor") to become Group 4 Securicor plc. As explained in note 1 to the financial statements on page 56, the combination between Group 4 and Securicor is accounted for as an acquisition of the latter by the former. The reported statutory comparative results of the group for the year ended 31 December 2004 therefore include the full year of trading of Group 4 and the trading of Securicor from the date of acquisition.

Also presented, on pages 48 and 49, is pro forma financial information in respect of turnover, profit before interest, taxation, amortisation of acquisition-related intangible assets and exceptional items (PBITA) and operating cash flow information for which the comparatives shown are those for the combined businesses now comprising the group for the full year to 31 December 2004. This pro forma comparative financial information, which is unaudited, has been compiled to provide guidance for investors and analysts.

Operating results

The overall results are commented upon by the Chairman in his statement and operational trading is discussed in the operating review on pages 14 to 23.

Exceptional item

The exceptional item in the year, excluded from the group's calculation of adjusted earnings per share, amounted to £22.2m and related to post-acquisition restructuring costs. Included within this is a cost of £4.0m incurred in the reorganisation of the cash services business in Germany.

Acquisitions and acquisition-related intangible assets

Cash outflow on acquisitions amounted to £69.7m, including £51.9m on acquisitions made during the year, which generated goodwill of £32.6m and other acquisition-related intangible assets of £11.9m. The contribution made by acquisitions to the results of the group during the year is shown in note 16 on page 73.

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £33.8m. Goodwill is not amortised. Acquisition-related intangible assets included in the balance sheet at 31 December 2005 amounted to £1,172.7m goodwill and £241.4m other.

Disposals and discontinued operations

Disposals in the year generated a net cash inflow of £42.1m and a net loss of £6.9m.

The European Commission required the disposal of three businesses as a condition for their approval of the combination between Group 4 and Securicor. The disposals of Group 4's cash services operation in Scotland and Securicor's operations in Luxembourg were completed in March 2005. The disposal of Group 4's manned security operations in the Netherlands (with the exception of aviation security activities, which have been retained) was completed in November 2005. During the disposal process the group only had restricted control over these operations and in consequence their results have not been consolidated from 20 July 2004.

The other principal disposal during the year was the sale of the manned security business of Cognisa in the US in August 2005.

The contribution to the turnover and operating profit of the group from discontinued operations is shown in note 5 on pages 64 to 66 and their contribution to net profit, including the net loss on disposal, is detailed in note 6 on page 68.

IFRS

As a group operating across the world, we welcome moves towards the harmonisation of accounting standards, including the adoption of International Financial Reporting Standards (IFRS) by the European Union. These are our first financial statements to be prepared in accordance with IFRS. The restatement of the 2004 comparatives under IFRS, including a reconciliation to the financial statements for 2004 prepared according to UK Generally Accepted Accounting Practice (GAAP) as in force at the time, was published in September 2005 and the disclosures required by IFRS 1are represented in note 43 on pages 100 to 103.

An explanation of the differences between UK GAAP applicable in 2004 and IFRS applicable in 2005 that impact the group is given within note 43. The most significant of these differences are the cessation of goodwill amortisation; the recognition of a wider range of acquisition-related intangible assets, other than goodwill, which are subject to amortisation; the recognition of pension funding balances; the recognition of an expense in respect of the fair value of share-based payments; the proportionate consolidation of joint ventures; the recognition of certain financial instruments at fair value; the recognition of deferred tax on certain temporary differences, in particular the intangible assets recognised upon acquisitions, which would not generate deferred tax under UK GAAP; and the recognition of proposed dividends as liabilities only when they have been declared.

The restatement under IFRS of the previously reported results for 2004 resulted in a reduction of £2.4m in PBITA on the pro forma basis for the combined group, a reduction of £1.7m in PBITA on the statutory basis, a reduction in the loss for the year of £29.5m and a reduction in net assets of £8.1m.

Taxation

The taxation charge of £67.1m provided upon profit from operations before exceptional items and amortisation of acquisition-related intangible assets represents a tax rate of 31.4%. Tax relief has been provided against exceptional items and acquisition-related intangible assets totalling £9.1m. In addition, a tax charge of £1.8m has been included within the results from discontinued operations. Potential tax assets in respect of losses of £123.0m have not been recognised as their utilisation is uncertain and/or long-term.

Financial Review (continued)

Cash flow

Cash flow in the year to 31 December 2005 was in line with the group's target following two years of strong cash generation. Operating cash flow, after capital expenditure, as disclosed on page 48 was £198.0m (2004: £213.1m), representing a PBITA cash conversion rate of 63% for the first half, 93% for the second half and 80% for the full year (2004: 100%). The increase in working capital during the year of £45.0m was mainly due to the growth in turnover.

The net cash from operating activities of £174.5m disclosed in accordance with IAS7 Cash Flow Statements on page 54 is before capital expenditure of £89.8m, and after cash spend on one-off items of £38.0m, tax paid of £53.0m and a cash outflow on other items not included in the operating cash flow disclosed on page 48 amounting to £22.3m.

Net cash outflow from acquisitions and disposals of businesses amounted to £24.6m.

Increase in net debt in the year resulting from cash flows was £21.4m and the total increase in net debt, after allowing for finance leases, borrowings acquired on acquisition of subsidiaries and translation adjustments, was £70.9m.

Financing and treasury activities

The group's treasury function is responsible for ensuring the availability of cost-effective finance and for managing the group's financial risk arising from currency and interest rate volatility and counterparty credit. Treasury is not a profit centre and is not permitted to speculate in financial instruments. The treasury department's policies are set by the board. Treasury is subject to the controls appropriate to the risks it manages.

Financing

On 28 June 2005 the group concluded the refinancing of a £1bn multicurrency revolving credit facility with a new margin of 0.225% which is a reduction of 0.15%. Maturity was also extended as the facility is for five years with options, exercisable by the lending banks, to potentially extend the term to seven years. The group has other available facilities of £347m.

At 31 December 2005 net debt of £657.3m represented a gearing of 68%. The group has sufficient capacity to finance growth, which will be enhanced by future cash generation.

Interest rates

The group's investments and borrowings, including those negotiated after 31 December 2005, are at variable rates of interest linked to LIBOR and Euribor. The group predominantly has exposure to interest rate risk in US Dollar and Euro. The interest risk policy requires treasury to fix a proportion of net debt on a sliding scale, with a maximum of 80% short term debt held at fixed rates, reducing to a maximum of 20% of medium term debt held at fixed rates. The maturity of interest rate swaps is limited to five years. The market value of swaps outstanding at 31 December 2005 was £0.3m.

Foreign currency

The group has many overseas subsidiaries and associates denominated in various different currencies. Treasury policy is to manage significant translation risks in respect of net operating assets and income denominated in foreign currencies. The methods adopted are to use borrowings denominated in foreign currency supplemented by forward foreign exchange contracts. The market value of forward contracts outstanding at 31 December 2005 was a £6.2m liability.

Cash management

To increase the efficient management of the group's interest costs and its short term deposits, overdrafts and revolving credit facility drawings, the group introduced a global cash management system in December 2005, full implementation of which was completed by the end of March 2006.

Dividends

The directors recommend a final dividend of 2.24p per share. This represents an increase of 21% upon the final dividend for the year to 31 December 2004. The final dividend, taken with the interim dividend of 1.30p per share, makes a total dividend of 3.54p per share for 2005, representing an increase of 31% over the total dividend for 2004 to former shareholders of Securicor plc. To former shareholders of Group 4 Falck A/S, the total dividend for 2005 represents an increase of 91% over the dividend for 2004.

In proposing this final dividend, the board considered both the appropriate level of dividend cover and the future strategy and prospective earnings of the group. Dividend cover on adjusted profit in the current year is 3.1 times. The group intends to increase dividends so as to reduce dividend cover to around 2.5 times over the medium term.

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate Governance Statement on pages 37 to 39.

Pensions

The group's primary funded defined benefit pension schemes are those operated in the UK, but it also operates such schemes in the Netherlands, Ireland and Canada. The latest full triennial actuarial assessments of the UK schemes were carried out at 31 March 2005 in respect of the Group 4 scheme and at 31 March 2003 in respect of the Securicor scheme. These assessments and those of the group's other schemes have been updated to 31 December 2005, including the review of longevity assumptions. The group's funding shortfall on the valuation basis specified in IAS19 Employee Benefits was £217m before tax or £152m after tax (2004: £220m and £154m respectively).

Although the value of the assets in the funds has increased by £166m since 2004, this was counteracted by a reduction in bond rates, which are used to discount liabilities for IAS19 purposes, and by the impact of an increase in projected longevity. We believe that, over the very long term in which pension liabilities become payable, improved investment returns should eliminate the deficit in the schemes in respect of past service liabilities. However, in recognition of the currently reported deficits, an additional cash contribution of £23.5m before tax is being made to the UK schemes in the year commencing 1 January 2006.

Going concern

The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Trevor Dighton
Chief Financial Officer

"THE DIRECTORS RECOMMEND A FINAL DIVIDEND OF 2.24p PER SHARE. THIS REPRESENTS AN INCREASE OF 21% UPON THE FINAL DIVIDEND FOR THE YEAR TO 31 DECEMBER 2004."

Corporate Citizenship

GROUP 4 SECURICOR IS COMMITTED TO BEING A GOOD CORPORATE CITIZEN. With operations in more than 100 countries representing diverse cultures, we believe that there is no single solution which suits every market.

The group has therefore developed an approach which sets minimum standards which our various business units can develop further in line with local regulation and the economic and social environments in which they operate.

Policies

The group has a number of important policies which clarify the way that the group and its subsidiaries interact with their various stakeholders. These policies allow some geographical variation due to local legislation and business practice, but they set minimum standards to which all Group 4 Securicor business units should operate.

The areas covered by these policies include:

> Business Ethics
> Whistle-blowing
> Human Rights
> Health & Safety
> Equal Opportunities & Diversity
> Employee Rights
> Employee Relations & Involvement
> Harassment & Dignity

These policies are issued to all senior managers within the group, published on the global intranet and incorporated into new senior management employment contracts. Compliance with these policies is monitored as part of the group's overall internal audit programme. Group policies are reviewed annually.

Human Rights

Group 4 Securicor supports the principles of the United Nations Universal Declaration of Human Rights and is committed to upholding them in its policies, procedures and practices. Respect for human rights is and will remain integral to the group's operations. The group treats its employees in accordance with accepted international human rights conventions.

We take measures to ensure that the work of our employees does not compromise internationally accepted human rights conventions, whilst recognising and respecting the diversity in values and cultures across the different continents in which we operate.

We endeavour to ensure that we work with business partners who conduct their business in a way which is compatible with our policies of respect for human rights and ethical conduct. We work with customers to ensure that contractual requirements do not infringe human rights.

Equal Opportunities & Diversity

Group 4 Securicor values all employees for their contribution to the business and opportunities for advancement are equal and not influenced by considerations other than performance, ability and aptitude. The group respects diversity and cultural differences and understands that these differences are a strength within the organisation. The group does not tolerate discrimination on the basis of gender, ethnicity, colour, culture, religion, sexual orientation or disability.

Employee Relations

With such a large and diverse workforce, maintaining good employee relations is an extremely important part of the group's strategy.

Employers' obligations to employees under labour or social security laws and regulations are respected throughout the group. Business units and their employees work towards creating long-term relationships and a working environment in which team spirit and commitment to our goals is maintained. The group ensures that individual employees are treated fairly and with dignity and respect and are provided with the opportunity to develop to their full potential and to further their careers with the group.

In order to protect the interests of customers and employees, and because of the nature of our business, we apply rigorous pre-employment screening and selection techniques.

Our employment policies comply with relevant national regulatory requirements throughout our markets and we respect our obligations under labour and social security laws and regulations. Employment within the group is freely chosen with no use of forced, bonded or child labour.

CHANGING ENVIRONMENT / CONSTANT COMMITMENT

Employee Participation & Representation

Group 4 Securicor and its subsidiaries respect freedom of association and the right to collective bargaining and representation in accordance with local legislation and practice.

The group and its business units work with employees and their representatives on various issues with the aim of continuously improving standards, developing operational practices and training initiatives and making representations on behalf of the industry and its workers to key influencing groups. We foster strong, long-term relationships with employees and their representatives.

Globally we have agreements with over 60 trades unions and over half of the global workforce is covered by collective bargaining agreements – a number which grows annually.

Environmental Impact

The main business activity of the group involves the provision of skilled security personnel to our customers and therefore the organisation does not have a significant direct impact on the environment. However, there are a number of areas in which the group focuses on reducing its environmental impact.

Energy Usage – We aim to maximise our energy conservation through adoption of best practices. Where practicable, computerised heating, lighting and ventilation controls are installed in buildings.

Recycling & Waste Management – We are committed to recycling of materials where possible and where the means to recycle materials exist, for example:

- We use a significant number of containers for the purpose of carrying cash each year. Where it is possible (countries such as the UK, the Netherlands and Germany) these containers are recycled on behalf of our customers and re-used to make new cash carrying containers.
- The group has an international fleet of 35,000 vehicles. Cash carrying vehicles are unique to the industry and are equipped with a variety of security measures. They are not, therefore, appropriate for re-use in other areas once their life cycle has expired. However, G4S Cash Services (UK) donates expired vehicles to an organisation which makes use of any spare parts and then recycles the remaining shell of the vehicle for future industrial use.

Use of environmentally friendly products – We comply with the relevant standards on vehicle emissions and encourage business units to use diesel or unleaded petrol to fuel vehicles. Fuel conservation is achieved through enhanced vehicle design and regular maintenance to minimise any impact on the environment through inefficient fuel management and emissions.

Paper Products – Where possible, the group makes use of environmentally friendly products and services. At the group level, any major printing projects such as the annual report and accounts, interim reports and customer magazines are all printed on paper which is produced in accordance with ISO1400 environmental certification and is elementary chlorine free. Business units throughout the organisation are encouraged to consider the use of environmentally friendly products where possible.

Community Support

Employees are encouraged to get involved with their local community by offering their own time to projects and issues in the local area in which they work. Examples of this include becoming a governor of a local school and providing mentoring for children in the local community.

Sponsorship & Charitable Donations

Employee Trust Fund – The group operates an employee trust which makes awards, at the discretion of the trustees, to employees and former employees of the group who are in particular need of financial assistance, for example for urgent medical treatment.

Sponsorship Matching Programme – We have introduced a sponsorship matching programme for local projects in which business units are involved around the world. The programme allows any business unit providing funds (either corporately or raised by employees) for local community projects to seek matching funding from Group 4 Securicor plc. The scheme is subject to some simple criteria which ensure that the programme is focused on local community projects.

Recognising Community Spirit

A community award was launched during 2005 which recognises those businesses and individuals which have made a contribution to the community in which their company operates. This encourages further involvement from other employees and businesses and provides examples of best practice ideas for those businesses which have not yet developed a community programme.

Other Business Unit Initiatives

Business units throughout the organisation are encouraged to become involved in other local projects, which are not linked to the group schemes, in order to contribute to the communities in which they operate.

Board of Directors

Jørgen Philip-Sørensen (67)
Chairman
He was chairman and chief executive of Group 4 Securitas (International) BV between 1964 and 2000, and was then chairman of the board of Group 4 Falck A/S from 2000 until 2004. He holds a number of directorships for commercial and charitable entities. He is chairman of the Nomination Committee. He will retire from the board after the AGM in June 2006.

Alf Duch-Pedersen (59)
Deputy Chairman
He was a member of the board of Group 4 Falck A/S from 2000 until 2004. He joined the board of Falck A/S in 1992 and was its chairman when it merged with Group 4 A/S in 2000. He is CEO of Danisco A/S, chairman of the board of Danske Bank Aktieselskab, chairman of the British Import Union, a director of the Danisco Foundation and a member of the executive committee and the general council of the Confederation of Danish Industries. He is chairman of the Remuneration Committee and a member of the Nomination Committee. He will retire from his positions with Danisco this summer and will become the company's chairman after the AGM in June 2006, at which time he will step down from the Remuneration Committee.

Nick Buckles (45)
Chief Executive
He joined Securicor in 1985 as a projects accountant. In 1996 he was appointed managing director of Securicor Cash Services and he became chief executive of the security division of Securicor in 1999. He was appointed to the board of Securicor plc in 2000 and became its chief executive in January 2002. He was appointed deputy chief executive and chief operating officer of the company on completion of the merger in 2004, becoming chief executive in July 2005.

Trevor Dighton (56)
Chief Financial Officer
An accountant, he joined Securicor in 1995 after a previous career which included posts in both the accountancy profession and in industry, including five years in Papua New Guinea, three years in Zambia and seven years with BET plc. He was appointed finance director of the security division of Securicor in 1997 and deputy group finance director in 2001. He was appointed to the board of Securicor plc as group finance director in June 2002.

Grahame Gibson (53)
Executive director and chief operating officer
He was appointed to the board in April 2005. He joined Group 4 in 1983, starting as finance director (UK) and followed by a number of senior roles, including deputy managing director (UK), vice president (corporate strategy), vice president (finance and administration), vice president operations (Central & South Eastern Europe and UK) and chief operating officer of Group 4 Falck. Following the merger in 2004, he became divisional president for Americas & New Markets. He was appointed chief operating officer in July 2005.

Lord Condon (59)
Non-executive director
He was appointed to the board of Securicor plc in 2000. He joined the Metropolitan Police in 1967 and, after holding various senior appointments in the police force, including a period as Chief Constable of Kent, served as Commissioner of the Metropolitan Police between 1993 and 2000. He was created a life peer in 2001. He is a member of the Remuneration Committee and of the Nomination Committee. He will assume the chairmanship of the Remuneration Committee after the AGM in June 2006.

Thorleif Krarup (53)
Non-executive director
He was appointed to the board of Group 4 Falck A/S in 2003. He is deputy chairman of Lundbeck A/S, the Lundbeck Foundation LFI A/S and ALK-Abello A/S, and a director of Bang & Olufsen A/S, Lundbeckfonden and Scion DTU A/S. He is a former chairman of TDC (Tele Danmark Corporation) and former group chief executive of Nykredit A/S, Unibank A/S and Nordea AB. He is chairman of the Audit Committee.

Waldemar Schmidt (65)
Non-executive director
He was appointed to the board of Group 4 Falck A/S in 2000. He is chairman of Thrane & Thrane A/S and a non-executive director of Alfa Laval International AB, Enodis plc and Cicor SA. He was formerly chief executive of ISS, where he began his career in 1973. He is a member of the Remuneration Committee. He will retire from the board after the AGM in June 2006.

Malcolm Williamson (67)
Senior independent director
He was appointed to the board of Securicor plc in April 2004. After a 28-year career with Barclays Bank, he became managing director of Girobank in 1985. In 1989 he joined Standard Chartered plc, being group chief executive from 1993 to 1998. Between 1999 and 2004 he was president and chief executive of Visa International, Inc., based in San Francisco. He is chairman of CDC Group plc and National Australia Group Europe Limited, deputy chairman of Resolution plc and a non-executive director of JP Morgan Cazenove Holdings, National Australia Bank Limited and Signet Group plc. He has been the senior independent director since January 2006 and is a member of the Audit Committee.

Bo Lerenius (59)
Non-executive director
He was appointed to the board of Securicor plc in April 2004. After a diverse early business career, he served as chief executive of Ernstromgruppen, a Swedish building materials operation, between 1985 and 1992 when he joined Stena Line where he was chief executive and vice chairman. In 1999 he became group chief executive of Associated British Ports Holdings plc. He is a non-executive director of Land Securities Group plc and is deputy chairman of the Swedish Chamber of Commerce for the United Kingdom. He is a member of the Audit Committee and of the Remuneration Committee.

Mark Seligman (50)
Non-executive director
He was appointed to the board in January 2006. An accountant, he spent 12 years with SG Warburg before joining BZW in 1995 and then, following the takeover of BZW, becoming head of UK Investment Banking at CSFB and subsequently deputy chairman of CSFB Europe. In 2003 he became chairman of UK Investment Banking for CSFB, stepping down in 2005 to become a senior adviser to the bank. He is a former member of the Panel on Takeovers and Mergers and is a director of the Industrial Development Advisory Board. He is a member of the Audit Committee and of the Remuneration Committee.

Executive Management






CHANGING CHALLENGES / CONSTANT LEADERSHIP

Nick Buckles *Chief Executive Officer*

Nick has worked in the security industry for 21 years, focusing throughout this time on the commercial and strategic aspects of all areas of security services.

After a variety of commercial roles throughout the group, he was responsible for driving significant profit improvements in many Securicor businesses throughout the 1990's as a business unit managing director and divisional chief executive of the security division. He was also instrumental in the development of Securicor's security sector focus and in bringing together Group 4 Falck and Securicor to create the new combined group. Nick became Chief Executive Officer of Group 4 Securicor in July 2005.

Nick is President of ESTA, the European cash services association.

Trevor Dighton *Chief Financial Officer*

Trevor has worked in the security industry for 20 years. After several years in both the accountancy profession and commerce working in the finance function and general management, he joined BET in 1986 as Finance Director of their Security and Communications Division.

Trevor joined Securicor in 1995 and, following a number of years as Finance Director of the security division, he was elected to the board of Securicor in June 2002 as Group Finance Director. He became Chief Financial Officer of Group 4 Securicor in July 2004.

Trevor is a member of the Chartered Institute of Management Accountants.

Grahame Gibson *COO & Divisional President – Security Services*

Grahame has been involved in the security industry for 23 years, having joined Group 4's UK operating company in 1983 as Finance Director. Since that time, Grahame has held a number of operational, management and board positions in the UK, Denmark, the Netherlands and Austria. His broad experience of the security industry and management of businesses across a diverse range of cultures has been invaluable to the group throughout its development. Grahame joined the board of Group 4 Securicor in April 2005.

Grahame is a board member of the Ligue de Sécurité de Surveillance, the international association of leading security companies.

Ken Niven *Divisional President – Cash Services*

Ken has 10 years' experience in the security industry, having joined Securicor in 1996 as Operations Director of the UK Cash Services business where he was later promoted to Managing Director and was instrumental in the development of new product areas, including cash centre outsourcing and establishing Securicor's independent ATM network. Ken was appointed to his current role in July 2004 and is now responsible for the cash services division, which includes all of the major cash services business units, and sharing cash services best practice throughout the entire organisation. Ken joined the security industry following a successful career within the logistics management industry where he held senior roles at Express Foods, Excel Logistics and Coca Cola.

Ken is a member of the Chartered Institute of Logistics and Transport.

Søren Lundsberg-Nielsen *Group General Counsel*

Søren began his career as a lawyer in Denmark and since 1984 he has had a wide range of legal experience as General Counsel for international groups in Denmark, Belgium and the US before joining Group 4 Falck in 2001 as General Counsel. Søren has been involved in a wide range of successful mergers and acquisitions during his career, including the acquisition of Wackenhut and the merger of Group 4 Falck and Securicor. Søren now has overall responsibility for all internal and external legal services for Group 4 Securicor as well as the group's insurance programme.

Søren is a Member of The Danish Bar and Law Society, a board member of the Danish Blood Donation Society and author of the book "Executive Management Contracts", published in Denmark.

Irene Cowden *Group HR Director*

Irene has spent her career in HR management, specialising in employee relations, organisational development, talent management and compensation issues. She has been involved in major change projects including the cultural and integration aspects of mergers and acquisitions as well as large scale organisational change involving workforce restructuring, working in partnership with major trades unions.

Irene has worked in the security industry for over 25 years and has held director level positions at business unit, divisional and corporate level.

Irene is a Member of the Chartered Institute of Personnel and Development (MCIPD).

Report of the Directors

For the year ended 31 December 2005

The directors have pleasure in presenting their Annual Report together with the audited financial statements of Group 4 Securicor plc and the consolidated financial statements of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 31 December 2005.

Group 4 Securicor plc has its primary listing on the London Stock Exchange and a secondary listing on the Copenhagen Stock Exchange.

1 Principal activities of the group

Group 4 Securicor plc is a parent company with subsidiaries, associated undertakings and joint ventures.

The principal activities of the group comprise the provision of manned security services (including justice services), security systems and the management and transportation of cash and valuables.

2 Group results

The consolidated result for the year and the appropriation thereof are shown in the consolidated income statement on page 52.

Details of major business activities during the year, future developments and prospects of the group are contained on pages 8 to 23.

3 Dividends

The directors propose the following net dividend for the year:

- Interim dividend of 1.30p (DKK 0.143) per share paid on 16 December 2005.
- Final dividend of 2.24p (DKK 0.2435) per share payable on 11 July 2006.

Shareholders on the Danish VP register will receive their dividends in Danish Kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish Kroner, in which case they should apply in writing to the Registrars by no later than 7 June 2006.

4 Significant business acquisitions, disposals and developments

In February 2005 OneService, a California-based shipper of diamonds and jewellery, was acquired.

In March 2005 Securicor Luxembourg and Group 4 Falck Cash Services UK were sold.

In March 2005 Universal ATM Services, an Ontario-based provider of cash logistics and ATM services, was acquired.

In August 2005 Cognisa Security sold its security business in the USA.

In September 2005 a further 21% of the shares of Hashmira, the Israeli security company, were acquired, increasing the group's total shareholding to 71%.

In October 2005 the company completed the redemption of the remaining Group 4 A/S shares which it did not already own.

In November 2005 the Dutch manned security business of Falck Security was sold.

Report of the Directors (continued)

For the year ended 31 December 2005

5 Capital

The authorised and issued share capital of Group 4 Securicor plc at 31 December 2005 is set out on page 93 (note 35 to the consolidated financial statements).

Resolution 7 set out in the Notice of Meeting on page 111 is an ordinary resolution granting the directors power to enable them to allot shares up to an aggregate nominal value of £105,000,000, representing approximately 33% of the issued share capital. The company does not hold any treasury shares as such. However the 4,206,332 shares held within the employee benefit trust and referred to on page 95 (note 36 to the consolidated financial statements) are accounted for as treasury shares. The intention of the directors is to allot shares upon the exercise of options granted over Securicor plc shares and rolled over into options over the company's shares. The directors do not have any other present intention of exercising this authority.

Resolution 8 is a special resolution granting the directors power to enable them to allot shares for cash (a) in connection with a rights or similar issue or (b) other than to existing shareholders, in the latter case such allotment being limited to an aggregate nominal value of £15,880,000, representing approximately 5% of the issued share capital.

Resolution 9 is a special resolution seeking authority to make market purchases of the company's shares. The maximum number of shares which could be purchased under this authority is 127,000,000, being a little less than 10% of the number of shares currently in issue. The directors have no present intention of utilising this authority but believe it appropriate to obtain this flexibility in accordance with common business practice.

Information concerning the company's shares held under option is set out on pages 93 and 94 (note 35 to the consolidated financial statements).

6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written off to the income statement during the year amounted to £1.4m (2004: £4.1m).

7 Payment of suppliers

It is the company's and the group's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, prompt payment is normally made to those suppliers meeting their obligations. The company and the group do not follow any formal code or standard on payment practice.

At 31 December 2005 the trade creditors of the company represented 30 days (2004: 33 days) of annual purchases.

At 31 December 2005 the consolidated trade creditors of the group represented 46 days (2004: 37.5 days) of annual purchases.

8 Employee involvement

The group keeps employees informed about current activities, progress and general matters of interest by various methods including the group intranet, staff meetings, newsletters, bulletins and similar items produced by various individual companies.

The group's policy and practice is to encourage the recruitment and subsequent training, career development and promotion of disabled persons according to their aptitudes and abilities, and the retention and retraining of employees who become disabled.

9 Political and charitable contributions

The group remains committed to the support of charities, the community, job creation and training. Charitable contributions by the group during the year amounted to £300,000 (2004: £328,000).

There were no political contributions requiring disclosure under the Companies Act.

Report of the Directors (continued)

For the year ended 31 December 2005

10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 29 March 2006 in the ordinary capital of Group 4 Securicor plc:

Skagen Alpha Limited (beneficial ownership of Jørgen Philip-Sørensen)	171,939,961 (13.5%)
Barclays	47,192,159 (3.7%)
Legal & General	41,865,571 (3.3%)
Prudential	41,300,633 (3.2%)

11 Auditor

A resolution to re-appoint KPMG Audit Plc, chartered accountants, as auditor to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting.

12 Directors

The directors, biographical details of whom are contained on pages 30 and 31, held office throughout the year, with the exception of Grahame Gibson who was appointed on 1 April 2005 and Mark Seligman who was appointed on 1 January 2006.

Lars Nørby-Johansen left the board on 30 June 2005 and Lord Sharman retired on 31 December 2005. Jørgen Philip-Sørensen and Waldemar Schmidt will retire from the board on 30 June 2006. Alf Duch-Pedersen will succeed Mr Philip-Sørensen as chairman.

The directors retiring by rotation are Trevor Dighton, Thorleif Krarup and Bo Lerenius who, being eligible, offer themselves for re-election. The board believes that they possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company and that they should be re-elected at the Annual General Meeting.

Mr Seligman retires in accordance with the Articles of Association and, being eligible, offers himself for election. The board believes that Mr Seligman's excellent City credentials and experience in investment banking will add significant value to the board and therefore recommends that he be elected at the Annual General Meeting.

The contracts of service of the executive directors are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

Details of directors' interests in the share capital of Group 4 Securicor plc and of the directors' remuneration are set out on pages 40 to 47.

None of the directors had a material interest in any contract significant to the business of the group during the financial year.

By order of the board

Nigel Griffiths
Secretary
11 April 2006

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN

Corporate Governance Statement

The board's statement on the company's corporate governance performance is based on the Combined Code on Corporate Governance published in July 2003 ("the Combined Code").

The Combined Code requires companies to disclose how they apply the code's principles, and to confirm that they comply with the code's provisions or, where they do not comply, to provide an explanation.

(a) Application of Combined Code principles

The board comprises the non-executive chairman (Jørgen Philip-Sørensen), a non-executive deputy chairman (Alf Duch-Pedersen), six other non-executive directors, the chief executive (Nick Buckles), the chief financial officer (Trevor Dighton) and the chief operating officer (Grahame Gibson). The board considers all the non-executive directors, with the exception of Mr Philip-Sørensen, to be independent. The senior independent director is Malcolm Williamson.

All continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment and will submit themselves for re-election at least every three years.

Membership of the three board committees is as follows:

Audit Committee
Thorleif Krarup (chairman)
Bo Lerenius (joined March 2006)
Mark Seligman (joined January 2006)
Malcolm Williamson

Remuneration Committee
Alf Duch-Pedersen (chairman)
Lord Condon
Bo Lerenius
Waldemar Schmidt
Mark Seligman (joined March 2006)

Nomination Committee
Jørgen Philip-Sørensen (chairman)
Lord Condon
Alf Duch-Pedersen

Mr Krarup joined the Audit Committee on 1 July 2005 having previously been on the Remuneration Committee, whilst Mr Schmidt joined the Remuneration Committee on 1 July 2005 having previously been on the Audit Committee. Lord Sharman was chairman of the Audit Committee and a member of the Nomination Committee until his retirement from the board on 31 December 2005. Mr Seligman has replaced Lord Sharman as the member of the Audit Committee with recent and relevant financial experience.

The terms of reference of each of the above committees are available on the company's website.

It is intended that the chairmen of the three committees will be available to answer questions at the Annual General Meeting.

The board met on eight occasions during the year ended 31 December 2005. There were seven board meetings and one two-day strategy session, at which presentations on the group's principal businesses were made to the board by senior executives and at which the group's acquisition and growth strategy was discussed. Alf Duch-Pedersen and Lord Sharman were each absent for two board meetings and Thorleif Krarup and Bo Lerenius were each absent for one board meeting. At each meeting, the board receives reports from the chief executive, the chief financial officer and the company secretary and an investor relations report which includes a summary of comments received from major shareholders since the previous board meeting. In addition, the board receives monthly management accounts.

There are ten board meetings scheduled for the current year, together with a two-day strategy session.

There is a detailed schedule of matters reserved to the board which are set out under five separate categories: (1) Board and management; (2) Operations; (3) Finance; (4) Business control; and (5) Secretarial. By way of example, board approval is required for (a) acquisitions, disposals, investments and capital projects exceeding £4m; (b) any changes to the group's business strategy; and (c) the annual trading, capital expenditure and cash flow budgets.

Corporate Governance Statement (continued)

In the year under review, the Audit Committee met four times and the Remuneration Committee and the Nomination Committee each met three times. All members attended each of the meetings except for Lord Sharman who was absent for one meeting of the Audit Committee and Bo Lerenius who was absent for one meeting of the Remuneration Committee.

Having the previous year used an external consultancy to conduct an evaluation of the performance of the board as a whole, the directors have this year carried out a questionnaire-based self-assessment of board performance, the findings of which will be discussed by the board at its strategy session in the summer. Based on feedback from the previous year's evaluation, several measures have been implemented to help enhance board performance, including regular provision to the board of more detailed financial information and more site visits and management presentations focusing on the group's major businesses.

The non-executive directors met to assess the performance of the chairman but, with the board relatively new and a number of changes to its membership being made during the period, it was still felt too soon to carry out individual assessments of other board members. It is intended that this will be done later in the current year.

Questionnaire-based self-assessments have also been carried out for the Audit Committee and the Remuneration Committee. For the first Audit Committee evaluation, questionnaires were completed both by members of the committee and by the other attendees of committee meetings. Several areas for improvement were identified, particularly in relation to ongoing training of the committee members.

The chief executive and the chief financial officer hold regular meetings with individual institutional shareholders to discuss the group's strategy and financial performance, although price sensitive information is never divulged at these meetings. It is intended that all the directors will attend the Annual General Meeting and will be available to answer questions from shareholders.

Mark Seligman was appointed as a non-executive director with effect from 1 January 2006 on the advice of the Nomination Committee which had received recommendations on a number of potential candidates from an external search consultancy.

Audit Committee meetings are also attended by representatives of the group auditor, the chief financial officer, the head of internal audit and the company secretary. The committee considers the group's annual and interim financial statements and any questions raised by the auditor on the financial statements and financial systems. It also reviews, amongst other matters, whistleblowing arrangements, risk management procedures and internal controls and it meets with the group's auditor in the absence of management.

The Audit Committee has established a policy on the provision by the external auditor of non-audit services, so as to ensure that the independence of the audit is not compromised. Besides the formal audit function, the auditor is permitted to provide consultancy and due diligence services related to mergers and acquisitions, audits of employee benefit plans, reviews of internal accounting and control policies, general advice on financial reporting standards and corporate tax services. The auditor is prohibited from providing other services without specific permission from the Audit Committee. The value of non-audit services provided by the auditor must not exceed the fees charged for the statutory audit, save in the event of a major transformation deal. The auditor has written to the Audit Committee confirming that, in its opinion, it is independent.

(b) Compliance with provisions of Combined Code

Save as set out below, the company complied throughout the year under review with the provisions set out in Section 1 of the Combined Code.

Non-compliance with Combined Code

Provision B1.6 of the Combined Code recommends that notice or contract periods should be set at 12 months or less. The service contract of Lars Nørby Johansen, who was the company's chief executive, entitled him to a period of notice from the company of 24 months for a two year transitional period with effect from 19 July 2004, after which his employment could have been terminated on 12 months' notice. Mr Nørby Johansen stepped down as chief executive and left the board after the Annual General Meeting on 30 June 2005.

Corporate Governance Statement (continued)

(c) Risk Management and Internal Control

The directors acknowledge their responsibility for the group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risks associated with the group's activities are reviewed regularly by the board, which considers major risks and evaluates their impact on the group. Policies and procedures, which are reviewed and monitored by the head of internal audit, are in place to deal with any matters which may be considered by the board to present significant exposure.

The key features of the group's risk management process are:

> A common risk management framework is used to provide a profile of those risks which may have an impact on the achievement of business objectives.

> Each significant risk is documented, showing an overview of the risk, how the risk is managed, and any improvement actions. The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.

> Risk and control self-evaluation exercises are undertaken at least twice a year and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions.

The process, which is reviewed regularly by the board and accords with the internal control guidance for directors on the Combined Code, is carried out under the supervision of divisional risk management committees, which meet quarterly and report to the group risk management committee. This latter committee, which also meets quarterly and which reports to the Audit Committee, includes both the chief executive and the chief financial officer. Divisional and group risk profiles are reviewed and updated at each meeting.

A project to implement company-level risk and control self-evaluation exercises throughout the group was commenced and largely completed during 2005, with full implementation to be achieved during the current year. The results of the company-level risk evaluations are assessed by the respective divisional risk management committees and are incorporated into their risk profiles. In addition, a regional risk management committee structure is being established for the security services division because of its very wide geographic spread.

The Audit Committee undertakes a high level review of risk management and internal control. Both the divisional risk management committees and the group risk management committee receive internal audit reports and regular reports on risks. They monitor the actions taken to manage risks.

The internal control system includes clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, and written policies and procedures. In addition to a wide range of internal audit reports, senior management also receive assurance from other sources including security inspections, third party reviews, company financial control reviews, external audit reports, summaries of whistleblowing activity, and risk and control self-evaluations.

The board has reviewed the group's risk management and internal control system for the year to 31 December 2005 by considering reports from the Audit Committee and has taken account of events since 31 December 2005.

Nigel Griffiths
Secretary
11 April 2006

Directors' Remuneration Report

At 31 December 2005

This report provides details of the remuneration of each of the directors and sets out the company's remuneration policies for the current financial year and, subject to ongoing review, for subsequent financial years. The report will be put to the Annual General Meeting for approval by the shareholders.

THE FOLLOWING INFORMATION HAS NOT BEEN AUDITED

The Remuneration Committee met three times during the period under review. The members of the committee, all of whom are considered to be independent, are Alf Duch Pedersen (Chairman), Lord Condon, Bo Lerenius, Waldemar Schmidt and Mark Seligman. (Mr Schmidt joined the committee on 1 July 2005 in succession to Thorleif Krarup who on the same date assumed Mr Schmidt's previous position on the Audit Committee. Mr Seligman joined the committee in March 2006.) When Mr Duch-Pedersen succeeds to the chairmanship of the company in July 2006 he will leave the committee and Lord Condon will become its chairman. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the three other members of the group executive committee and the company secretary. It is also responsible for the operation of the company's share plans. Its terms of reference are available on the company's website.

Advice was provided to the committee by New Bridge Street Consultants LLP, compensation consultants, who were appointed by the committee. The terms of their appointment are available on the company's website. New Bridge Street Consultants did not provide any other services to the company during the period under review.

Nick Buckles, chief executive, provided guidance to the committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden. Neither Mr Buckles nor Mrs Cowden participated in discussions regarding their own pay.

Remuneration policy

The policy for the remuneration of the executive directors and the executive management team aims to achieve:

- the ability to attract, retain and motivate high calibre executives;
- a strong link between executive reward and the group's performance;
- alignment of the interests of the executives and the shareholders;
- provision of incentive arrangements which focus on both annual and longer-term performance.

A significant proportion of total remuneration is related to performance, through participation in both short-term and long-term incentive schemes. For base target performance, the performance-related element amounts to around 40% of the total package. For stretch target performance, the performance-related element amounts to around 60% of the total package. The committee believes that the current balance is appropriate, although it is kept under review.

Bonus payments do not form part of salary for pension purposes.

Elements of remuneration

(a) Base salary and benefits

The salaries of the executive directors were set at 19 July 2004, on completion of the merger between Securicor and the security businesses of Group 4 Falck and, except as explained below, were reviewed for the first time with effect from 1 January 2006. Subsequent reviews will take place with effect from 1 January in each year. Interim salary reviews may be carried out following significant changes in responsibility. The salaries take account of a benchmarking exercise based on similarly sized companies with a significant part of their business overseas and also reflect responsibility, individual performance, internal relativities and salary and other market information supplied by New Bridge Street Consultants. The overall objective is to achieve salary levels which provide a market competitive base salary, with the opportunity to earn above median remuneration, on the delivery of superior performance, through the company's incentive schemes. Benefits include pension arrangements and the provision of a company car, health insurance and life assurance.

Directors' Remuneration Report (continued)

At 31 December 2005

Elements of remuneration (continued)

(b) Performance-related bonus scheme

For the year under review, the executive directors participated in an annual performance-related bonus scheme, payments under which were dependent on the attainment of defined PBTA (profit before tax and amortisation) targets of the group, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. The committee believes that PBTA best reflects the various key drivers of business success within the group. For achievement of a threshold level of profits which is slightly below the budgeted profit target, a bonus payment of 25% of base salary was due. For achievement of the budgeted target, a bonus payment of 50% of base salary was due, increasing on a straight-line basis up to a bonus payment of 100% of salary for achievement of a stretch profit target. Any such bonus up to the value of 50% of the executive director's salary was payable in cash with any excess balance being awarded in the form of deferred shares. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

A similar scheme operates for the current year, save that no payment will be due for achievement below the budgeted target.

The PBTA budgeted targets used for the above scheme are the same as the company's budgeted PBTA for the corresponding period.

As, due to the level of the company's profit performance, the stretch target for PBTA was exceeded, payment was at the maximum, 100%, level.

(c) Synergy bonus

For transitional periods running from 1 July 2004 until 31 December 2004 and from 1 January 2005 until 31 December 2005, the executive directors participated in an additional bonus scheme, payment under which was dependent upon achievement of specified merger synergy savings. For the 12 months to 31 December 2005, achievement of a specified target amount of savings entitled the executive directors to an award of deferred shares in the company equal in value to 25% of base salary, rising to 50% for achievement of a specified stretch target. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

As the stretch target for synergy savings was exceeded, payment was at the maximum, 50%, level.

No further awards will be made under this plan.

(d) Performance Share Plan (long-term incentive plan)

The performance share plan was introduced in July 2004. Under the plan, the executive directors and certain other senior executives receive conditional allocations of the company's shares which are released to them only on the achievement of demanding performance targets.

The maximum annual award of shares under the plan is one times base salary, save that, in exceptional circumstances, the Remuneration Committee may determine that an award of up to one and a half times salary may be made. The extent to which allocations of shares under the plan vest will be determined, as to half of the award, by the company's normalised earnings per share growth relative to the RPI over a single three-year period and, as to the second half of the award, by the company's ranking by reference to TSR (total shareholder return, being share price growth plus dividends paid) using the FTSE 100 constituent companies as at the date of the award as a comparator group, again over a single three-year period. There is no provision for retesting.

The following targets apply to the first half of awards granted in the year under review, with the three-year adjusted earnings per share (EPS) period ending on 31 December 2007:

Average annual growth in EPS	Proportion of allocation vesting
RPI + 10% per annum (30% over three years)	25%
RPI + 20% per annum (60% over three years)	100%
RPI + 10-20% per annum	Pro rata between 25% and 100%
Less than RPI + 10% per annum	Nil

Directors' Remuneration Report (continued)

At 31 December 2005

Elements of remuneration (continued)

(d) Performance Share Plan (long-term incentive plan) (continued)

The following targets apply to the second half of each such award:

Ranking of the company against the FTSE-100 constituent companies by reference to TSR	Proportion of allocation vesting
Median	25%
Upper quartile	100%
Between median and upper quartile	Pro rata between 25% and 100%
Below median	Nil

In addition, there will only be a transfer of shares if (a) the growth in EPS of the company has exceeded the growth in RPI by 10% over a performance period of three financial years, and (b) the Remuneration Committee is satisfied that the company's TSR performance is reflective of the company's underlying performance.

Awards will not normally vest where an employee ceases to be employed within the group unless cessation of employment is due to death, injury, disability, redundancy, retirement or following a change of control of, or sale outside the group of, his or her employing company. In these situations, vesting will occur in the normal course and the performance targets will need to be satisfied pro rata to the time the allocation has been held. However, only a proportion of the award, based on the time which has elapsed from the award date to the last day of the month in which employment ceased, may vest in these circumstances.

In respect of awards made in 2006, the RPI + 10% and RPI + 20% EPS average annual growth targets have been replaced by RPI + 6% and RPI + 11% respectively, reflecting the fact that the original EPS targets anticipated various merger synergy benefits which had all been realised by 31 December 2005 and that the new targets are more appropriate for the company going forward.

The company's current policy is to use market purchased shares to satisfy performance share plan awards.

The Remuneration Committee believes that a combination of earnings per share growth and total shareholder return targets is the most appropriate performance measure for the performance share plan, as it provides a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders. The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share, whilst TSR comparative data will be supplied by New Bridge Street Consultants. The committee will also ensure that the EPS targets are measured on a consistent basis and are not artificially impacted, either to the benefit or to the detriment of participants, by the change in accounting standards to International Financial Reporting Standards.

The committee also believes that continued shareholding by senior executives will strengthen the alignment of their interests with shareholders' interests. Accordingly, executive directors of the company will be expected to retain shares to the value of 30% of the after-tax gains made on the vesting of performance share plan awards until they have built up a shareholding equivalent to one times base salary.

Directors' Remuneration Report (continued)

At 31 December 2005

Fees, service contracts and letters of appointment

The chairman's annual fee is £180,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £45,000, with a further £40,000 for the role of deputy chairman, £12,500 for the chairmanship of each of the Audit and Remuneration Committees and £15,000 for the role of senior independent director. No other fees are paid for membership of the board committees. These fees are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment for the non-executive directors.

The service contracts of those who served as executive directors during the period are dated as follows:

Nick Buckles	2 June 2004
Trevor Dighton	2 June 2004
Grahame Gibson	4 August 2000 as amended by letter of 14 April 2005
Lars Nørby Johansen (left 30 June 2005)	3 June 2004

The contracts of Messrs Buckles, Dighton and Gibson are terminable by the company on 12 months' notice. The contract of Mr Nørby Johansen was terminable by the company on 24 months' notice until 19 July 2006 after which it would have been terminable on 12 months' notice. The contracts are terminable by the executive directors on 12 months' notice. There are no liquidated damages provisions for compensation payable upon early termination, but the company reserves the right to pay salary in lieu of notice. It is the company's policy that it should be able to terminate service contracts of executive directors on no more than 12 months' notice and that payments for termination of contract are restricted to the value of salary and other contractual entitlements for the notice period.

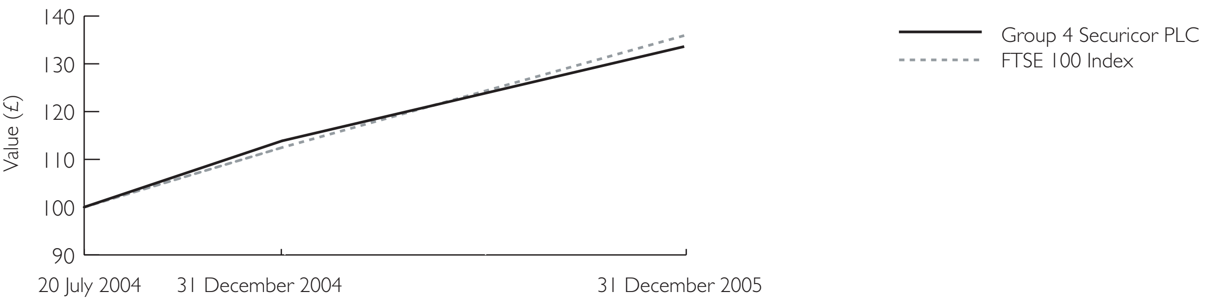
The chairman and the other non-executive directors do not have service contracts but letters of appointment which provide for initial three-year terms which began on 19 May 2004 and, in the case of Mr Seligman, on 1 January 2006. All directors are required to stand for re-election by the shareholders at least once every three years.

It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees. Mr Buckles is a non-executive director of Arriva plc for which he received fees of £15,166 in the year ended 31 December 2005. Neither of the other executive directors currently holds an external non-executive appointment.

Performance graph

The performance graph below shows the total cumulative shareholder return of the company from its first day of listing, 20 July 2004, until 31 December 2005, based on a hypothetical shareholding worth £100, compared with the return achieved by the FTSE 100 constituent companies over the same period. The directors believe this to be a more appropriate form of broad equity market index against which to base a comparison than the support services sector, where there are no companies directly comparable to Group 4 Securicor. The FTSE 100 index has also been selected for comparative total shareholder return purposes in the company's performance share plan.

Total Shareholder Return
Source: Datastream



This graph shows the value, by 31 December 2005, of £100 invested in Group 4 Securicor plc on 20 July 2004 compared with the value of £100 invested in the FTSE 100 Index. The other point plotted is the value at the intervening financial year-end.

Directors' Remuneration Report (continued)

At 31 December 2005

THE FOLLOWING INFORMATION HAS BEEN AUDITED

Base Salaries and Bonuses

For those directors marked with an asterisk who were previously directors of Securicor plc, the 2004 comparisons are in two columns. The first 2004 column (a) shows comparative pay information for the period 20 July 2004 (first day of trading of Group 4 Securicor plc) to 31 December 2004 only. The second 2004 column (b) shows comparative pay information for the full year to 31 December 2004.

	Salary and fees £	Benefits £	Performance Related Bonus £	Synergy Bonus £	2005 Total £	2004 (a) Total £	2004 (b) Total £
Chairman							
(non-executive)							
Jørgen Philip-Sørensen	170,000	–	–	–	170,000	108,628	
Executive directors							
Nick Buckles* (see notes 1 and 2 below)	578,125	19,000	625,000	312,500	1,534,625	565,125	915,558
Trevor Dighton* (see notes 1 and 2 below)	350,000	19,386	350,000	175,000	894,386	425,800	660,222
Grahame Gibson (appointed 1 April 2005) (see notes 1, 2 and 4 below)	329,164	22,044	329,164	164,582	844,954	–	
Lars Nørby Johansen (see note 3 below)	375,000 + 2,451,470	10,000	–	–	2,836,470	1,043,157	
Other non-executive directors							
Lord Condon* (see note 5 below)	42,500	–	–	–	42,500	17,856	37,957
Alf Duch-Pedersen	93,750	–	–	–	93,750	67,542	
Sir David Gore-Booth (died 31 October 2004)	–	–	–	–	–	29,617	
Thorlief Krarup	42,500	–	–	–	42,500	36,103	
Bo Lerenius* (appointed 1 April 2004)	42,500	–	–	–	42,500	17,694	27,167
Waldemar Schmidt	42,500	–	–	–	42,500	36,284	
Lord Sharman* (retired 31 December 2005)	106,250	–	–	–	106,250	46,362	125,666
Malcolm Williamson* (appointed 1 April 2004)	42,500	–	–	–	42,500	17,694	27,167
Total before compensation for loss of office	2,214,789				4,241,465		
Compensation for loss of office	2,451,470				2,451,470		
Total	4,666,259	70,430	1,304,164	652,082	6,692,935	2,411,862	

Notes:

1. The performance-related bonuses derived from the company's bonus scheme were paid as to 50% in cash and 50% through the award of deferred Group 4 Securicor shares, based on a share price of 192.5p, being the average middle market closing price of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement, 13 March 2006. The awards were:

Nick Buckles	162,337 shares
Trevor Dighton	90,909 shares
Grahame Gibson	118,768 shares (of which 89,076 shares form part of the £329,164 referred to under Performance Related Bonus above)

2. The synergy bonus payments were made through the award of deferred Group 4 Securicor shares. For Messrs Buckles and Dighton, the award was based on a share price of 192.5p, being the average middle market closing price of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement, 13 March 2006. For Mr Gibson, the award was based on a share price of 161p, being the middle market closing price of the company's ordinary shares at 31 December 2004, and includes a bonus payment covering the period 1 July 2004 to 31 December 2004. The awards were:

Nick Buckles	162,337 shares
Trevor Dighton	90,909 shares
Grahame Gibson	217,073 shares (of which 108,536 shares represent the £164,582 referred to under Synergy Bonus above)

Directors' Remuneration Report (continued)

At 31 December 2005

3. Mr Nørby Johansen's salary included a 20% supplement in lieu of pension.

   Mr Nørby Johansen received £2,451,470 as compensation for loss of office when he left the company on 30 June 2005. In addition, the company paid Mr Nørby Johansen's legal costs of £10,500 associated with his termination agreement.

   The sum of £2,451,470 was made up as follows:

   > £1,357,720, representing 21 months of base salary, pension contribution, car allowance and private medical insurance.

   > £625,000, representing two years' payments under the 2005 and 2006 annual performance-related bonus schemes and based on the assumption that the budgeted target would have been achieved in each year, with entitlement to 50% of base salary.

   > £156,250, representing six months' bonus earned for 2004 and being in place of the deferred shares which had previously been awarded.

   > £312,500, representing (a) £156,250 for the six months' synergy bonus earned for 2004 and being in place of the deferred shares which had previously been awarded, (b) £156,250 for the synergy bonus for 2005, based on the assumption that the target amount of savings would have been achieved.

   When Mr Nørby Johansen left the company at the end of June 2005, the number of shares to which he was potentially entitled under the Performance Share Plan was, in accordance with the plan rules, reduced by two-thirds to 164,365. This reduced number of shares will only vest to the extent that the performance conditions are satisfied at the end of the normal three-year performance period.

   Mr Nørby Johansen's total remuneration for 2004 was shown in the previous year's report as £1,355,657. In the 2004(a) comparative column above, that sum has been reduced by £312,500 to £1,043,157 as it included the two amounts of £156,250 awarded as deferred shares and included in the compensation of £2,451,720 referred to above.

4. Grahame Gibson was reimbursed £81,507 for expenses associated with his relocation from the West Midlands to Surrey. The company also paid air fares amounting to £16,012 for flights between the UK and the USA for Mr Gibson's wife and infant children between 1 April and 31 December 2005.

5. Lord Condon was paid an additional £5,000 in the period for his duties as a director of G4S Global Risks Limited, a subsidiary of the company.

   The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2005 were:

Executive directors	£
Nick Buckles	625,000*
Trevor Dighton	350,000
Grahame Gibson	465,983

* Mr Buckles' salary was increased from £467,500 to £595,000 on 1 April 2005 on his appointment as chief executive designate and from £595,000 to £625,000 on 1 July on his appointment as chief executive. This is the same salary as that awarded to his predecessor in 2004.

Non-executive directors	£
Jørgen Philip-Sørensen (chairman)	180,000
Lord Condon	45,000
Alf Duch-Pedersen	97,500
Thorleif Krarup	57,500
Bo Lerenius	45,000
Waldemar Schmidt	45,000
Lord Sharman (retired 31 December 2005)	112,500
Malcolm Williamson	60,000

Directors' Remuneration Report (continued)

At 31 December 2005

Directors' Share Options

	Option	At 31.12.04	Granted during 2005	Outstanding at 31.12.05	Option price (p)
Nick Buckles	A	72,901	–	72,901	107.98
	B	95,000	–	95,000	164.00
	C	75,000	–	75,000	133.75
	D	55,000	–	55,000	153.00
	E	700,000	–	700,000	108.00
	F	14,453	–	14,453	64.00
Trevor Dighton	B	55,000	–	55,000	164.00
	C	40,000	–	40,000	133.75
	D	30,000	–	30,000	153.00
	E	350,000	–	350,000	108.00
	F	14,453	–	14,453	64.00

Option A = 1996 Securicor Executive Share Option Scheme, exercisable until June 2008.
Option B = Securicor Executive Share Option Scheme, exercisable until December 2009.
Option C = Securicor Executive Share Option Scheme, exercisable until June 2010.
Option D = Securicor Executive Share Option Scheme, exercisable until December 2010.
Option E = Securicor Executive Share Option Scheme, exercisable until December 2011.
Option F = Securicor Sharesave Scheme, exercisable between October 2006 and March 2007.

The above options, which had been granted over Securicor plc shares, were rolled over into options over Group 4 Securicor shares.

Neither of the above directors exercised options under the above schemes during the year.

As a result of implementation of the Scheme of Arrangement of Securicor plc in July 2004, the performance conditions for the executive share options referred to above ceased to apply. This would not occur under the current Performance Share Plan.

The market price of the ordinary shares at 31 December 2004 was 140p. At 31 December 2005 it was 161p.

The highest and lowest market prices of an ordinary share during the year to 31 December 2005 were 166.25p and 129.75p respectively.

Directors' interests in Performance Share Plan

	At 31.12.04	Shares conditionally awarded during year	Date of award	Market price at date of award	Vesting date	At 31.12.05
Nick Buckles	368,830	352,160	17.03.05	132.75p	17.03.08	720,990
Trevor Dighton	276,130	263,650	17.03.05	132.75p	17.03.08	539,780
Grahame Gibson	252,460	241,050	17.03.05	132.75p	17.03.08	493,510

The conditions subject to which allocations of shares vest under this plan are described under (d) Performance Share Plan on pages 41 and 42.

Directors' interests in shares of Group 4 Securicor plc (unaudited)

(including awards of deferred shares but excluding shares under option and shares conditionally awarded under the performance share plan, both as shown above)

	At 31.12.05	At 31.12.04
Nick Buckles	871,563	546,889
Lord Condon	2,000	2,000
Trevor Dighton	582,555	400,737
Alf Duch-Pedersen	56,560	36,560
Grahame Gibson	335,841	–
Thorleif Krarup	3,206	3,206
Bo Lerenius	16,000	16,000
Jørgen Philip-Sørensen	171,939,961	171,939,961
Waldemar Schmidt	3,181	3,181
Mark Seligman	–	–
Malcolm Williamson	2,000	2,000

All interests shown above are beneficial.

Directors' Remuneration Report (continued)

At 31 December 2005

Mr Duch-Pedersen acquired 20,000 shares and Mr Seligman acquired 10,000 shares on 13 March 2006. No other changes in these holdings have taken place since 31 December 2005.

Each of Nick Buckles, Trevor Dighton and Grahame Gibson also has a deemed interest in 4,206,332 ordinary shares held in the Group 4 Securicor Employee Benefit Trust.

Directors' Pension Entitlements

For the period under review, the executive directors participated in non-contributory categories of the group's defined benefit pension schemes with a normal retirement age of 60. Trevor Dighton accrued pension at a rate of 1/30ths of the statutory earnings cap. Nick Buckles and Grahame Gibson accrued pension at a rate of 1/52ths of their final pensionable salary. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred beyond normal retirement age.

Between 6 April 2002 and 5 April 2003, Mr Dighton received a salary supplement of 30% of base salary in excess of the earnings cap in lieu of pension provision in respect of his base salary in excess of the cap. Following the Government's announcement of proposed changes to the tax rules for pensions, these payments were suspended with effect from 6 April 2003, pending a review of Mr Dighton's pension arrangement. In September 2005, it was agreed that Mr Dighton should be granted an Unfunded Lump Sum Retirement Benefit (ULSRB) to be calculated as the accumulation of notional contributions of 30% of his base salary in excess of the earnings cap, deemed to be invested in the FTSE All Share Total Return Index. This amounted to £229,568. The ULSRB is money-purchase in nature and will be consolidated with Mr Dighton's benefits from the Securicor Group Pension Scheme under the transitional arrangements following 6 April 2006. Going forward, Mr Dighton will participate in the pension at the current accrual rate of 1/30ths on an uncapped basis, which is considered to be consistent with the terms of his original appointment given that the tax legislation no longer imposes a bar on such accruals.

For death before retirement a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable.

Post retirement pensions increase in line with the increase in the Retail Prices Index subject to a maximum of 5% per annum.

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2005 (all figures are in £'000s).

	Gross increase in accrued pension (1)	Increase in accrued pension net of inflation (2)	Total accrued pension at 31/12/05 (3)	Value of net increase in accrual over period (4)	Total change in transfer value during period (5)	Transfer value of accrued pension at 31/12/05 (6)	Transfer value of accrued pension at 31/12/04 (7)
Nick Buckles	72	69	225	832	1,218	2,793	1,575
Trevor Dighton	5	4	34	66	145	576	431
Grahame Gibson	69	66	186	875	879	1,887	1,008

Notes

(i) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.

(ii) Transfer values have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.

(iii) The value of net increase (4) represents the incremental value to the director of his service during the year, calculated on the assumption that service terminated at the year-end. It is based on the increase in accrued pension (2).

(iv) The change in transfer value (5) includes the effect of fluctuations in such value due to factors beyond the control of the company and the directors, such as stock market movements.

(v) The accumulated value of the ULSRB for Mr Dighton as at 1 September 2005 is £157,220. The salary supplement of 30% of salary in excess of the earnings cap from 1 September 2005 to 31 December 2005 is £24,440.

(vi) All figures relate to the twelve month period from 31 December 2004 to 31 December 2005. However, Mr Gibson was not appointed a director until 1 April 2005.

Alf Duch-Pedersen

Chairman of the Remuneration Committee

11 April 2006

Unaudited pro forma financial information

For the year ended 31 December 2005

Basis of preparation

The pro forma financial information is consistent with the results for Group 4 Securicor plc for the year ended 31 December 2005. However, as explained in note 1 to the consolidated financial statements on page 56, the statutory results for Group 4 Securicor plc for the year ended 31 December 2004 shown as comparatives therein include the full year of trading of the security businesses of the former Group 4 Falck A/S and the trading of the businesses of Securicor plc for the period from 20 July 2004 to 31 December 2004. Therefore, the directors consider that it is of assistance to shareholders to show pro forma financial information for the combined entities for the full year comparative period. This information is shown below. Similarly presented is pro forma operating cash flow information.

Pro forma revenue and PBITA

For the year ended 31 December 2005

	Actual 2005 £m	Pro forma 2004 £m
Continuing operations		
Revenue	**4,129.9**	3,763.9
Profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items (PBITA)		
Group PBITA	**248.7**	213.3
Share of profit from associates	**5.3**	2.4
Total PBITA	**254.0**	215.7
Adjusted earnings per share (pence)	**11.1p**	

Operating cash flow information

For the year ended 31 December 2005

	Actual 2005 £m	Pro forma 2004 £m
Group PBITA	**248.7**	213.3
Depreciation and amortisation of intangible assets other than acquisition-related intangibles	**82.2**	79.7
Equity-settled transactions	**2.7**	1.5
Profit on sale of fixed assets	**(0.8)**	(1.1)
(Increase)/decrease in working capital and provisions before exceptional items	**(45.0)**	7.6
Net cash flow from capital expenditure	**(89.8)**	(87.9)
Operating cash flow	**198.0**	213.1

Reconciliation of operating cash flows for 2005

	Actual 2005 £m
Net cash flow from operating activities (per the consolidated cash flow statement)	**174.5**
Net cash flow from capital expenditure	**(89.8)**
Cash outflow on exceptional items	**38.0**
Additional pension contributions	**15.0**
Operating loss from discontinued operations	**1.7**
Adjustment for unwinding of sundry debt factoring arrangements	**5.6**
Tax paid	**53.0**
Operating cash flow	**198.0**

The group has not presented a comparative reconciliation of operating cash flows to net cash flow from operating activities for 2004 because the statutory consolidated cash flow statement for that year does not include the cash flows of the combined entities for the full year.

Unaudited pro forma financial information (continued)

For the year ended 31 December 2005

Pro forma business sector and geographical analysis

	Actual 2005 £m	Pro forma 2004 £m
Revenue		
Manned Security		
Europe	**1,364.5**	1,315.9
North America	**1,014.6**	943.7
New Markets	**495.2**	381.1
Total Manned Security	**2,874.3**	2,640.7
Security Systems		
Europe	**342.0**	317.9
North America	**3.1**	1.8
New Markets	**44.5**	29.5
Total Security Systems	**389.6**	349.2
Cash Services		
Europe	**688.6**	635.1
North America	**76.9**	64.3
New Markets	**100.5**	74.6
Total Cash Services	**866.0**	774.0
Total revenue		
Europe	**2,395.1**	2,268.9
North America	**1,094.6**	1,009.8
New Markets	**640.2**	485.2
Total revenue	**4,129.9**	3,763.9
PBITA		
Manned Security		
Europe	**73.3**	74.0
North America	**61.0**	54.7
New Markets	**35.6**	26.0
Total Manned Security	**169.9**	154.7
Security Systems		
Europe	**27.7**	25.5
North America	**0.4**	0.2
New Markets	**4.0**	2.9
Total Security Systems	**32.1**	28.6
Cash Services		
Europe	**58.4**	44.7
North America	**2.8**	3.9
New Markets	**15.5**	11.0
Total Cash Services	**76.7**	59.6
Total PBITA		
Europe	**159.4**	144.2
North America	**64.2**	58.8
New Markets	**55.1**	39.9
PBITA before head office costs	**278.7**	242.9
Head office costs	**(24.7)**	(27.2)
Total PBITA	**254.0**	215.7

The 2005 results presented above are consistent with those presented in the business and geographical segments in note 5 on pages 64 to 67.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

Independent auditor's report to the members of Group 4 Securicor plc

We have audited the group financial statements of Group 4 Securicor plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Group 4 Securicor plc for the year ended 31 December 2005 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 50.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the group financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group 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 group financial statements.

Opinion

In our opinion:

> the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended; and

> the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
11 April 2006

8 Salisbury Square
London
EC4Y 8BB

Consolidated income statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Continuing operations			
Revenue	4, 5	4,129.9	3,093.6
Profit from operations before amortisation of acquisition-related intangibles, exceptional items and share of profit from associates		248.7	163.1
Share of profit from associates		5.3	2.4
Profit from operations before amortisation of acquisition-related intangibles and exceptional items (PBITA)	5	254.0	165.5
Amortisation of acquisition-related intangible assets		(33.8)	(13.4)
Exceptional items:			
– Restructuring costs consequential upon acquisitions		(22.2)	(37.2)
– Impairment of goodwill		–	(55.9)
– Change in of accounting estimates		–	(57.9)
	8	(22.2)	(151.0)
Profit from operations before interest and taxation	5, 7	198.0	1.1
Investment income	11	72.8	39.6
Finance costs	12	(113.3)	(58.9)
Profit/(loss) from operations before taxation		157.5	(18.2)
Taxation:			
– Before amortisation and exceptional items		(67.1)	(48.0)
– On amortisation of acquisition-related intangible assets		10.0	4.0
– On exceptional items		(0.9)	36.5
	13	(58.0)	(7.5)
Profit/(loss) from continuing operations after taxation		99.5	(25.7)
Loss from discontinued operations	6	(8.8)	(39.7)
Profit/(loss) for the period		90.7	(65.4)
Attributable to:			
Equity holders of the parent		80.8	(72.3)
Minority interests		9.9	6.9
Profit/(loss) for the period		90.7	(65.4)
Earnings per share attributable to ordinary equity shareholders of the parent	15		
For profit/(loss) from continuing operations:			
Basic		7.1p	(3.4)p
Diluted		7.0p	(3.4)p
For profit/(loss) from continuing and discontinued operations			
Basic		6.4p	(7.5)p
Diluted		6.4p	(7.5)p

Consolidated balance sheet

At 31 December 2005

	Notes	2005 £m	2004 £m
ASSETS			
Non-current assets			
Goodwill	18	1,172.7	1,096.3
Other acquisition-related intangible assets	18	241.4	253.3
Other intangible assets	18	27.3	25.3
Property, plant and equipment	19	355.4	339.5
Investment in associates	21	3.9	10.1
Trade and other receivables	24	50.3	40.5
Deferred tax assets	34	112.9	111.0
		1,963.9	1,876.0
Current assets			
Inventories	22	35.3	34.2
Trading investments	23	61.4	60.7
Trade and other receivables	24	830.7	702.6
Cash and cash equivalents	26	263.8	191.6
Non-current assets classified as held for sale	27	–	29.9
		1,191.2	1,019.0
Total assets		3,155.1	2,895.0
LIABILITIES			
Current liabilities			
Bank overdrafts	26, 28	(58.7)	(13.9)
Bank loans	28	(87.7)	(92.3)
Obligations under finance leases	29	(12.1)	(15.4)
Trade and other payables	30	(756.5)	(700.7)
Current tax liabilities		(27.6)	(23.8)
Retirement benefit obligations	32	(30.0)	(30.8)
Provisions	33	(44.5)	(44.4)
		(1,017.1)	(921.3)
Non-current liabilities			
Bank loans	28	(790.1)	(695.1)
Obligations under finance leases	29	(33.9)	(22.0)
Trade and other payables	30	(1.0)	(16.0)
Retirement benefit obligations	32	(211.0)	(204.8)
Provisions	33	(47.3)	(36.7)
Deferred tax liabilities	34	(84.8)	(89.2)
		(1,168.1)	(1,063.8)
Total liabilities		(2,185.2)	(1,985.1)
Net assets		969.9	909.9
EQUITY			
Share capital	35	317.2	316.1
Share premium and reserves	36	625.0	563.3
Equity attributable to equity holders of the parent		942.2	879.4
Minority interests		27.7	30.5
Total equity		969.9	909.9

The parent company balance sheet and notes are on pages 105 to 109. The financial statements were approved by the board of directors and authorised for issue on 11 April 2006.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Profit/(loss) from continuing operations before taxation		157.5	(18.2)
(Loss)/profit from discontinued operations before taxation		(1.7)	0.5
Adjustments for:			
Investment income		(72.8)	(39.6)
Finance costs		113.3	58.9
Depreciation of property, plant and equipment		75.4	57.6
Impairment loss on property, plant and equipment and intangible assets other than acquisition-related		–	8.2
Amortisation of acquisition-related intangible assets		33.8	13.4
Amortisation of other intangible assets		6.8	5.8
Impairment of goodwill		–	55.9
Share of profit from associates		(5.3)	(2.4)
Loss on disposal of property, plant and equipment and intangible assets other than acquisition-related		2.8	1.3
Equity-settled transactions:			
– Performance share plan		1.2	0.8
– Share options		1.5	0.7
Operating cash flow before movements in working capital		312.5	142.9
(Increase)/decrease in inventories		(6.3)	1.6
(Increase)/decrease in receivables		(67.9)	5.2
Increase in payables		0.1	32.3
Decrease in provisions		(10.9)	(15.3)
Cash generated by operations		227.5	166.7
Tax paid		(53.0)	(30.0)
Net cash flow from operating activities		174.5	136.7
Investing activities			
Interest received		9.8	4.5
Dividends received from associates		12.3	–
Purchases of property, plant and equipment and intangible assets other than acquisition-related		(108.0)	(99.3)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		18.2	16.2
Acquisition of subsidiaries and separately acquired customer-related intangibles		(69.7)	(93.3)
Acquisition of investments in associates		–	(5.9)
Net cash balances acquired		3.0	64.0
Cash movement relating to the Group 4 Falck A/S demerger		–	(48.9)
Disposal of subsidiaries		42.1	(0.8)
Disposal/(purchase) of trading investments		4.8	(11.6)
Purchase of own shares		(6.1)	–
Acquisition of minority shareholders of the former Group 4 Falck A/S		(9.5)	–
Net cash used in investing activities		(103.1)	(175.1)
Financing activities			
Share issues		4.9	0.3
Net sale of own shares		–	5.4
Dividends paid to minority interests		(5.1)	(2.4)
Dividends paid to equity shareholders of the parent		(39.9)	(3.3)
Net increase in borrowings		47.3	209.9
Interest paid		(47.9)	(25.6)
Repayment of obligations under finance leases		(7.6)	(5.9)
Net cash flow from financing activities		(48.3)	178.4
Net increase in cash, cash equivalents and bank overdrafts		23.1	140.0
Cash, cash equivalents and bank overdrafts at the beginning of the period		177.7	37.4
Effect of foreign exchange rate fluctuations on cash held		4.3	0.3
Cash, cash equivalents and bank overdrafts at the end of the period	26	205.1	177.7

Consolidated cash flow statement (continued)

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Reconciliation of net cash flow to movement in net debt			
Increase in cash, cash equivalents and bank overdrafts		23.1	140.0
(Decrease)/increase in liquid resources		(4.8)	11.6
Increase in debt and lease financing		(39.7)	(204.0)
Change in net debt resulting from cash flows		(21.4)	(52.4)
Borrowings acquired with subsidiaries		(1.3)	(212.2)
New finance leases		(20.7)	(5.9)
Movement in net debt in the period		(43.4)	(270.5)
Translation adjustments		(27.5)	23.9
Net debt at the beginning of the period		(586.4)	(339.8)
Net debt at the end of the period	37	(657.3)	(586.4)

Consolidated statement of recognised income and expense

For the year ended 31 December 2005

	2005 £m	2004 £m
Exchange differences on translation of foreign operations	36.5	8.8
Actuarial losses on defined benefit pension schemes	(22.6)	(16.5)
Change in value of hedging derivatives	(5.8)	–
Tax on items taken directly to equity	12.3	3.8
Net income/(expense) recognised directly in equity	20.4	(3.9)
Profit/(loss) for the period	90.7	(65.4)
Total recognised income/(expense)	111.1	(69.3)
Attributable to:		
Equity holders of the parent	101.2	(76.2)
Minority interests	9.9	6.9
Total recognised income/(expense)	111.1	(69.3)

Notes to the consolidated financial statements

1 General information

Group 4 Securicor plc is a company incorporated in the United Kingdom under the Companies Act 1985. As a result of a Scheme of Arrangement of Securicor plc, which became effective on 19 July 2004, Group 4 Securicor plc became the ultimate holding company of the Securicor plc group of companies and, on the same date, and as a result of a recommended offer for its shares, acquired Group 4 A/S, the holding company of the former security businesses of Group 4 Falck A/S. On the basis that the transaction was effected by using a new parent, Group 4 A/S was identified as the acquirer. The comparative results for the year to 31 December 2004 are therefore those of the full year of trading of the security businesses of the former Group 4 Falck A/S and the trading of the businesses of Securicor plc for the period from 20 July 2004 to 31 December 2004.

The comparative balance sheet at 31 December 2004 has been adjusted to reflect the completion during 2005 of the initial accounting in respect of acquisitions made during 2004. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £18.4m, with an equivalent increase in the reported value of goodwill. The impact of these adjustments on the net assets acquired is presented in note 16.

The nature of the group's operations and its principal activities are set out in note 5 and in the operating review on pages 14 to 23. The group operates throughout the world and in a wide range of functional currencies, the most significant being the euro, the US dollar and sterling. The group's financial statements are presented in sterling, as the group's primary listing is in the UK. Foreign operations are included in accordance with the policies set out in note 3. The address of the registered office is given on page 113.

2 Statement of compliance

The consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards adopted for use in the European Union (EU) and its interpretations adopted by the International Accounting Standards Board ("IFRS"). With certain mandatory or optional exceptions detailed in IFRS 1 First-time Adoption of International Financial Reporting Standards, the comparatives for 2004 have been restated under IFRS and the group's date of transition to IFRS is 1 January 2004, other than in respect of IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement, for which it is 1 January 2005.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS were included in the IFRS financial information published on 5 September 2005 and are represented in note 43.

The effect of the group's election to apply IAS 32 and IAS 39 from 1 January 2005 is that the 2004 comparative income statement, statement of recognised income and expense and balance sheet are, in respect of these standards alone, presented in accordance with UK GAAP applicable in 2004 and do not include any charge or credit in respect of changes in the fair values of financial instruments.

3 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the going concern basis and using the historical cost basis, except for the revaluation of certain financial instruments in 2005. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The judgements, estimates and assumptions which are of most significance to the group are those relating to the valuation of the assets of acquired businesses, the assessment of the recoverable amounts in respect of assets tested for impairment and the valuation of retirement benefit obligations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(b) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising the group) made up to 31 December each year. Control is achieved where the group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities, determined either by the group's ownership percentage, adjusted for any options or convertible instruments, or by the terms of any shareholder agreement.

On acquisition, the assets and liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the carrying value of the minority interest are allocated against the interest of the parent, except to the extent that the minority has both a binding obligation and the ability to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of control or up to the effective date of disposal, as appropriate.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, in that strategic financial and operating decisions require the unanimous consent of the parties.

The group's interest in joint ventures is accounted for using the proportionate consolidation method, whereby the group's share of the results and assets and liabilities of a jointly-controlled entity is combined line by line with similar items in the group's consolidated financial statements.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the group's consolidated financial statements using the equity method of accounting except when classified as held for sale (see note 3t). Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a group company transacts with a joint venture or associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant joint venture or associate.

(c) Foreign currencies

Transactions in currencies other than sterling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities, on monetary items that are in substance a part of the group's net investment in foreign operations and on monetary liabilities that are designated as hedging that net investment, all of which are recognised directly in equity.

In order to further hedge its translation exposure to certain foreign currencies in which more than 1% of the group's consolidated net operating assets are denominated, the group utilises derivative financial instruments (see note 3d for details of the group's accounting policies in respect of such instruments).

On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated into sterling at the average exchange rates for the period. Exchange differences arising are recognised in equity and subsequently recycled to the income statement in the period in which the operation is disposed of. In accordance with the optional exemption under IFRS 1, cumulative translation differences on overseas operations are deemed to be zero as at the date of transition.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(c) Foreign currencies (continued)

The financial statements of foreign subsidiaries, associates and jointly controlled entities that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit (the hyperinflationary currency) current at the balance sheet date before they are translated into sterling.

(d) Derivative financial instruments and hedge accounting

In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes but to reduce the group's exposure to financial risk. Such financial risk includes the interest risk on the group's variable-rate borrowings and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies, to the extent that these are not matched by foreign currency borrowings. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the balance sheet as financial assets or liabilities at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described below. As explained in note 2, the comparatives for 2004 have not been restated in respect of financial instruments which are stated at cost, less impairment.

Fair value hedge

The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the income statement.

Cash flow hedge

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged cash flow impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

Net investment hedge

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged net investment impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

(e) Intangible assets

Goodwill

All business combinations are accounted for by the application of the purchase method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is stated at cost, less any accumulated impairment losses, and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included within the net investment in associates. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Acquisition-related intangible assets

Intangible assets on acquisitions that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquisition-related intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquisition-related intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earnings method.

Acquisition-related intangible assets are amortised by equal annual instalments over their expected economic life, up to a maximum of ten years. The directors review acquisition-related intangible assets on an ongoing basis and, where appropriate, provide for any impairment in value.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(e) Intangible assets (continued)

Other intangible assets – development expenditure

Development expenditure represents expenditure incurred in establishing new services and products of the group. Such expenditure is usually of a revenue nature. However, if such expenditure creates an identifiable asset, its cost can be measured reliably, it is probable that it will generate future economic benefits, it is technically and commercially feasible and the group has sufficient resources to complete development, it is recognised as an intangible asset. Capitalised development expenditure is amortised over the period during which the expenditure is expected to be revenue-producing, up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

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

Other intangible assets – software

Computer software is capitalised as an intangible asset if such expenditure (both internally generated and externally purchased) creates an identifiable asset, if its cost can be measured reliably and if it is probable that it will generate future economic benefits. Capitalised computer software is stated at cost, net of depreciation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of five years.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment other than freehold land. Depreciation is calculated so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Freehold and long leasehold buildings	up to 2%
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	10% – 33.3%

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually. The directors review the carrying value of property, plant and equipment on an ongoing basis and, where appropriate, provide for any impairment in value.

(g) Financial Instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

Trade receivables

Trade receivables do not carry interest and are stated at their fair value.

PFI assets

Under the terms of a Private Finance Initiative (PFI) or similar project, where the risks and rewards of ownership of an asset remain largely with the purchaser of the associated services, the group's interest in the asset is classified as a financial asset and included at its discounted value within trade receivables.

Current asset investments

Current asset investments comprise investments in securities, which are classified as held-for-trading. They are initially recognised at cost, including transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the income statement.

Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method.

Trade payables

Trade payables are not interest-bearing and are stated at fair value.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(g) Financial Instruments (continued)

Equity instruments
Equity instruments issued by the group are recorded at the value of proceeds received, net of direct issue costs.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated using either the weighted average or the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Impairment

The carrying value of the group's assets, apart from inventories and deferred tax assets, is reviewed on an ongoing basis for any indication of impairment, and if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use, where value in use is assessed as the estimated future cash flows deriving from the asset discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset attaches.

The recoverable amount of goodwill is tested annually through assessing the carrying values of the cash generating units to which the goodwill attaches. An impairment loss recognised in respect of a cash-generating unit is allocated first so as to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to reduce the carrying value of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of any other asset, an impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

(k) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Where repurchased shares are held by an employee benefit trust, they are classified as treasury shares and presented as a deduction from equity.

(l) Employee benefits

Retirement benefit costs
Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The discount rate used is the yield at the balance sheet date on AA credit rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. The expected investment income on assets and the finance cost on liabilities are recognised in the income statement as components of investment income and finance cost respectively. Actuarial gains and losses are recognised in full in the period in which they occur and presented outside the income statement in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise it is amortised on a straight-line basis over the average period until the benefits vest.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the plan.

3 Significant accounting policies (continued)

(l) Employee benefits (continued)

Long-term service benefits

The group's net obligation in respect of long-term service benefits other than retirement benefits represents the present value of the future benefit that employees have earned as at the balance sheet date, less the fair value of associated assets.

Share-based payments

The group has applied the optional transitional exemptions in IFRS 2 Share-based Payment and implemented its requirements for grants of equity instruments made after 7 November 2002 which had not vested by 1 January 2005.

The group issues equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

The fair value of share-based payments granted in the form of options is measured by the use of the Black-Scholes valuation technique, adjusted for future dividend receipts and for any market-related performance conditions.

(m) Provisions

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Items within provisions include claims against the group's captive insurance businesses, costs of meeting lease requirements on unoccupied properties and restructuring provisions for the costs of a business reorganisation where the plans are sufficiently detailed and where the appropriate communication to those affected has been undertaken at the balance sheet date.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

(n) Revenue recognition

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes. Revenue for the manned security and cash services products and for recurring services in the security systems products is recognised over the period in which the service is provided. Revenue on security systems installations is recognised either on completion in respect of product sales, or in accordance with the percentage of completion method in respect of construction contracts.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that it is likely that they will be agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are deemed likely to be recoverable. Contract costs are recognised as expenses as they are incurred. Where it is likely that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts are recognised on the balance sheet at cost plus profit recognised to date, less provision for foreseeable losses and less progress billings. Balances are not offset.

Government grants

Government grants in respect of items expensed in the income statement are recognised as deductions from the associated expenditure. Government grants in respect of property, plant and equipment are treated as deferred income and released to the income statement over the lives of the related assets.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(n) Revenue recognition (continued)

Interest
Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividends
Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(o) Borrowing costs
All borrowing costs are recognised in the income statement.

(p) Profit from operations
Profit from operations is stated after the share of results of associates but before investment income and finance costs. Exceptional items of particular significance, including restructuring costs, are included within profit from operations but are separately disclosed.

(q) Income taxes
Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

(r) Leasing
Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the lease terms, as are incentives to enter into operating leases.

Notes to the consolidated financial statements (continued)

3 Significant accounting policies (continued)

(s) Segment reporting

A segment is a significant component of the group which is subject to risks and rewards distinguishable from those of other segments either by the nature of the services provided (business segment) or by the economic environment in which it transacts business (geographical segment).

(t) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

(u) Dividends

Dividends are recognised as distributions to equity holders in the period in which they are declared. Dividends proposed but not declared are not recognised but are disclosed in the notes to the consolidated financial statements.

(v) Accounting standards and interpretations issued but not yet mandatory and not adopted

IFRS 7 Financial instruments: disclosures was issued in August 2005 and will apply to the group from 1 January 2007. This standard supersedes IAS 32 and requires further quantitative and qualitative disclosures in respect of financial instruments.

IFRIC 4 Determining whether an arrangement contains a lease was issued in December 2004 and will apply to the group from 1 January 2006. This interpretation requires that arrangements that have the nature, if not the legal form, of a lease are accounted for in accordance with IAS 17 Leases. Its adoption is not expected to have a material impact on the group.

4 Revenue

An analysis of the group's revenue is as follows:

	Notes	2005 £m	2004 £m
Continuing operations			
Sale of goods		143.8	116.9
Rendering of services		3,945.9	2,936.3
Revenue from construction contracts		40.2	40.4
Revenue from continuing operations as presented in the consolidated income statement	*5*	4,129.9	3,093.6
Discontinued operations			
Rendering of services		39.8	89.5
Revenue from discontinued operations	*6*	39.8	89.5
Other operating income			
Interest receivable		12.0	4.6
Expected return on pension plan assets		60.8	35.0
Total other operating income		72.8	39.6

Notes to the consolidated financial statements (continued)

5 Business and geographical segments

The group operates in three core product areas: manned security, security systems and cash services. The group operates on a worldwide basis and derives a substantial proportion of its revenue and operating profit from each of the following geographic regions: the United Kingdom, the rest of Europe, North America, and New Markets (comprising Latin America and the Caribbean, Africa, the Middle East and Gulf States, and Asia Pacific).

The current management structure of the group is a combination of product area and geography, within which the larger businesses generally report by product area. The group's primary segmentation is therefore by business segment and its secondary segmentation is by geography. Segment information is presented below.

Segment revenue

Revenue by business segment	Continuing operations 2005 £m	Discontinued operations 2005 £m	Total 2005 £m	Continuing operations 2004 £m	Discontinued operations 2004 £m	Total 2004 £m
Manned Security						
Europe	1,364.5	3.9	1,368.4	1,055.1	60.9	1,116.0
North America	1,014.6	35.9	1,050.5	921.4	24.7	946.1
New Markets	495.2	–	495.2	292.9	0.9	293.8
Total Manned Security	2,874.3	39.8	2,914.1	2,269.4	86.5	2,355.9
Security Systems						
Europe	342.0	–	342.0	315.9	–	315.9
North America	3.1	–	3.1	1.8	–	1.8
New Markets	44.5	–	44.5	26.6	–	26.6
Total Security Systems	389.6	–	389.6	344.3	–	344.3
Cash Services						
Europe	688.6	–	688.6	402.9	2.7	405.6
North America	76.9	–	76.9	29.8	–	29.8
New Markets	100.5	–	100.5	47.2	0.3	47.5
Total Cash Services	866.0	–	866.0	479.9	3.0	482.9
Total revenue	4,129.9	39.8	4,169.7	3,093.6	89.5	3,183.1

Revenue by geographic market	Total 2005 £m	Total 2004 £m
Europe		
United Kingdom	821.0	481.8
Rest of Europe	1,578.0	1,355.7
North America	1,130.5	977.7
New Markets		
Latin America and Caribbean	97.4	90.0
Africa	137.0	94.5
Middle East and Gulf States	154.5	39.9
Asia Pacific	251.3	143.5
Total revenue	4,169.7	3,183.1

Notes to the consolidated financial statements (continued)

5 Business and geographical segments (continued)

Segment revenue (continued)

Revenue from internal and external customers by business segment	Total gross segment revenue 2005 £m	Inter-segment revenue 2005 £m	External revenue 2005 £m	Total gross segment revenue 2004 £m	Inter-segment revenue 2004 £m	External revenue 2004 £m
Manned Security	**2,935.6**	**(21.5)**	**2,914.1**	2,374.6	(18.7)	2,355.9
Security Systems	**400.2**	**(10.6)**	**389.6**	352.6	(8.3)	344.3
Cash Services	**868.2**	**(2.2)**	**866.0**	485.0	(2.1)	482.9
Total revenue	**4,204.0**	**(34.3)**	**4,169.7**	3,212.2	(29.1)	3,183.1

Inter-segment sales are charged at prevailing market prices.

Segment result

PBITA by business segment	Continuing operations 2005 £m	Discontinued operations 2005 £m	Total 2005 £m	Continuing operations 2004 £m	Discontinued operations 2004 £m	Total 2004 £m
Manned Security						
Europe	**73.3**	**(0.9)**	**72.4**	51.6	1.6	53.2
North America	**61.0**	**(0.8)**	**60.2**	53.0	(0.8)	52.2
New Markets	**35.6**	**–**	**35.6**	19.1	–	19.1
Total Manned Security	**169.9**	**(1.7)**	**168.2**	123.7	0.8	124.5
Security Systems						
Europe	**27.7**	**–**	**27.7**	25.0	–	25.0
North America	**0.4**	**–**	**0.4**	0.2	–	0.2
New Markets	**4.0**	**–**	**4.0**	3.0	–	3.0
Total Security Systems	**32.1**	**–**	**32.1**	28.2	–	28.2
Cash Services						
Europe	**58.4**	**–**	**58.4**	23.5	(0.3)	23.2
North America	**2.8**	**–**	**2.8**	2.1	–	2.1
New Markets	**15.5**	**–**	**15.5**	8.8	–	8.8
Total Cash Services	**76.7**	**–**	**76.7**	34.4	(0.3)	34.1
PBITA before head office costs	**278.7**	**(1.7)**	**277.0**	186.3	0.5	186.8
Head office costs	**(24.7)**	**–**	**(24.7)**	(20.8)	–	(20.8)
Total PBITA	**254.0**	**(1.7)**	**252.3**	165.5	0.5	166.0
PBITA by geographic market						
Europe	**159.4**	**(0.9)**	**158.5**	100.1	1.3	101.4
North America	**64.2**	**(0.8)**	**63.4**	55.3	(0.8)	54.5
New Markets	**55.1**	**–**	**55.1**	30.9	–	30.9
PBITA before head office costs	**278.7**	**(1.7)**	**277.0**	186.3	0.5	186.8
Head office costs	**(24.7)**	**–**	**(24.7)**	(20.8)	–	(20.8)
Total PBITA	**254.0**	**(1.7)**	**252.3**	165.5	0.5	166.0

Notes to the consolidated financial statements (continued)

5 Business and geographical segments (continued)
Segment result (continued)

Result by business segment	Continuing operations 2005 £m	Discontinued operations 2005 £m	Total 2005 £m	Continuing operations 2004 £m	Discontinued operations 2004 £m	Total 2004 £m
Total PBITA	254.0	(1.7)	252.3	165.5	0.5	166.0
Amortisation of acquisition-related intangibles	(33.8)	–	(33.8)	(13.4)	–	(13.4)
Exceptional items	(22.2)	(5.3)	(27.5)	(151.0)	(39.8)	(190.8)
Profit from operations before interest and taxation (PBIT)	198.0	(7.0)	191.0	1.1	(39.3)	(38.2)
By business segment						
Manned Security	145.9	(8.2)	137.7	56.8	(39.0)	17.8
Security Systems	27.7	–	27.7	(13.9)	–	(13.9)
Cash Services	50.5	1.2	51.7	(6.4)	(0.3)	(6.7)
Head office costs	(26.1)	–	(26.1)	(35.4)	–	(35.4)
Total PBIT	198.0	(7.0)	191.0	1.1	(39.3)	(38.2)

The profit from continuing operations before interest and taxation stated above is equal to the profit from operations before interest and taxation disclosed in the income statement. The loss from discontinued operations before interest and taxation stated above is equal to the loss before interest and tax from discontinued operations as analysed in note 6 which provides a reconciliation to the net loss from discontinued operations.

Segment assets and liabilities

The following information is analysed by business segment and by the geographical area in which the assets are located:

Total assets	2005 £m	2004 £m
By business segment		
Manned Security	1,512.7	1,378.2
Security Systems	292.6	271.4
Cash Services	862.6	809.1
Head office	54.8	49.1
Inter-segment trading balances	(5.7)	(6.0)
Total segment assets attributable to continuing operations	2,717.0	2,501.8
By geographical segment		
Europe		
United Kingdom	811.0	798.8
Rest of Europe	839.1	824.5
North America	674.6	566.6
New Markets		
Latin America and Caribbean	63.8	51.4
Africa	65.5	53.4
Middle East and Gulf States	29.7	19.5
Asia Pacific	178.5	138.5
Head office	54.8	49.1
Total segment assets attributable to continuing operations	2,717.0	2,501.8
Non-current assets held for resale	–	29.9
Total segment assets	2,717.0	2,531.7
Non-operating assets	438.1	363.3
Total assets	3,155.1	2,895.0

Notes to the consolidated financial statements (continued)

5 Business and geographical segments (continued)

Segment assets and liabilities (continued)

Total liabilities	2005 £m	2004 £m
By business segment		
Manned Security	(495.9)	(478.5)
Security Systems	(101.0)	(95.0)
Cash Services	(183.3)	(148.4)
Head office	(74.8)	(81.9)
Inter-segment trading balances	5.7	6.0
Total segment liabilities attributable to continuing operations	(849.3)	(797.8)
Non-operating liabilities	(1,335.9)	(1,187.3)
Total liabilities	(2,185.2)	(1,985.1)

Non-operating assets and liabilities comprise financial assets and liabilities, taxation assets and liabilities and retirement benefit obligations.

Other information by geographical location

By business segment	Impairment losses recognised in income 2005 £m	Depreciation and amortisation 2005 £m	Capital additions 2005 £m	Impairment losses recognised in income 2004 £m	Depreciation and amortisation 2004 £m	Capital additions 2004 £m
Manned Security	–	34.7	63.2	35.8	25.0	499.8
Security Systems	–	16.5	30.1	17.3	18.1	70.5
Cash Services	–	62.4	84.0	11.0	31.4	644.4
Head office	–	2.4	5.0	–	2.3	18.4
Total	–	116.0	182.3	64.1	76.8	1,233.1

By geographical segment	Capital additions 2005 £m	Capital additions 2004 £m
Europe		
United Kingdom	37.9	677.1
Rest of Europe	58.0	268.5
North America	32.7	96.6
New Markets		
Latin America and Caribbean	9.1	40.8
Africa	5.9	25.8
Middle East and Gulf States	12.9	6.7
Asia Pacific	20.8	99.2
Head office	5.0	18.4
Total	182.3	1,233.1

Notes to the consolidated financial statements (continued)

6 Discontinued operations

Discontinued operations represent operations disposed of during 2004 and 2005. They include the manned security business of Falck Security Nederland and its subsidiaries (with the exception of aviation security activities) and of Group 4 Falck Cash Services UK. The disposal of these businesses was required by the European Commission as a condition for their approval of the combination between the security businesses of the former Group 4 Falck A/S and Securicor plc on 19 July 2004. During the disposal process the group did not have control over these operations and in consequence their results have not been consolidated from 20 July 2004. Group 4 Falck Cash Services UK was sold on 7 March 2005 and the manned security business of Falck Security Nederland on 2 November 2005. Also included within discontinued operations are the security operations of Cognisa Security in the US, which were sold on 31 August 2005.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	2005 £m	2004 £m
Revenue	39.8	89.5
Expenses	(41.5)	(89.0)
(Loss)/profit before taxation	(1.7)	0.5
Attributable tax expense	(0.2)	(0.4)
Total (loss)/profit for the year	(1.9)	0.1
Loss on disposal of discontinued operations	(5.3)	(39.8)
Attributable tax expense	(1.6)	–
Total loss on disposal	(6.9)	(39.8)
Net loss attributable to discontinued operations	(8.8)	(39.7)

Included within net loss attributable to discontinued operations is £5.5m (2004: £37.0m) attributable to the loss on disposal of Falck Security Nederland.

During the year, discontinued operations contributed £(1.6)m (2004: £1.6m) to the group's net cash flows from operating activities, contributed £(0.3)m (2004: £0.1m) in respect of net cash used in investing activities and contributed £(0.2)m (2004: £(0.2)m) in respect of net cash flows from financing activities.

The effect of discontinued operations on segment results is disclosed in note 5.

7 Profit from operations before interest and taxation

The income statement can be analysed as follows:

	2005 £m	2004 £m
Continuing operations		
Revenue	4,129.9	3,093.6
Cost of sales	(3,232.4)	(2,444.0)
Gross profit	897.5	649.6
Administration expenses	(704.8)	(650.9)
Share of profit from associates	5.3	2.4
Profit from operations before interest and taxation	198.0	1.1

Included within administration expenses is £33.8m (2004: £13.4m) of amortisation of acquisition-related intangible assets and £22.2m (2004: £151.0m) of exceptional items.

Revenue and expenses relating to discontinued operations are disclosed in note 6.

Notes to the consolidated financial statements (continued)

8 Exceptional items

	2005 £m	2004 £m
Restructuring costs consequential upon acquisitions	**(22.2)**	(37.2)
Impairment of goodwill in respect of businesses in Finland, Germany, Poland, South Africa and Austria	–	(55.9)
Change in accounting estimates	–	(57.9)
Total exceptional items	**(22.2)**	(151.0)

The exceptional item in 2005 relates to post-acquisition restructuring costs including £4.0m incurred in the reorganisation of the cash services business in Germany.

9 Profit from operations

Profit from operations has been arrived at after charging/(crediting):

	2005 £m	2004 £m
Impairment of goodwill	–	55.9
Amortisation of acquisition-related intangible assets included within administration expenses	**33.8**	13.4
Amortisation of other intangible assets included within administration expenses	**6.8**	5.8
Depreciation of property, plant and equipment	**75.4**	57.6
Impairment of property, plant and equipment and intangible assets other than acquisition-related	–	8.2
Loss on disposal of property, plant and equipment and intangible assets other than acquisition-related	**2.8**	1.3
Cost of inventories recognised as an expense and included in cost of sales	**69.6**	62.3
Write-down of inventories to net realisable value included within cost of sales	**1.0**	1.6
Reversal of inventories previously written down to net realisable value included within cost of sales because subsequently sold	**(0.6)**	(0.8)
Impairment of trade receivables	**4.7**	5.9
Litigation settlements	**1.2**	–
Staff costs	**2,920.4**	2,282.2
Research and development expenditure	**1.4**	4.1
Operating lease rentals payable	**64.7**	62.8
Operating sub-lease rentals receivable	**(1.9)**	(2.0)
Cost of performance share plan awards and share options	**2.7**	1.5
Government grants received as a contribution towards wage costs	–	0.3
Net foreign translation adjustments	**0.2**	0.5
Auditors' remuneration for audit services:		
Group auditor:		
– parent company	**0.6**	0.6
– other	**2.1**	0.3
Other auditors	**0.7**	2.6
Total auditors' remuneration	**3.4**	3.5

KPMG Audit Plc was appointed as the group auditor in respect of 2005. The group auditor in the prior year was Baker Tilly.

The group auditor's remuneration for other services provided to the parent company and its UK subsidiaries was £nil (2004: £12,000 in respect of services provided by Baker Tilly).

Additionally, in 2004, Baker Tilly received fees of £1.9m in connection with the acquisition of Securicor plc during that year which are included as part of the cost of acquisition.

Notes to the consolidated financial statements (continued)

10 Staff costs and employees

The average monthly number of employees (including directors) was:

	2005 Number	2004 Number
By business segment		
Manned Security	350,735	277,288
Security Systems	9,254	9,397
Cash Services	35,645	19,534
Not allocated, including shared administration and head office	137	94
Total average number of employees	395,771	306,313
By geographical segment		
Europe	112,647	96,274
North America	53,045	49,173
New Markets	229,942	160,772
Not allocated, including shared administration and head office	137	94
Total average number of employees	395,771	306,313

Their aggregate remuneration comprised:

	2005 £m	2004 £m
Wages and salaries	2,493.0	1,920.5
Social security costs	365.5	312.8
Employee benefits (see note 32)	61.9	48.9
Total staff costs	2,920.4	2,282.2

Information on directors' remuneration, share options, long-term incentive plans, and pension contributions and entitlements is set out in the Directors' Remuneration Report on pages 44 to 47.

11 Investment income

	2005 £m	2004 £m
Interest receivable	12.0	4.6
Expected return on pension plan assets	60.8	35.0
Total investment income	72.8	39.6

12 Finance costs

	2005 £m	2004 £m
Interest on bank overdrafts and loans	44.8	20.2
Interest on other loans	0.5	0.3
Interest on obligations under finance leases	1.8	2.1
Total group borrowing costs	47.1	22.6
Finance costs on pension liabilities	65.7	36.3
Decrease in fair value of trading investments	0.5	–
Total finance costs	113.3	58.9

Notes to the consolidated financial statements (continued)

13 Taxation

	Continuing operations 2005 £m	Discontinued operations 2005 £m	Total 2005 £m	Continuing operations 2004 £m	Discontinued operations 2004 £m	Total 2004 £m
Current taxation						
UK corporation tax	11.1	–	11.1	3.8	0.4	4.2
UK corporation tax – adjustments in respect of prior years	(3.6)	–	(3.6)	(4.7)	–	(4.7)
Overseas tax	51.8	1.8	53.6	42.9	–	42.9
Overseas tax – adjustments in respect of prior years	(5.6)	–	(5.6)	–	–	–
Total current taxation expense	53.7	1.8	55.5	42.0	0.4	42.4
Deferred taxation (see note 34)						
Current year	(1.4)	–	(1.4)	(11.4)	–	(11.4)
Adjustments in respect of prior years	5.7	–	5.7	(23.1)	–	(23.1)
Total deferred taxation expense	4.3	–	4.3	(34.5)	–	(34.5)
Total income tax expense for the year	58.0	1.8	59.8	7.5	0.4	7.9

UK corporation tax is calculated at 30.0% (2004: 30.0%) of the estimated assessable profits for the period. Taxation for other jurisdictions is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2005 £m	2005 %	2004 £m	2004 %
Profit/(loss) before taxation				
Continuing operations	157.5		(18.2)	
Discontinued operations	(7.0)		(39.3)	
	150.5		(57.5)	
Tax at UK corporation tax rate of 30% (2004: 30%)	45.1	30.0%	(17.2)	30.0%
Tax effect of expenses that are not deductible in determining taxable profit	13.0		45.1	
Tax effect of tax losses not recognised in the current year	3.1		4.8	
Effect of different tax rates of subsidiaries operating in non-UK jurisdictions	2.0		2.2	
Adjustments for previous years	(3.4)		(27.0)	
Total tax charge	59.8	39.7%	7.9	(13.7)%

In 2004, the expenses which were treated as non-deductible for tax purposes included impairment charges relating to goodwill, certain accounting adjustments arising from the harmonisation of accounting estimates, certain restructuring costs on the acquisition of Securicor plc and provisions made against investments. The prior year adjustment for 2004 of £27.0 million primarily relates to the release of deferred tax provisions within group companies.

In addition to the income tax expense charged to the income statement, a current tax credit of £12.3m (2004: £3.8m) has been recognised in equity.

14 Dividends

	2005 £m	2004 £m
Amounts recognised as distributions to equity holders of the parent in the period		
Final dividend of DKK 0.049 per share for the year ended 31 December 2003	–	3.6
Final dividend for the year ended 31 December 2004 of 1.85p (DKK 0.1981) per share	23.5	–
Interim dividend for the six months ended 30 June 2005 of 1.30p (DKK 0.143) per share	16.4	–
	39.9	3.6
Proposed final dividend for the year ended 31 December 2005 of 2.24p (DKK 0.2435) (2004: 1.85p, DKK 0.1981 per share)	28.3	23.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 11 July 2006 to shareholders who are on the register on 9 June 2006. The exchange rate used to translate it into Danish Kroner is that at 9 March 2006.

Notes to the consolidated financial statements (continued)

15 Earnings/(loss) per share

	2005 £m	2004 £m
From continuing and discontinued operations		
Earnings/(loss)		
Profit/(loss) for the year attributable to equity holders of the parent	80.8	(72.3)
Effect of dilutive potential ordinary shares (net of tax)	–	–
Profit/(loss) for the purposes of diluted earnings/(loss) per share	80.8	(72.3)
Number of shares (m)		
Weighted average number of ordinary shares	1,265.0	966.9
Effect of dilutive potential ordinary shares	6.0	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	1,271.0	966.9
Earnings/(loss) per share from continuing and discontinued operations (pence)		
Basic	6.4p	(7.5)p
Diluted	6.4p	(7.5)p
From continuing operations		
Earnings/(loss)		
Profit/(loss) for the year attributable to equity holders of the parent	80.8	(72.3)
Adjustment to exclude loss for the period from discontinued operations	8.8	39.7
Profit/(loss) from continuing operations	89.6	(32.6)
Effect of dilutive potential ordinary shares (net of tax)	–	–
Profit/(loss) from continuing operations for the purpose of diluted earnings/(loss) per share	89.6	(32.6)
Earnings/(loss) per share from continuing operations (pence)		
Basic	7.1p	(3.4)p
Diluted	7.0p	(3.4)p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic	(0.7)p	(4.1)p
Diluted	(0.7)p	(4.1)p
From adjusted earnings		
Earnings/(loss)		
Profit/(loss) from continuing operations	89.6	(32.6)
Adjustment to exclude net pension finance costs and fair value adjustments to financial instruments (net of tax)	3.8	0.9
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	23.8	9.4
Adjustment to exclude exceptional items (net of tax)	23.1	114.5
Adjusted profit for the year attributable to equity holders of the parent	140.3	92.2
Adjusted earnings per share (pence)	11.1p	9.5p

In the opinion of the directors the earnings per share figure of most use to shareholders is that which is adjusted. This figure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future earnings.

The denominators used in all earnings/(loss) per share calculations are those disclosed in respect of continuing and discontinued operations.

Notes to the consolidated financial statements (continued)

16 Acquisitions

Current year acquisitions

The group undertook a number of acquisitions in the year, none of which were individually material. Principal acquisitions in subsidiary undertakings include the purchase of 100% interests in OneService, a valuables transportation business in the US, and in Universal ATM Services, a cash-in-transit business in Canada. In addition, a further 21% of the shares of Hashmira, the Israeli security company, were acquired.

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the group in respect of all acquisitions made in the period:

	Notes	Book value £m	Fair value adjustments £m	**Fair value £m**
Acquisition-related intangible assets	*(i)*	–	11.9	**11.9**
Other intangible assets	*(ii)*	0.2	(0.1)	**0.1**
Property, plant and equipment	*(ii)*	5.3	(1.4)	**3.9**
Inventories		0.1	–	**0.1**
Trade and other receivables	*(iii)*	16.5	(0.3)	**16.2**
Cash and cash equivalents		3.0	–	**3.0**
Trade and other payables	*(iv)*	(16.4)	(0.5)	**(16.9)**
Provisions	*(iv)*	(0.9)	(1.4)	**(2.3)**
Borrowings		(1.3)	–	**(1.3)**
Deferred tax liabilities	*(v)*	–	(4.0)	**(4.0)**
Net assets acquired of subsidiary undertakings		6.5	4.2	**10.7**
Acquisition of minority interests	*(vi)*	7.1	1.5	**8.6**
Goodwill				**32.6**
Total purchase consideration				**51.9**
Satisfied by:				
Cash				**49.1**
Transaction costs				**1.6**
Contingent consideration				**1.2**
Total purchase consideration				**51.9**

Details of fair value adjustments are as follows:

(i) to recognise customer-related intangible assets identified on acquisition.
(ii) to reflect their fair value in use.
(iii) to reflect their fair value.
(iv) to measure certain liabilities at fair value.
(v) to recognise deferred tax on the acquisition-related intangible assets identified on acquisition.
(vi) to recognise £2.1m acquisition-related intangible assets identified on acquisition, net of £0.6m of associated deferred tax liabilities.

The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These estimates may be adjusted to reflect any development in the issues to which they relate. Final fair value adjustments will, if required, be reflected in the comparative to the 2006 consolidated financial statements.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets.

In aggregate, the acquired businesses contributed £71.8m to revenues, £8.5m to profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items and £3.5m to net profit for the part year they were under Group 4 Securicor plc ownership. If all acquisitions had occurred on 1 January 2005, group revenue would have been £4,141.9m, profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items would have been £254.9m and profit for the year would have been £91.0m.

Notes to the consolidated financial statements (continued)

16 Acquisitions (continued)

Prior year acquisitions – Securicor plc

On 19 July 2004, Group 4 Securicor plc acquired the Securicor plc group of companies in a share for share exchange. The provisional assessment of fair value adjustments which was made for the financial period ended 31 December 2004 has been finalised in the 12 months following the date of acquisition and the comparatives adjusted accordingly. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Net assets acquired under UK GAAP applicable as at 19 July 2004 £m	Provisional fair value adjustments, including adjustment from UK GAAP to IFRS £m	Notes	Provisional fair value of assets acquired 2004 £m	Final fair value adjustments £m	Notes	Final fair value of assets acquired 2005 £m
Acquisition-related intangible assets	–	256.3	*(a)*	256.3	–		256.3
Other intangible assets	–	10.3	*(b)*	10.3	(3.5)	*(m)*	6.8
Property, plant and equipment	159.7	10.2	*(c)*	169.9	(0.7)	*(n)*	169.2
Investments in associates	15.9	(15.9)	*(d)*	–	–		–
Other non-current assets	14.8	58.4	*(e)*	73.2	3.0	*(o)*	76.2
Inventories	6.7	(1.4)	*(f)*	5.3	–		5.3
Other current assets	220.9	1.9	*(e)*	222.8	(1.7)	*(p)*	221.1
Current asset investments held for sale	6.9	12.3	*(g)*	19.2	–		19.2
Cash and cash equivalents	60.1	3.9	*(h)*	64.0	–		64.0
Borrowings included within current liabilities	(23.9)	(3.4)		(27.3)	–		(27.3)
Other current liabilities	(228.2)	(7.7)	*(i)*	(235.9)	(10.7)	*(q)*	(246.6)
Borrowings included within non-current liabilities	(138.8)	(45.6)	*(j)*	(184.4)	–		(184.4)
Other non-current liabilities	(4.5)	(216.8)	*(k)*	(221.3)	(4.8)	*(q)*	(226.1)
Net assets acquired	89.6	62.5		152.1	(18.4)		133.7
Minority interests	(7.3)	2.4		(4.9)	-		(4.9)
Goodwill	689.2	(64.9)	*(l)*	624.3	18.4		642.7
Total purchase consideration	771.5	–		771.5	–		771.5

Satisfied by:	
Purchase consideration from issue of shares	710.4
Transaction costs	61.1
Total purchase consideration	771.5

The book value of the net assets acquired has, for consistency with the presentation in the financial statements for the year to 31 December 2004, been presented in accordance with the then UK GAAP. The book value of net assets acquired stated in accordance with IFRS would have been £0.7m rather than £89.6m due to the recognition of pension fund balances net of related deferred taxation.

Notes to the consolidated financial statements (continued)

16 Acquisitions (continued)

Prior year acquisitions – Securicor plc (continued)

Details of the provisional fair value adjustments to the assets and liabilities of Securicor plc made in 2004, including the transitional adjustments to state the assets and liabilities in accordance with IFRS, are as follows:

(a) to recognise technology and trademark-based assets and customer-related intangible assets identified on acquisition.
(b) to reclassify software previously classified within property, plant and equipment.
(c) to reflect the market value of properties, the fair value in use of other assets as at the date of acquisition, the reclassification of software previously classified within property, plant and equipment and the proportionate consolidation of joint ventures.
(d) to reflect the proportionate consolidation of joint ventures.
(e) to reflect their fair value and the proportionate consolidation of joint ventures.
(f) to reflect their fair value.
(g) to reflect the estimated recoverable amount of investments held exclusively for resale.
(h) to reflect the proportionate consolidation of joint ventures.
(i) to reflect the recognition of corporation tax and other liabilities in existence at the date of acquisition and the proportionate consolidation of joint ventures.
(j) to reflect the proportionate consolidation of joint ventures.
(k) to reflect the recognition of pension fund balances, the recognition of deferred tax in respect of acquisition-related intangible assets, the proportionate consolidation of joint ventures and the recognition of liabilities in existence at the date of acquisition.
(l) to reflect the minority share of the other fair value adjustments.

Details of the final fair value adjustments to the assets and liabilities of Securicor made in the 12 months following the date of acquisition and adjusted in the comparatives are as follows:

(m) to reflect the fair value in use of assets acquired as at the date of acquisition.
(n) to reflect the fair value in use of assets acquired excluding properties.
(o) to reflect the deferred tax impact of the other final fair values adjustments.
(p) to reflect their fair values.
(q) to reflect the recognition of liabilities in existence at the date of acquisition.

The fair value of a contingent liability of Securicor plc at the date of acquisition cannot be measured reliably and is therefore not recognised separately as part of the allocation of the cost of the business combination. Full disclosure of the contingent liability acquired is provided in note 38.

The goodwill arising upon the acquisition of Securicor plc can be ascribed to the cost synergy opportunities available through the integration of the business, the existence of a skilled, active workforce in the acquired businesses and the opportunities to obtain new contracts and develop the businesses. None of these meet the criteria for recognition as intangible assets.

Notes to the consolidated financial statements (continued)

16 Acquisitions (continued)

Prior year acquisitions – other acquisitions

The group undertook a number of other acquisitions in 2004, none of which are individually material. A summary of the book values of the identifiable assets and liabilities acquired and their fair value to the group is provided below:

	Book value and fair value of assets acquired £m
Acquisition-related intangible assets	10.2
Intangible assets other than acquisition-related	0.5
Property plant and equipment	8.8
Inventories	0.8
Trade and other receivables	4.6
Borrowings	(0.5)
Other current and non-current liabilities	(14.6)
Net assets acquired	9.8
Minority interests	(2.6)
Goodwill	33.4
Total purchase consideration	40.6
Satisfied by:	
Cash consideration	24.6
Deferred consideration payments	16.0
Total purchase consideration	40.6

It is considered that the fair value of the identifiable assets and liabilities acquired is represented by the book value apart from the recognition of acquisition-related intangible assets identified on acquisition. Goodwill represents the excess of the consideration over the net assets acquired.

In aggregate, the businesses acquired in 2004 contributed £587.0m to revenues, £43.9m to profit before interest, taxation, recognition of acquisition-related intangibles and exceptional items and £(7.5)m net loss for the part year they were under Group 4 Securicor plc ownership. If all acquisitions had occurred on 1 January 2004, group revenue would have been £3,780.6m, profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items would have been £218.2m and the loss for the year would have been £(41.6)m.

17 Disposal of a subsidiary

As referred to in note 6, the group disposed of the manned security business of Falck Security Nederland and its subsidiaries (with the exception of aviation security activities) on 2 November 2005, and of Group 4 Falck Cash Services UK and Securicor Luxembourg on 7 March 2005 as required by the European Commission. In addition, the security operations of Cognisa Security in the US were sold on 31 August 2005.

The net assets of operations disposed during 2005 at the date of disposal and at 31 December 2004 were:

	At date of disposal	31 December 2004
Property, plant and equipment	0.3	0.3
Trade and other receivables	7.6	8.6
Investments	32.3	30.5
Net assets of operations disposed	40.2	39.4
Provisions	7.2	
Loss on disposal	(5.3)	
Total consideration	42.1	
Satisfied by:		
Cash	42.1	

The impact of the disposals on the group's results and cash flows in the current and prior periods is disclosed in note 6.

Notes to the consolidated financial statements (continued)

18 Intangible assets

	Goodwill £m	Trademarks £m	Customer related £m	Technology £m	Development expenditure £m	Software £m	Total £m
Cost							
At 1 January 2004	531.2	–	–	–	–	24.3	555.5
Acquisition of Securicor plc	642.7	15.9	230.2	10.2	–	6.8	905.8
Acquisitions through other business combinations	33.4	0.7	8.6	0.9	–	0.5	44.1
Additions	–	–	–	–	–	12.7	12.7
Reclassified as held for sale	(47.0)	–	–	–	–	–	(47.0)
Translation adjustments	(9.6)	–	0.1	–	–	2.4	(7.1)
At 31 December 2004	1,150.7	16.6	238.9	11.1	–	46.7	1,464.0
At 1 January 2005	1,150.7	16.6	238.9	11.1	–	46.7	1,464.0
Acquisitions through business combinations	32.6	–	14.0	–	–	0.1	46.7
Separately acquired assets	–	–	3.0	–	–	–	3.0
Additions	–	–	–	–	2.8	9.6	12.4
Disposals	–	–	–	–	–	(9.5)	(9.5)
Translation adjustments	42.1	0.3	3.8	1.2	–	0.3	47.7
At 31 December 2005	1,225.4	16.9	259.7	12.3	2.8	47.2	1,564.3
Amortisation and accumulated impairment losses							
At 1 January 2004	–	–	–	–	–	(10.0)	(10.0)
Amortisation charge	–	(1.4)	(11.1)	(0.9)	–	(5.8)	(19.2)
Impairment losses for the year	(55.9)	–	–	–	–	(4.7)	(60.6)
Translation adjustments	1.5	–	0.1	–	–	(0.9)	0.7
At 31 December 2004	(54.4)	(1.4)	(11.0)	(0.9)	–	(21.4)	(89.1)
At 1 January 2005	(54.4)	(1.4)	(11.0)	(0.9)	–	(21.4)	(89.1)
Amortisation charge	–	(3.3)	(28.0)	(2.5)	(0.1)	(6.7)	(40.6)
Disposals	–	–	–	–	–	5.4	5.4
Translation adjustments	1.7	–	(0.3)	(0.1)	–	0.1	1.4
At 31 December 2005	(52.7)	(4.7)	(39.3)	(3.5)	(0.1)	(22.6)	(122.9)
Carrying amount							
At 1 January 2004	531.2	–	–	–	–	14.3	545.5
At 31 December 2004	1,096.3	15.2	227.9	10.2	–	25.3	1,374.9
At 31 December 2005	**1,172.7**	**12.2**	**220.4**	**8.8**	**2.7**	**24.6**	**1,441.4**

Included within software is internally generated software with a gross carrying value of £1.1m (2004: £0.6m), and accumulated depreciation of £0.1m (2004: £nil), giving a net book value of £1.0m (2004: £0.6m). During 2004, additions arising on the acquisition of Securicor plc amounted to £0.6m. Other additions amounted to £0.6m (2004: £nil) and the amortisation charge associated to these assets was £0.1m (2004: £nil).

Customer-related intangibles comprise the contractual relationship with customers and the customer relationships which meet the criteria for identification as intangible assets in accordance with IFRS.

The carrying amount at 31 December 2005 of the customer contracts and relationships recognised upon the acquisition of Securicor plc was £200.0m, and the amortisation period remaining in respect of these assets is 8.5 years.

Notes to the consolidated financial statements (continued)

18 Intangible assets (continued)

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) which are expected to benefit from that business combination. The following CGUs have significant carrying amounts of goodwill:

	2005 £m	2004 £m
US Manned Security	**285.5**	255.3
United Kingdom Cash Services	**226.1**	219.1
UK Justice	**92.6**	92.6
Netherlands Manned Security	**87.1**	90.3
United Kingdom Manned Security	**60.9**	60.9
Other (all allocated)	**420.5**	378.1
Total goodwill	**1,172.7**	1,096.3

The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis. The impairment test is performed just prior to the year end when the budgeting process is finalised. The group's impairment test compares the carrying value of each CGU to its recoverable amount. Under IAS 36 Impairment of Assets, an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is determined by its value in use which is derived from discounted cash flow calculations. These calculations include forecast cash flows for a period of five years. The five year cash flow forecasts are based on the budget for the following year (year one), the business plans for years two and three, and projections for years four and five. Cash flows at the end of the five year forecast period are projected into perpetuity at the lower of the planned growth rate in year three and the forecast underlying economic growth rate for the economies in which the CGU operates. Where the planned growth rate in year three exceeds the forecast underlying economic growth rate, the excess is progressively reduced in the projections for years four and five. Future cash flows are discounted at a pre-tax, weighted average cost of capital which for the group is 10.4% (2004: 10.7%). This rate is adjusted where appropriate to reflect the different financial risks in each country or region in which the CGUs operate.

In applying the group's model, no goodwill impairment has been identified in any of the group's CGUs for the year ended 31 December 2005. An impairment of £55.9m was identified and recognised for the year ended 31 December 2004.

The key assumptions used in the discounted cash flow calculations relate to the discount rate and underlying economic growth rate. With all other variables being equal, if the group discount rate were to be increased by 1% to 11.4%, with an equivalent increase in the discount rate for all countries or regions, an impairment of approximately £5m would arise. With all other variables being equal, if the underlying growth rate in all countries were to be reduced by 1%, an impairment of approximately £4m would arise. These approximations indicate the sensitivity of the impairment test to changes in the underlying assumptions. However, it is highly unlikely that any variations in the assumptions would impact on all CGUs at the same time.

Notes to the consolidated financial statements (continued)

19 Property, plant and equipment

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2004	60.8	265.0	325.8
Additions	13.5	79.0	92.5
Acquisition of Securicor plc	82.8	86.4	169.2
Acquisitions through other business combinations	1.3	7.5	8.8
Disposals	(13.0)	(27.2)	(40.2)
Reclassified as held for sale	–	(9.6)	(9.6)
Translation adjustment	2.1	6.0	8.1
At 31 December 2004	147.5	407.1	554.6
At 1 January 2005	147.5	407.1	554.6
Additions	14.1	102.2	116.3
Acquisitions through business combinations	0.6	3.3	3.9
Disposal of a subsidiary	–	0.3	0.3
Disposals	(9.3)	(23.4)	(32.7)
Transferred to amounts receivable on PFI contracts	(9.7)	–	(9.7)
Translation adjustment	(0.8)	1.2	0.4
At 31 December 2005	142.4	490.7	633.1
Depreciation and accumulated impairment losses			
At 1 January 2004	(21.7)	(154.6)	(176.3)
Depreciation charge	(7.3)	(50.3)	(57.6)
Impairment loss	–	(3.5)	(3.5)
Disposals	4.7	18.0	22.7
Reclassified as held for sale	–	6.0	6.0
Translation adjustment	(0.7)	(5.7)	(6.4)
At 31 December 2004	(25.0)	(190.1)	(215.1)
At 1 January 2005	(25.0)	(190.1)	(215.1)
Depreciation charge	(7.9)	(67.5)	(75.4)
Disposals	4.4	11.4	15.8
Translation adjustment	0.3	(3.3)	(3.0)
At 31 December 2005	(28.2)	(249.5)	(277.7)
Carrying amount			
At 1 January 2004	39.1	110.4	149.5
At 31 December 2004	122.5	217.0	339.5
At 31 December 2005	**114.2**	**241.2**	**355.4**

Included in land and buildings at 31 December 2004 is £9.7m of assets in the course of construction, acquired with Securicor plc. This relates to the group's proportion of assets held in respect of the Private Finance Initiative (PFI) projects undertaken by the group's joint ventures, which on completion in 2005 were transferred to amounts receivable under PFI contracts. Further details are provided in note 24.

The carrying amount of equipment and vehicles includes the following in respect of assets held under finance leases:

	2005 £m	2004 £m
Net book value	**44.3**	34.1
Accumulated depreciation	**25.6**	15.1
Provision for the year	**10.5**	7.4

The rights over leased assets are effectively security for lease liabilities. These rights revert to the lessor in the event of default.

Notes to the consolidated financial statements (continued)

19 Property, plant and equipment (continued)

The category of equipment and vehicles includes assets leased by the group to third parties under operating leases with the following carrying amounts:

	2005 £m	2004 £m
Net book value	**23.9**	18.5
Accumulated depreciation	**35.2**	33.4
Provision for the year	**4.5**	3.9

The net book value of land and buildings comprises:

	2005 £m	2004 £m
Freeholds	**45.8**	45.9
Long leaseholds (50 years and over)	**14.6**	12.9
Short leasehold buildings (under 50 years)	**53.8**	63.7

At 31 December 2005 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.8m (2004: £9.0m).

20 Investment in joint ventures

The group has the following significant interests in joint ventures:

(a) The group owns 100% of the equity of Wackenhut Services, Inc. ("WSI") under US Foreign Ownership Controlling Interest provisions, governed through a proxy agreement. WSI provides security services to US Government agencies including security services on sites deemed to be strategically sensitive. Whilst the group is represented on the WSI board through shareholder proxies, day to day management of business remains with an independent board reporting directly to the US government. The group, through the proxy agreement, has the power to veto certain operational and strategic decisions. Control of the operation is therefore shared between the parties and WSI is accounted for as a joint venture. This means that the group proportionately consolidates the results of WSI at 100%, giving rise to an accounting result identical to that which would be the case if WSI were accounted for as a subsidiary.

(b) At the year end the group owned 50% of the equity of Bridgend Custodial Services Limited, 50% of the equity in STC (Milton Keynes) Limited and a 49% equity shareholding in Safeguards Securicor Sdn Bhd, in Malaysia. In all cases, the group jointly shares operational and financial control over the operations and is therefore entitled to a proportionate share of the results of each, which are consolidated on the basis of the equity shares held.

The results of each of the jointly controlled operations are prepared in accordance with group accounting policies. Amounts proportionately consolidated into the group's financial statements are as follows:

Results	2005 £m	2004 £m
Income	**328.7**	246.3
Expenses	**(312.7)**	(234.2)
Profit after tax	**16.0**	12.1

Notes to the consolidated financial statements (continued)

20 Investment in joint ventures (continued)

Balance sheet	2005 £m	2004 £m
Assets		
Non-current assets	49.6	56.2
Current assets	88.6	79.0
	138.2	135.2
Liabilities		
Current liabilities	(57.4)	(47.0)
Non-current liabilities	(44.9)	(45.3)
	(102.3)	(92.3)
Net assets	35.9	42.9

21 Investment in associates

The group's share of associates' profit and net assets and the reconciliation to the net investment are as follows:

	2005 £m	2004 £m
Total assets	11.5	26.3
Total liabilities	(7.6)	(16.2)
Net investment in associates	3.9	10.1
Revenue	88.1	65.2
Profit for the period	5.3	2.4

The results presented above primarily relate to the associated undertaking in Space Gateway Support LLC, in the USA, in which the group holds an investment of 46%.

22 Inventories

	2005 £m	2004 £m
Raw materials	7.0	5.3
Work in progress	1.8	1.1
Finished goods including consumables	26.5	27.8
Total inventories	35.3	34.2

23 Trading investments

Trading investments primarily comprise listed securities of £58.3m (2004: £55.7m) held by the group's wholly-owned captive insurance subsidiaries stated at their fair values based on quoted market prices. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

Notes to the consolidated financial statements (continued)

24 Trade and other receivables

	2005 £m	2004 £m
Within current assets		
Trade debtors	703.4	568.0
Amounts owed by associated undertakings	1.9	3.9
Other debtors	54.5	73.7
Prepayments and accrued income	55.3	47.0
Amounts due in respect of construction contracts (see note 25)	13.9	10.0
Derivative financial instruments at fair value	1.7	–
Total trade and other receivables included within current assets	830.7	702.6
Within non-current assets		
Other debtors	8.6	9.1
Prepayments and accrued income	–	0.4
Amounts receivable under PFI contracts	41.7	31.0
Total trade and other receivables included within non-current assets	50.3	40.5

The directors believe the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value. There is no concentration risk with respect to trade receivables, as the group's customers are both large in number and geographically dispersed.

Included within trade and other receivables is £40.8m (2004: £64.0m) pledged as security against borrowings of the group.

Amounts receivable under PFI contracts comprise the group's proportion of amounts receivable in respect of the Private Finance Initiative (PFI) projects undertaken by the group's joint ventures. There were no changes in these arrangements during the year. The projects are the design, construction, financing and management of HM Prison and Young Offenders Institution Parc in Bridgend, South Wales, for the Home Office; and the Oakhill Secure Training Centre for young people in Milton Keynes for the Youth Justices Board. The Bridgend contract commenced in January 1996 and expires in December 2022. The Milton Keynes contract commenced in June 2003 and expires in June 2028. Both contracts can be terminated by the customer either in the event of a severe failure to comply with the contract or voluntarily with six months notice and the payment of appropriate compensation. The specified assets remain the property of the customers. The group's joint ventures have the right to provide services using the specified assets during the life of the contracts. There is currently no obligation to acquire or build further assets and any such obligation would be agreed with the customers as variations to the contracts. The pricing basis is inflation-indexed.

25 Construction contracts

Contracts in place at the balance sheet date are as follows:

	2005 £m	2004 £m
Amounts due from contract customers included in trade and other receivables	13.9	10.0
Amounts due to contract customers included in trade and other payables	(1.9)	(1.3)
Net balances relating to construction contracts	12.0	8.7
Contract costs incurred plus recognised profits less recognised losses to date	26.4	20.3
Less: Progress billings	(14.4)	(11.6)
Net balances relating to construction contracts	12.0	8.7

At 31 December 2005, advances received from customers for contract work amounted to £4.0m (2004: £3.2m). There were no retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

The directors believe the fair value of amounts due from and to contract customers, being the present value of future cash flows, approximates to their book value.

Notes to the consolidated financial statements (continued)

26 Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the cash flow statement to amounts reported within the balance sheet is presented below:

	2005 £m	2004 £m
Cash at bank and in hand	263.8	191.6
Short-term bank deposits	(58.7)	(13.9)
Total cash, cash equivalents and bank overdrafts	205.1	177.7

Cash and cash equivalents principally comprise short-term money market deposits, current account balances and cash held in ATM machines and in 2005 bore interest at a weighted average rate of 2.2% (2004: 1.5%). The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Cash and cash equivalents of £15.9m (2004: £9.8m) are held by the group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the group's captive insurance subsidiaries.

27 Non-current assets classified as held for sale

Non-current assets classified as held for sale at 31 December 2004 included the operations of Falck Security Nederland and Group 4 Falck Cash Services UK Limited, which were owned by the group prior to the acquisition of Securicor plc. They are shown within current assets as held for sale, at their carrying value as at 19 July 2004 (see note 6), less an impairment charge in respect of the net realisable value of Falck Security Nederland. In addition, the investment in Securicor Luxembourg SA, which was acquired as part of the acquisition of Securicor plc, was also held exclusively for resale as an investment at fair value at the date of acquisition, 19 July 2004.

28 Bank overdrafts and loans

	2005 £m	2004 £m
Bank overdrafts	58.7	13.9
Bank loans	877.8	787.4
Total bank overdrafts and loans	936.5	801.3
The borrowings are repayable as follows:		
On demand or within one year	146.4	106.2
In the second year	17.5	221.0
In the third to fifth years inclusive	747.1	446.7
After five years	25.5	27.4
Total bank overdrafts and loans	936.5	801.3
Less: Amount due for settlement within 12 months (shown under current liabilities):		
– Bank overdrafts	(58.7)	(13.9)
– Bank loans	(87.7)	(92.3)
	(146.4)	(106.2)
Amount due for settlement after 12 months	790.1	695.1

Analysis of bank overdrafts and loans by currency:

	Sterling £m	Euros £m	US Dollars £m	Others £m	Total £m
Bank overdrafts	29.6	10.6	0.6	17.9	58.7
Bank loans	36.7	320.1	481.8	39.2	877.8
At 31 December 2005	66.3	330.7	482.4	57.1	936.5
Bank overdrafts	–	2.9	2.2	8.8	13.9
Bank loans	79.1	205.4	461.1	41.8	787.4
At 31 December 2004	79.1	208.3	463.3	50.6	801.3

Notes to the consolidated financial statements (continued)

28 Bank overdrafts and loans (continued)

The weighted average interest rates on bank overdrafts and loans were as follows:

	2005 %	2004 %
Bank overdrafts	**4.8**	4.6
Bank loans	**3.9**	3.0

The directors believe the fair value of the group's bank borrowings approximates to their book value.

The group's bank borrowings comprise a £1bn multicurrency revolving credit facility with a maturity date of June 2010, other committed facilities of £58.2m and uncommitted facilities of £289.0m. At 31 December 2005, undrawn committed available facilities amounted to £268.8m (2004: £366.5m). Interest on all borrowing facilities is at prevailing LIBOR or Euribor rates, dependent upon the period of drawdown, plus an agreed margin and repriced within one year or less. The committed bank facilities are subject to financial covenants and any non-compliance with covenants may lead to an acceleration of maturity. The group was fully in compliance with its financial covenants throughout the year to 31 December 2005 and the year to 31 December 2004.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 31.

29 Obligations under finance leases

	Minimum lease payments 2005 £m	Minimum lease payments 2004 £m	Present value of minimum lease payments 2005 £m	Present value of minimum lease payments 2004 £m
Amounts payable under finance leases:				
Within one year	**14.7**	17.5	**12.1**	15.4
In the second to fifth years inclusive	**32.1**	20.3	**27.8**	18.0
After five years	**6.8**	4.3	**6.1**	4.0
	53.6	42.1	**46.0**	37.4
Less: Future finance charges on finance leases	**(7.6)**	(4.7)		
Present value of lease obligations	**46.0**	37.4		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(12.1)**	(15.4)
Amount due for settlement after 12 months			**33.9**	22.0

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is eight years (2004: 7.6 years). For the year ended 31 December 2005, the weighted average effective borrowing rate was 5.4% (2004: 5.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The directors believe the fair value of the group's finance lease obligations, being the present value of future cash flows, approximates to their book value.

The group's obligations under finance leases are secured by the lessors' charges over the leased assets.

Notes to the consolidated financial statements (continued)

30 Trade and other payables

	2005 £m	2004 £m
Within current liabilities:		
Trade creditors	122.1	106.1
Amounts due to contract customers	1.9	1.3
Amounts owed to associated undertakings	1.4	0.2
Other taxation and social security costs	129.3	105.8
Other creditors	346.7	322.3
Accruals and deferred income	147.5	165.0
Derivative financial instruments at fair value	7.6	–
Total trade and other payables included within current liabilities	756.5	700.7
Within non-current liabilities:		
Other creditors	1.0	16.0
Total trade and other payables included within non-current liabilities	1.0	16.0

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 days.

The directors believe the fair value of trade and other payables, being the present value of future cash flows, approximates to their book value.

31 Derivative financial instruments

	Assets 2005 £m	Assets 2004 £m	Liabilities 2005 £m	Liabilities 2004 £m
Forward foreign exchange contracts	1.0	–	7.2	0.1
Interest rate swaps	0.7	–	0.4	1.8
	1.7	–	7.6	1.9
Less: Non-current portion	–	–	–	–
Current portion	1.7	–	7.6	1.9

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations.

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. Transaction risk is limited since wherever possible each business operates in local currency, including financing activities. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial portion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding borrowings in foreign currencies. Translation adjustments arising on the translation of foreign currency net borrowings are recognised in equity to match translation adjustments on foreign currency equity investments. At 31 December 2005, the group's US dollar (including dollar-related) and euro (including euro-related) net assets before net borrowings respectively were approximately 93.2% and 97.0% hedged by net borrowings.

The group enters into forward foreign exchange contracts so as to hedge translation risk not hedged by way of borrowings. Gains and losses on such forward foreign exchange contracts are recognised in equity. The notional value of outstanding forward foreign exchange contracts at 31 December 2005 was £312.0m. All these contracts had matured by 31 January 2006. All the foreign exchange hedging instruments are designated and fully effective as net investment hedges and movements in their fair value have been deferred in equity.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 28 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, where appropriate, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum period of five years. At 31 December 2005 the nominal value of such contracts was £166.0m (in respect of US dollar) and £130.5m (in respect of euro), their weighted average interest rate was 4.8% (US dollar) 2.9% (euro) and their weighted average period to maturity was 3.5 years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

Notes to the consolidated financial statements (continued)

31 Derivative financial instruments (continued)

Counterparty credit risk

The group's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. For short-term transactions (under one year), the financial counterparty must be investment grade rated by either the Standard & Poors or Moodys rating agencies. For long-term transactions, the financial counterparty must have a minimum rating of A+/A1 rating from Standard & Poors or Moodys.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no or non investment grade rating can be approved as counterparties for a period of up to twelve months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

32 Retirement benefit obligations

	2005 £m	2004 £m
Net liability on funded defined retirement benefit schemes	**216.6**	220.2
Unfunded defined retirement benefit obligations	**24.4**	15.4
	241.0	235.6
Less: Amounts included within current liabilities	**(30.0)**	(30.8)
Included within non-current liabilities	**211.0**	204.8

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. The majority of schemes are of a defined contribution structure, including the contracted-in defined contribution schemes which are the main schemes for new UK employees. In the Netherlands, most employees are members of an industry-wide defined benefit scheme, but as it is not possible to separately identify the group's share of the assets and liabilities of the scheme it is accounted for as a defined contribution scheme. Contributions made to defined contribution schemes and charged to the income statement totalled £46.3m (2004: £32.6m).

The group operates a number of unfunded defined benefit retirement arrangements. Liabilities under these arrangements are stated at the discounted value of benefits accrued to date, based upon actuarial advice. Benefits accruing during the year charged to the income statement in respect of these arrangements totalled £1.5m (2004: £1.2m).

The group's primary funded defined retirement schemes are in the UK, but it also operates such schemes in the Netherlands, Ireland and Canada. The assets of defined benefit schemes are held in separate trustee-administered funds. The pension costs are assessed on the advice of qualified independent actuaries using the projected unit credit method.

In the UK, the membership of the pension scheme demerged from the former Group 4 Falck A/S is about 5,000. The membership of the Securicor scheme, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, is about 21,000. Regular actuarial assessments of the schemes are carried out, the latest being at 31 March 2005 in respect of the Group 4 scheme and at 5 April 2003 in respect of the Securicor scheme. The Securicor scheme was certified by an independent actuary as meeting the Minimum Funding Requirement solvency level, in that the market value of assets exceeded the assessment of the schemes' liabilities on a current funding level basis. The Group 4 scheme was 94% funded on this basis. Pension obligations stated in the balance sheet take account of future service and earnings increases, have been updated to 31 December 2005 and use the valuation methodologies specified in IAS 19 Employee Benefits.

32 Retirement benefit obligations (continued)

	UK	Netherlands	Ireland	Canada
Key assumptions used 2005				
Discount rate	5.3%	4.0%	4.3%	5.0%
Expected return on scheme assets	7.0%	4.8%	6.4%	6.0%
Expected rate of salary increases	3.8%-4.8%	3.0%	4.0%-4.3%	3.5%
Future pension increases	2.8%	2.0%	2.3%	2.3%
Inflation	2.8%	2.0%	2.3%	2.3%
Key assumptions used 2004				
Discount rate	5.9%	4.8%-5.3%	4.3%	6.0%
Expected return on scheme assets	7.4%	6.2%	6.7%	7.0%
Expected rate of salary increases	3.8%-4.8%	3.0%	4.3%	3.5%-4.0%
Future pension increases	2.8%	2.0%	2.3%	2.3%
Inflation	2.8%	2.0%	2.3%	2.3%

	UK £m	Netherlands £m	Ireland £m	Canada £m	Total £m
Amounts recognised in income 2005					
Current service cost	(11.9)	(2.1)	(1.0)	(0.8)	(15.8)
Interest cost	(61.3)	(2.4)	(1.1)	(0.9)	(65.7)
Expected return on scheme assets	57.2	1.8	1.0	0.8	60.8
Changes arising on curtailments/settlement	–	17.0	–	0.7	17.7
Total amounts recognised in income	(16.0)	14.3	(1.1)	(0.2)	(3.0)
Amounts recognised in income 2004					
Current service cost	(8.4)	(3.1)	(0.6)	(0.4)	(12.5)
Interest cost	(35.1)	(1.7)	(0.6)	(0.4)	(37.8)
Expected return on scheme assets	33.9	1.3	0.6	0.3	36.1
Changes arising on curtailments/settlement	–	9.2	–	–	9.2
Total amounts recognised in income	(9.6)	5.7	(0.6)	(0.5)	(5.0)

The amounts recognised in income are included within the following categories in the income statement:

	2005 £m	2004 £m
Cost of sales	**(11.4)**	(7.5)
Administration expenses	**(3.7)**	(2.2)
Restructuring costs consequential upon acquisitions	**17.0**	–
Investment income	**60.8**	35.0
Finance costs	**(65.7)**	(36.3)
Loss from discontinued operations	**–**	6.0
Total	**(3.0)**	(5.0)

An actuarial loss of £22.6m (2004: £16.5m) has been reported in the statement of recognised income and expense.

The curtailment gains arising in both 2004 and 2005 are in respect of the transfer of members out of group pension schemes into defined contribution schemes. A charge from the defined contribution schemes of £11.0m in respect of these transfers has also been recognised in income within restructuring costs consequential upon acquisitions in 2005.

The actual return on scheme assets was £160.5m (2004: £70.0m).

Notes to the consolidated financial statements (continued)

32 Retirement benefit obligations (continued)

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit schemes is as follows:

	UK £m	Netherlands £m	Ireland £m	Canada £m	Total £m
2005					
Present value of defined benefit obligations	1,199.3	17.2	26.4	17.5	1,260.4
Fair value of scheme assets	(1,004.5)	(8.0)	(18.0)	(13.3)	(1,043.8)
Deficit in scheme recognised in the balance sheet	194.8	9.2	8.4	4.2	216.6
2004					
Present value of defined benefit obligations	1,038.6	50.6	22.7	13.7	1,125.6
Fair value of scheme assets	(845.8)	(34.3)	(15.2)	(10.1)	(905.4)
Deficit in scheme recognised in the balance sheet	192.8	16.3	7.5	3.6	220.2

Movements in the present value of defined benefit obligations in the current period and the fair value of scheme assets during the year were as follows:

2005	UK £m	Netherlands £m	Ireland £m	Canada £m	Total £m
Obligations					
At 1 January 2005	1,038.6	50.6	22.7	13.7	1,125.6
Service cost	11.9	2.1	1.0	0.8	15.8
Interest cost	61.3	2.4	1.1	0.9	65.7
Contributions from scheme members	4.1	1.1	0.3	–	5.5
Actuarial gains and losses	111.3	8.9	2.6	1.2	124.0
Translation adjustment	–	(1.5)	(0.8)	2.1	(0.2)
Benefits paid	(27.9)	(0.4)	(0.5)	(0.5)	(29.3)
Curtailments	–	(46.0)	–	(0.7)	(46.7)
At 31 December 2005	**1,199.3**	**17.2**	**26.4**	**17.5**	**1,260.4**
Assets					
At 1 January 2005	845.8	34.3	15.2	10.1	905.4
Expected return on scheme assets	57.2	1.8	1.0	0.8	60.8
Actuarial gains and losses	99.0	0.2	2.0	0.2	101.4
Translation adjustment	–	(1.3)	(0.6)	1.7	(0.2)
Contributions from the sponsoring companies	26.3	1.3	0.6	1.0	29.2
Contributions from scheme members	4.1	1.1	0.3	–	5.5
Benefits paid	(27.9)	(0.4)	(0.5)	(0.5)	(29.3)
Curtailments	–	(29.0)	–	–	(29.0)
At 31 December 2005	**1,004.5**	**8.0**	**18.0**	**13.3**	**1,043.8**

Notes to the consolidated financial statements (continued)

32 Retirement benefit obligations (continued)

2004	UK £m	Netherlands £m	Ireland £m	Canada £m	Total £m
Obligations					
At 1 January 2004	144.2	60.6	3.3	–	208.1
Opening adjustment in respect of Global Solutions Limited demerger	46.2	–	–	–	46.2
Service cost	8.4	3.1	0.6	0.4	12.5
Interest cost	35.1	1.7	0.6	0.4	37.8
Contributions from scheme members	3.5	1.4	0.1	–	5.0
Actuarial gains and losses	38.9	8.4	1.7	1.4	50.4
Translation adjustment	–	(3.0)	0.6	0.4	(2.0)
Benefits paid	(13.9)	(0.2)	(0.1)	(0.2)	(14.4)
Acquisition of subsidiary	776.2	6.7	15.9	11.3	810.1
Curtailments	–	(28.1)	–	–	(28.1)
At 31 December 2004	1,038.6	50.6	22.7	13.7	1,125.6
Assets					
At 1 January 2004	97.0	43.0	2.8	–	142.8
Opening adjustment in respect of Global Solutions Limited demerger	39.3	–	–	–	39.3
Expected return on scheme assets	33.9	1.3	0.6	0.3	36.1
Actuarial gains and losses	30.2	2.9	0.6	0.2	33.9
Translation adjustment	–	(2.0)	0.2	0.3	(1.5)
Contributions from the sponsoring companies	6.6	2.1	0.4	0.5	9.6
Contributions from scheme members	3.5	1.4	0.1	–	5.0
Benefits paid	(13.9)	(0.2)	(0.1)	(0.2)	(14.4)
Acquisition of subsidiary	649.2	4.7	10.6	9.0	673.5
Curtailments	–	(18.9)	–	–	(18.9)
At 31 December 2004	845.8	34.3	15.2	10.1	905.4

The contribution from sponsoring companies in 2005 included £15.0m of additional contributions in respect of the deficit in the schemes.

The Group 4 pension scheme also included the employees of Global Solutions Limited, which was one of the businesses demerged from the security businesses of the former Group 4 Falck A/S on 19 July 2004. The pension disclosures are presented as if that demerger had always been effective. An adjustment of £6.9m has been made to the 1 January 2004 position as reported in the Listing Particulars on 4 June 2004 in respect of the effect of the demerger.

The analysis of the scheme assets and the expected rate of return at the balance sheet date is as follows:

Analysis of scheme assets	UK %	Netherlands %	Ireland %	Canada %	Total %
2005					
Equity instruments	70	40	78	57	70
Debt instruments	28	50	12	35	28
Property	–	10	6	–	–
Other assets	2	–	4	8	2
	100	100	100	100	100
2004					
Equity instruments	70	21	67	51	68
Debt instruments	25	67	13	43	27
Other assets	5	12	20	6	5
	100	100	100	100	100

Notes to the consolidated financial statements (continued)

32 Retirement benefit obligations (continued)

The expected weighted average rates of return on scheme assets for the following year at the balance sheet date is as follows:

	UK %	Netherlands %	Ireland %	Canada %	Total %
2005	6.5	5.0	5.9	6.2	6.4
2004	7.0	4.8	6.4	6.0	6.9
2003	7.4	6.2	6.7	7.0	7.4

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices of the historical return relative to inflation in respect of assets of a similar nature. The overall expected rate of return is the weighted average of the rates on the individual asset categories.

The history of experience adjustments is as follows:

2005	UK	Netherlands	Ireland	Canada	Total
Experience adjustments on scheme liabilities					
Amount (£m)	(17.5)	2.0	(2.1)	1.2	(16.4)
Percentage of scheme liabilities (%)	(1)	12	(8)	7	(1)
Experience adjustments on scheme assets					
Amounts (£m)	99.0	0.2	2.0	0.2	101.4
Percentage of scheme assets (%)	10	3	11	2	10

2004					
Experience adjustments on scheme liabilities					
Amount (£m)	(2.7)	–	–	–	(2.7)
Percentage of scheme liabilities (%)	(1)	–	–	–	(1)
Experience adjustments on scheme assets					
Amounts (£m)	30.2	2.9	0.6	0.2	33.9
Percentage of scheme assets (%)	4	8	4	2	4

The estimated amounts of contributions expected to be paid to the scheme during the current financial year commencing 1 January 2006 in respect of the current service cost is £14.0m. Additional contributions of £23.5m will also be made in respect of the deficit in the schemes.

IAS 19 specifies that pension liabilities should be discounted at appropriate high quality corporate bond rates. The directors consider that it is appropriate to apply the AA corporate bond rate which most closely approximates to the timescale of the liability profile of the schemes and have therefore used such a rate, being 5.3%, in respect of the UK schemes at 31 December 2005 (5.9% at 31 December 2004). The effect of a 0.1% movement in the discount rate applicable in the UK is to alter reported liabilities (before associated deferred tax) by approximately £24.0m.

Liability calculations are also heavily impacted by the mortality projections included in the actuarial assumptions. The average life expectancy at 65 of a male member of the UK schemes currently aged 50 has been assumed as 21 years, which the directors consider, on actuarial advice, to be appropriate to the profile of the membership of the schemes. The effect of a one year change in this UK life expectancy assumption is to alter reported liabilities by approximately £26.0m.

33 Provisions

	Employee benefits £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Other £m	Total £m
At 1 January 2005	5.3	10.7	54.0	5.0	6.1	81.1
Additional provision in the year	4.9	8.4	25.4	5.6	12.0	56.3
On acquisition of subsidiary	0.7	0.2	–	0.2	1.2	2.3
Utilisation of provision	(1.0)	(10.6)	(34.9)	(1.4)	(4.1)	(52.0)
Unused amounts reversed	–	(0.9)	–	–	–	(0.9)
Translation adjustment	–	–	4.2	–	0.8	5.0
At 31 December 2005	**9.9**	**7.8**	**48.7**	**9.4**	**16.0**	**91.8**

Included in current liabilities	44.5
Included in non-current liabilities	47.3
	91.8

Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards and termination indemnity schemes.

Restructuring

Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term.

Claims reserves

The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey, Luxembourg and the US which underwrite part of the group's cash services, general liability, workers' compensation and auto liability policies. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain, dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

Onerous contracts

The onerous contract provision mainly comprises the provision against future liabilities for all properties sub-let at a shortfall and for long-term idle, leased properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

Other provisions

The company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provision is made for the estimated value of settlements likely to be made, but both this value and the timing of any payments are uncertain. The directors do not anticipate, taking account of legal and other professional advice as appropriate, that the outcome of these proceedings and claims will have a material adverse effect on the group's financial position or on the results of its operations.

Notes to the consolidated financial statements (continued)

34 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2004	21.7	–	7.1	(12.8)	16.0
Credit to the income statement	0.9	4.0	7.9	21.7	34.5
Acquisition of subsidiaries	41.0	(80.0)	–	9.4	(29.6)
Disposal of a subsidiaries	(2.8)	–	–	–	(2.8)
Charge to equity	3.8	–	–	–	3.8
Translation adjustments	1.5	–	–	(1.6)	(0.1)
At 31 December 2004	66.1	(76.0)	15.0	16.7	21.8
At 1 January 2005	66.1	(76.0)	15.0	16.7	21.8
Credit/(charge) to the income statement	1.2	10.0	(6.8)	(8.7)	(4.3)
Acquisition of subsidiaries	–	(4.6)	–	–	(4.6)
Charge to equity	6.8	–	–	–	6.8
Reallocation of current tax	–	–	–	7.6	7.6
Translation adjustments	–	(0.3)	–	1.1	0.8
At 31 December 2005	**74.1**	**(70.9)**	**8.2**	**16.7**	**28.1**

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2005 £m	2004 £m
Deferred tax liabilities	(84.8)	(89.2)
Deferred tax assets	112.9	111.0
Total deferred tax position	28.1	21.8

At the balance sheet date, the group has unutilised tax losses of approximately £145.0m (2004: £146.0m) potentially available for offset against future profits. A deferred tax asset of £8.2m (2004: £15.0m) has been recognised in respect of approximately £22.0m (2004: £49.0m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £123.0m (2004: £97.0m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses at £3.5m and £1.0m which will expire in 2008 and 2010 respectively. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,043.0m (2004: £933.0m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

At the balance sheet date, the group has total unprovided contingent tax liabilities of approximately £57.0m relating to unresolved tax issues in various jurisdictions. No provision has been made for these amounts on the basis that the group considers that the likelihood of the liabilities crystallising is improbable. It is not possible to estimate the timing or resolution of these issues.

Notes to the consolidated financial statements (continued)

35 Share capital

Group 4 Securicor plc	At 31 December 2005 Authorised £	At 31 December 2005 Issued and fully paid £	At 31 December 2004 Authorised £	At 31 December 2004 Issued and fully paid £
Ordinary shares of 25p each (2004: 25p each)	**500,000,000**	**317,178,870**	499,950,002	316,082,060
Redeemable preference shares of £1 each	–	–	49,998	49,998
Total	**500,000,000**	**317,178,870**	500,000,000	316,132,058

	Number	Nominal value £m
Ordinary Shares in issue		
At 1 January 2004 – parent company balance sheet	**2**	–
Shares issued to shareholders of the former Group 4 Falck A/S	**721,804,989**	**180.4**
At 1 January 2004 – consolidated balance sheet	**721,804,991**	**180.4**
Shares issued in consideration for the acquisition of Securicor plc	**542,222,079**	**135.6**
Shares issued on exercise of options:		
Executive Scheme	**263,648**	**0.1**
Sharesave Scheme	**37,523**	–
At 1 January 2005	**1,264,328,241**	**316.1**
Shares issued on exercise of options:		
Executive Scheme	**3,182,470**	**0.8**
Sharesave Scheme	**1,204,769**	**0.3**
At 31 December 2005	**1,268,715,480**	**317.2**

The preference shares were redeemed in July 2005.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Options over Group 4 Securicor plc shares outstanding at 31 December 2005, rolled over at 19 July 2004 from options previously held over Securicor plc shares, were as follows:

(a) Executive share option scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise dates
2	98,332	107.98p	2006-2008
30	1,135,000	164p	2006-2009
32	715,000	133.75p	2006-2010
35	577,500	153p	2006-2010
23	3,537,770	108p	2006-2011
4	218,070	130p	2006-2012
11	400,000	85p	2006-2013
5	175,000	82.75p	2006-2013
1	25,000	79.75p	2006-2013
9	360,000	91p	2006-2013

The proceeds from shares allotted under this scheme during the year amounted to £3,711,505 (2004: £268,576).

Notes to the consolidated financial statements (continued)

35 Share capital (continued)

(b) Sharesave scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise dates
103	192,860	104p	2006
1,470	7,942,911	64p	2006-2007

The proceeds from shares allotted under this scheme during the year amounted to £1,121,509 (2004: £24,323).

All of the above options are inclusive of those held by directors as set out in the Directors' Remuneration Report on page 46.

4,206,332 shares are held by an employee benefit trust as detailed in note 36.

36 Share premium and reserves

	Share premium £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Merger reserve £m	Reserve for own shares £m	Total reserves £m
At 1 January 2004	–	224.4	–	–	(138.4)	(14.5)	71.5
Total recognised expense attributable to equity shareholders of the parent	–	(83.9)	–	7.7	–	–	(76.2)
Shares issued	0.2	–	–	–	–	–	0.2
Fair vale of shares issued on acquisition of Securicor plc	–	–	–	–	574.7	(0.2)	574.5
Dividends declared	–	(3.6)	–	–	–	–	(3.6)
Equity-settled transactions							
– Performance share plan	–	0.8	–	–	–	–	0.8
– Share options	–	0.7	–	–	–	–	0.7
Consideration received on sale of own shares	–	(9.1)	–	–	–	14.5	5.4
Movement arising from the acquisition of minority shareholders of the former Group 4 Falck A/S	–	–	–	–	(10.0)	–	(10.0)
At 31 December 2004	0.2	129.3	–	7.7	426.3	(0.2)	563.3
At 1 January 2005	0.2	129.3	–	7.7	426.3	(0.2)	563.3
Total recognised income attributable to equity shareholders of the parent	–	64.9	(5.8)	42.1	–	–	101.2
Shares issued	3.8	–	–	–	–	–	3.8
Dividends declared	–	(39.9)	–	–	–	–	(39.9)
Own shares purchased	–	–	–	–	–	(6.1)	(6.1)
Equity-settled transactions							
– Performance share plan	–	1.2	–	–	–	–	1.2
– Share options	–	1.5	–	–	–	–	1.5
At 31 December 2005	**4.0**	**157.0**	**(5.8)**	**49.8**	**426.3**	**(6.3)**	**625.0**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in foreign operations.

Notes to the consolidated financial statements (continued)

36 Share premium and reserves (continued)

Merger reserve

The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the group in 2004.

Reserve for own shares

An employee benefit trust established by the group holds 4,206,332 shares, to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes, which cost £6,337,625. At 31 December 2005, the market value of these shares was £6,772,194. Shares held by the trust are treated as treasury shares, are deducted from equity, do not bear dividends and are excluded from the calculations of earnings per share.

37 Analysis of net debt

A reconciliation of net debt at 31 December 2005 to amounts in the balance sheet is presented below:

	2005 £m	2004 £m
Cash in hand and at bank	**263.8**	191.6
Trading investments	**61.4**	60.7
Current liabilities		
Bank overdrafts and loans	**(146.4)**	(106.2)
Obligations under finance leases	**(12.1)**	(15.4)
Non-current liabilities		
Bank loans	**(790.1)**	(695.1)
Obligations under finance leases	**(33.9)**	(22.0)
Total net debt	**(657.3)**	(586.4)

38 Contingent liabilities

The company's wholly-owned US subsidiary, Argenbright Security, Inc. ('Argenbright') was responsible for passenger checkpoint security screening for two of the flights involved in the terrorist atrocities of 11 September 2001, being the United Airlines flight from Newark to San Francisco and the American Airlines flight from Washington to Los Angeles. The hijacked planes performing these flights crashed respectively in rural Pennsylvania and into the Pentagon, Washington.

The directors believe that, in respect of those two flights, Argenbright carried out its security screening services properly and in accordance with its contractual and regulatory duties and that it should have no liability for the losses that occurred subsequently. However, the events of 11 September were so extraordinary that it is impossible at this stage to state with certainty that no findings against Argenbright will be made.

Argenbright is being sued and a number of lawsuits have been served upon it. Securicor plc (now known as Securicor Limited) has also been named in some of the lawsuits.

At 11 September 2001, Argenbright, which is a stand-alone limited liability corporation, had in place aviation liability insurance which included cover for acts of terrorism and which, the directors believe, provided insurance cover of US$1billion for each of the two flights referred to above.

Additionally, contingent liabilities exist in respect of agreements entered into in the normal course of business, none of which are individually or collectively significant.

Details of unprovided contingent tax liabilities are presented in note 34.

Notes to the consolidated financial statements (continued)

39 Operating lease arrangements

The group as lessee

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2005 £m	2004 £m
Within one year	**60.6**	57.0
In the second to fifth years inclusive	**97.5**	90.9
After five years	**126.5**	128.7
Total operating lease commitments	**284.6**	276.6

The group leases a number of its office properties, vehicles and other operating equipment under operating leases. Leased properties are negotiated over an average term of ten years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of 3.5 years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £15.2m (2004: £16.1m).

40 Share-based payments

The group has two types of equity-settled share-based payment scheme in place: (1) share options previously held by employees over Securicor plc shares and rolled over with the acquisition of that business on 19 July 2004, and (2) conditional allocations of shares made to employees following the acquisition.

Share options

Share options rolled over from Securicor plc fall under either the Executive Share Option Scheme (ESOS) or the Sharesave Scheme. Options under the ESOS were granted at market value, vest three or four years following the date of grant (provided that certain non-market performance conditions are met and that the recipients continue to be employed by the group during the vesting period) and are exercisable up to ten years following the date of grant. Options under the Inland Revenue-approved Sharesave scheme were granted at a discount of 20% to market value, vest after three years following the date of grant and remain exercisable for a period of six months following vesting.

	2005 Number of shares under option	2005 Weighted average exercise price (pence)	2004 Number of shares under option	2004 Weighted average exercise price (pence)
Outstanding at 1 January	**23,700,596**	**101.33**	–	–
Rolled over from Securicor plc	**–**	**–**	24,001,767	101.27
Forfeited during period	**(1,054,873)**	**69.78**	–	–
Exercised during period	**(4,387,239)**	**110.16**	(301,171)	96.16
Expired during period	**(2,881,041)**	**153.36**	–	–
Outstanding at 31 December	**15,377,443**	**91.23**	23,700,596	101.33
Exercisable at 31 December	**6,474,532**	**125.30**	10,524,877	129.87

The weighted average share price at the date of exercise for share options exercised during the period was 148.19p. The options outstanding at 31 December 2005 had a weighted average remaining contractual life of five months.

40 Share-based payments (continued)

Share options (continued)

The rollover of share options from Securicor plc on 19 July 2004 has been accounted for as a modification to the original option. The weighted average fair value of the modified options that were originally granted after 7 November 2002 was 50.61p. The inputs into the Black-Scholes options valuation model at the date of rollover in respect of the modified options are as follows:

Weighted average share price at date of grant	80.95p
Weighted average share price at date of rollover	122.00p
Weighted average exercise price	67.31p
Expected volatility at date of grant	45%
Expected volatility at date of rollover	30%
Weighted average expected contractual life at date of grant	4 years, 5 months
Weighted average expected contractual life at date of rollover	2 years, 2 months
Risk free rate	4.5%
Expected annual dividend growth	5%

Expected volatility was determined at the date of grant by reference to the volatility of Securicor's share price during the previous year and at the date of rollover by reference to the volatility of the prices of shares comparable to those of the company at that date. Total expenses of £1.5m were recognised in the income statement in the period (2004: £0.7m) in respect of share options, the calculation of which included an estimate of the number which would vest based upon the probable achievement against the performance conditions and the historic experience of forfeitures within Securicor.

Shares conditionally allocated

Shares conditionally allocated under the group's Performance Share Plan vest after three years, to the extent that (a) certain non-market performance conditions are met as to 50% of the allocation and (b) certain market performance conditions are met as to the remaining 50% of the allocation. The number of shares conditionally allocated is as follows:

	2005 Number	2004 Number
Outstanding at beginning of period	3,521,866	–
Allocated during the period	4,686,950	3,521,866
Forfeited during the period	(445,397)	–
Outstanding at the end of the period	7,763,419	3,521,866

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2005 was 23 months. The weighted average share price at the date of allocation of shares conditionally allocated during the period was 132.75p (2004: 123.00p) and the contractual life of all conditional allocations was three years. The vesting of 50% of the shares conditionally allocated depends upon Total Shareholder Return (a market performance condition) over the vesting period measured against a comparator group. 25% of the allocation vests upon the group's Total Shareholder Return equalling median performance amongst the comparator group. The fair value of the shares allocated subject to this market performance condition has therefore been reduced by 75%. Total expenses of £1.2m were recognised in the income statement in the period (2004: £0.8m) in respect of conditional share allocations, the calculation of which included an estimate of the number of those shares allocated subject to non-market performance conditions that would vest based upon the probable achievement against the performance conditions.

Notes to the consolidated financial statements (continued)

41 Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

Transactions and balances with joint ventures	Joint ventures 2005 £m	Joint ventures 2004 £m
Transactions		
Revenue	**13.6**	12.6
Balances		
Amounts owed by related parties		
Debtors	**1.5**	0.1
Loans	**3.6**	3.7

Revenue relates to fees of £9.3m (2004: £8.4m) charged to Bridgend Custodial Services Limited and fees of £4.3m (2004: £4.2m) charged to STC (Milton Keynes) Limited. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad and doubtful debts in respect of amounts owed by related parties. Details of principal joint ventures are shown in note 42.

Transactions with Mr Jørgen Philip-Sørensen, the chairman

The group purchased air transport services of £44,600 (2004: £13,950) and leased office facilities for £91,997 (2004: £108,076) from Mr Jørgen Philip-Sørensen at cost price.

Transactions with post-employment benefit plans

Details of transactions with the group's post-employment benefit plans are provided in note 32. Unpaid contributions owed to plans amounted to £1.5m at 31 December 2005 (2004: £1.6m).

Remuneration of key management personnel

The group's key management personnel are deemed to be the non-executive directors and those individuals whose remuneration is determined by the Remuneration Committee. Their remuneration is set out below. Further information about the remuneration of individual directors included within key management personnel is provided in the audited part of the Directors' Remuneration Report on pages 44 to 47.

	2005 £	2004 £
Short-term employee benefits	**6,946,490**	5,894,479
Post-employment benefits	**500,902**	866,096
Other long-term benefits	**22,162**	14,550
Termination benefits	**2,451,470**	1,094,192
Share-based payment	**1,697,589**	642,878
Total	**11,618,613**	8,512,195

Notes to the consolidated financial statements (continued)

42 Significant investments

The companies listed below are those which were part of the group at 31 December 2005 which in the opinion of the directors significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole.

The principal activities of the companies listed below are indicated according to the following key:

Manned security	M
Security systems	S
Cash services	C

These businesses operate principally in the country in which they are incorporated.

	Product segment	Country of Incorporation	Ultimate ownership
Subsidiary undertakings			
Group 4 Falck AG	M+S	Austria	100%
G4S Security Services SA/NV	M	Belgium	100%
Group 4 Securitas SA/NV	C	Belgium	100%
G4S Cash Services (Canada) Limited	C	Canada	100%
G4S Security Services (Canada) Limited	M+S	Canada	100%
Wackenhut de Colombia SA	M+S+C	Colombia	100%
Group 4 Falck AS	M+S+C	Czech Rep	100%
Falck Securitas Sikring A/S	S	Denmark	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Services (UK) Limited	C	England	100%
G4S International UK Limited	C	England	100%
G4S Justice Services Limited	M	England	100%
G4S Security Services (UK) Limited	M	England	100%
Group 4 Technology Limited	S	England	100%
Group 4 Total Security Limited	M	England	100%
G4S Cash Services (France) s.a.r.l.	C	France	100%
Group 4 Securicor SAS	M	France	100%
G4S Sicherheitsdienste GmbH	M	Germany	100%
Group 4 Falck Geld-und-Wertdienste GmbH	C	Germany	100%
G4S Cash Services Kft	M+C	Hungary	100%
G4S Security Services (India) Pvt. Limited[1]	M	India	40%
G4S Security Services (Ireland) Limited	M+S	Ireland	100%
Hashmira Company Limited	M	Israel	71%
Geldnet BV	C	Netherlands	100%
Securicor Beheer BV	M	Netherlands	100%
Falck Norge AS	S	Norway	100%
G4S Security Services (SA) (Pty) Limited	M+S	South Africa	74%
G4S Security Services AB	M	Sweden	100%
Argenbright Security, Inc.	M	USA	100%
The Wackenhut Corporation	M	USA	100%
Joint ventures (see note 20)			
Bridgend Custodial Services Limited[2]	M	England	50%
STC (Milton Keynes) Limited	M	England	50%
Safeguards Securicor Sdn Bhd	M+C+S	Malaysia	49%
Wackenhut Services , Inc.	M	USA	100%
Associated undertakings (see note 21)			
Space Gateway Support LLC	M	USA	46%

1 G4S Security Services (India) Pvt. Limited has a year end of 31 March. By virtue of a shareholder agreement, the group has the power to govern the financial and operating policies of G4 Security Services (India) Pvt. Limited so as to obtain the benefits from its activities. It is therefore consolidated as a full subsidiary.

2 Bridgend Custodial Services Limited has a year end of 30 September.

Notes to the consolidated financial statements (continued)

43 Explanation of transition to International Financial Reporting Standards

As stated in note 2, the financial year ended 31 December 2005 is the first year that the group's consolidated financial statements have been presented in accordance with IFRS.

The accounting policies as set out in note 3 have been applied in preparing the consolidated financial statements for the year ended 31 December 2005, in the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004, being the group's date of transition to IFRS.

The previous consolidated financial statements for the year ended 31 December 2004 were prepared in accordance with the then UK GAAP. On transition, in preparing its opening balance sheet and comparative financial statements, the group has adjusted amounts previously reported. Reconciliations of 2004 comparative numbers between those previously presented under the then UK GAAP and those now presented under IFRS, together with an explanation of the changes, were published with the group's interim statement in September 2005 and are available on the group's website. However, the group has represented reconciliations in accordance with the requirements of IFRS 1 First-time adoption of International Financial Reporting Standards below:

(i) Reconciliation of equity from the then UK GAAP to IFRS

At 1 January 2004 (the date of transition) and 31 December 2004

	Notes	At 1 January 2004	At 31 December 2004
Equity under UK GAAP		323.6	918.0
Adjustments to conform to IFRS:			
Goodwill amortisation	*b*	–	49.8
Goodwill impairment	*b*	–	(7.2)
Amortisation of acquisition-related intangibles	*c*	–	(9.4)
Employee benefits	*d*	(72.2)	(130.7)
Tax effect of above adjustments	*d*	21.7	65.9
Dividends	*i*	3.6	23.5
Total adjustment to equity		(46.9)	(8.1)
Equity under IFRS		276.7	909.9

(ii) Reconciliation of profit or loss reported under the then UK GAAP to IFRS

	Notes	Operating profit before amortisation and exceptional items £m	Loss before taxation £m	Loss for the year £m
Profit/(loss) under the then UK GAAP for the year ended 31 December 2004		166.4	(46.1)	(94.9)
Adjustments to conform to IFRS:				
Goodwill amortisation	*b*	–	48.8	49.8
Goodwill impairment	*b*	–	(4.7)	(7.2)
Amortisation of acquisition-related intangibles	*c*	–	(13.4)	(9.4)
Employee benefits	*d*	(1.6)	(2.9)	(3.0)
Share-based payment	*e*	(0.7)	(0.7)	(0.7)
Reclassification of leases	*k*	0.6	–	–
Total adjustment to profit/(loss)		(1.7)	27.1	29.5
Profit/(loss) under IFRS for the year ended 31 December 2004		164.7	(19.0)	(65.4)

(iii) Cash flow statement

Following the transition to IFRS, the net adjustment to cash flows of the group for the year ended 31 December 2004 was £7.5m due to the proportionate consolidation of joint ventures.

Notes to the consolidated financial statements (continued)

43 Explanation of transition to International Financial Reporting Standards (continued)

(iv) First time adoption

IFRS 1 establishes the transitional requirements for the first time preparation of financial statements in accordance with IFRS. In general, a company is required to determine its IFRS accounting policies effective at the reporting date and apply these retrospectively to the balance sheet at the date of transition, and to all financial statements for the comparative period and the reporting period.

To assist in the transition process, there are a number of exemptions to this retrospective application. The following significant exemptions have been adopted by the group:

> Business combinations: The group has elected not to account for business combinations retrospectively in accordance with IFRS 3 Business Combinations. Those combinations recognised prior to the date of transition have not been restated.

> Employee benefits: The group has elected to adopt the proposed amendments to IAS 19 Employee Benefits which provide the group with the option of recognising all cumulative actuarial gains and losses in equity at the date of transition, with subsequent actuarial gains and losses being taken directly to equity via the Statement of Recognised Income and Expense. This is consistent with the treatment under UK GAAP, required by FRS 17 Retirement benefits.

> Cumulative translation differences: In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, on translation of a foreign operation certain exchange differences are recognised as a separate component of equity, which must be disclosed, and on subsequent disposal accumulated differences form part of the calculation of profit or loss on disposal. The group has elected not to calculate these translation differences retrospectively. Cumulative translation differences recognised separately in equity under IFRS are taken to be nil at the date of transition.

> Share-based payment: In accordance with IFRS 2 Share-based Payment, the group is recognising a charge to income representing the fair value of outstanding employee share options over the relevant option vesting periods, adjusted to reflect the actual and expected levels of vesting. However, the group has elected not to apply IFRS 2 retrospectively to equity instruments either granted on or before 7 November 2002 and/or vesting prior to 1 January 2005.

> Financial instruments: The group has elected to apply the requirements of IAS 32 Financial Instruments: Disclosures and Presentation and IAS 39 Financial Instruments: Recognition and Measurement prospectively from 1 January 2005 and consequently the restated figures for 2004 do not reflect the impact of these standards.

(v) Explanation of adjustments to conform to IFRS

The analysis below sets out the most significant adjustments to the financial results for Group 4 Securicor plc for the year ended 31 December 2004 arising from the transition to IFRS.

(a) Presentation of financial statements

The format of the group's primary financial statements has been presented in accordance with IAS 1 Presentation of Financial Statements. The resultant changes have a significant impact on the presentation of the group's share of results of associated undertakings and discontinued operations in the Consolidated Income Statement.

Under UK GAAP, the group's share of associated undertakings was disclosed separately in the profit and loss account, by operating profit, interest and taxation. Under IFRS, the results of associated undertakings are presented in the income statement as a single line item net of tax, as a component of profit before tax. Discontinued operations have been presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as a single line item, being the total of the post tax profit or loss of discontinued operations and the post tax gain or loss on disposal of those businesses constituting discontinued operations.

IFRS does not follow UK GAAP requirements of specific presentation of 'exceptional' items on the face of the Income Statement, but does require additional items to be disclosed when such presentation is relevant to an understanding of an entity's financial performance. The group therefore continues to separately identify items similar to those previously treated as exceptional under UK GAAP, with the exception of profit/loss on disposal on sale or termination of operations, which is included in the result for discontinued operations, as described above.

(b) Non-amortisation of goodwill

Under UK GAAP, goodwill arising on acquisition was capitalised and amortised over its useful economic life. In accordance with IFRS 3 Business Combinations, goodwill is not amortised, but is tested for impairment at least annually, in accordance with IAS 36 Impairment of Assets.

In the restatement to IFRS, the amortisation charge has been reversed from the date of transition and added back to profit for the year. The revised goodwill figure has been tested for impairment at 31 December 2004 and, as a result, the impairment of goodwill under UK GAAP increases by the 2004 amortisation charge associated with those businesses. In addition, the provision for loss on disposal of discontinued operations increases.

Notes to the consolidated financial statements (continued)

43 Explanation of transition to International Financial Reporting Standards (continued)

(v) Explanation of adjustments to conform to IFRS (continued)

(c) Business combinations

IFRS 3 introduces significant changes to accounting for business combinations compared to UK GAAP, the most significant being the recognition of separable or contractual intangible assets on an acquisition. The group has elected not to apply IFRS 3 retrospectively to business combinations prior to 1 January 2004.

The application of IFRS 3 and IAS 38 Intangible Assets has resulted in the recognition of separable or contractual intangibles comprising trademarks, technology and customer-related intangibles, on the acquisition of Securicor and other acquisitions during 2004. A deferred tax liability is provided in respect of these intangible assets in accordance with IAS 12 Income Taxes.

These intangibles are amortised over their useful economic lives, applicable to the individual characteristics of the respective asset. Amortisation has been charged to the consolidated income statement from the date of acquisition, together with a related deferred tax credit.

(d) Employee benefits

Under UK GAAP, the group accounted for post-retirement benefits in accordance with SSAP 24 Accounting for pension costs and provided detailed disclosures under FRS 17 Retirement benefits. Under SSAP 24, the regular cost of providing benefits is charged to operating profit on a systematic basis over the service lives of member employees with any variation from the regular cost being allocated over the expected remaining service lives of members. Pension fund liabilities are valued on a best estimate basis.

The approach under IFRS falls under the scope of IAS 19 Employee Benefits, as amended by the International Accounting Standards Board, which is consistent with the approach under FRS 17. The standard requires recognition on the balance sheet of employee benefit (largely pension) liabilities. As a result, the full surplus or deficit for each retirement benefit scheme, representing the difference between the market value of the scheme's assets and the present value of the accrued liabilities, is recognised as an asset or liability on the balance sheet. The group has elected to adopt the amendment to IAS 19, which permits actuarial gains and losses to be charged or credited immediately to equity through the Statement of Recognised Income and Expense. The current cost of benefits accrued in the period is calculated according to the IAS 19 methodology and the charge to the income statement is therefore higher than under SSAP 24.

(e) Share-based payment

Under UK GAAP, the group recognised a charge to the profit and loss account for share-based compensation based on the intrinsic value of the share benefits at the date of the award expensed over the period of performance. The group's principal schemes comprise savings-related and discretionary share option schemes. Under UK GAAP, there is no charge for these share-based compensation schemes because they either have an intrinsic value of nil, resulting from the option price being set at the market value at the date of grant, or because they are an Inland Revenue approved scheme, and therefore excluded from the requirement to record a charge.

The requirements for accounting for employee share options under IFRS are set out in IFRS 2 Share-based Payment. This requires an entity to recognise a charge to income in respect of share options based on the fair value of the awarded options at the date of grant. This expense is recognised over the relevant vesting periods, adjusted to reflect the actual and expected levels of vesting. The group has adopted the Black-Scholes valuation technique for the purpose of computing fair values under IFRS 2.

IFRS 2 has not been applied to options either granted on or before 7 November 2002 and/or vesting prior to 1 January 2005, in accordance with the exemption permitted in IFRS 1.

(f) Joint ventures

Under UK GAAP, joint ventures are accounted for in accordance with FRS 9 Associates and joint ventures, whereby the results of joint venture operations are recognised under the gross equity method. Under this method of accounting, the group's share of joint venture turnover is recognised as part of total turnover, and operating profit, interest and taxation from joint ventures is shown separately from the rest of the group's results.

The accounting treatment for joint ventures under IFRS is governed by IAS 31 Interests in Joint Ventures. In accordance with IAS 31, the group has elected to account for joint ventures using proportionate consolidation, whereby the group recognises its share of their results, assets and liabilities on a line-by-line basis, included within the group's results. There is no separate recognition.

Following a review of the classification of investments, the group has concluded that its interests in Safeguards Securicor Sdn Bhd, in Malaysia, previously classified as an associate undertaking and in Wackenhut Services, Inc., previously classified as a subsidiary, should both be accounted for as joint ventures under IFRS. The group's share of their results is therefore proportionately consolidated in line with the group's other joint venture operations, as described above.

Notes to the consolidated financial statements (continued)

43 Explanation of transition to International Financial Reporting Standards (continued)

(v) Explanation of adjustments to conform to IFRS (continued)

(g) Financial instruments

For the year ended 31 December 2004, in the UK, there was no accounting standard which comprehensively addressed accounting for financial instruments, although the disclosure was dealt with in FRS 13 Derivatives and other financial instruments: disclosures. IFRS provides detailed guidance on financial instrument recognition, measurement, presentation and disclosure within IAS 32 Financial Instruments: Disclosures and Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

IFRS requires that all derivative financial instruments must be recognised in the balance sheet as financial assets or financial liabilities at fair value. The change in the fair value of a derivative instrument is taken immediately to the income statement, resulting in profit and loss volatility, unless it can be demonstrated on inception that it fulfils a specified hedge function and can be demonstrated to be effective in this function.

If fair value hedge accounting is applied, the fair value of the derivative will be offset by a change in the fair value of the hedged item, which will also be recognised in the income statement. When cash flow hedging is applied, the change in the fair value of the derivative is taken to equity, subsequently being recycled to the income statement when the hedged cash flow impacts the income statement. The change in the fair value of any ineffective portion of a derivative is taken to the income statement.

In accordance with the exemption in IFRS 1, the group has applied IAS 32 and IAS 39 prospectively from 1 January 2005.

(h) Deferred taxation

Under UK GAAP, deferred tax is accounted for under FRS 19 Deferred Taxation and was provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. Provision was made for deferred tax that would arise upon the remittances received from overseas subsidiaries only to the extent that the dividends had been accrued as received.

In accordance with IAS 12 Income Taxes, deferred tax must be recognised on all taxable temporary timing differences between the accounting base and tax base of assets and liabilities. As a result, under IFRS deferred tax is recognised on certain temporary differences that would not generate deferred tax under UK GAAP.

(i) Dividends

Under UK GAAP, the final proposed dividend was provided for in the year-end results. Under IFRS, however, this is not permitted because it does not represent a present obligation as defined by IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Dividends are provided for in the year they are declared. The amount provided for in the 2004 financial statements is therefore reversed. Similarly an adjustment is made in the transition balance sheet.

(j) Capitalisation of software

Under UK GAAP, capitalised computer software is included within tangible fixed assets on the balance sheet. Under IFRS, all separately identifiable capitalised computer software should be shown as an intangible asset, except where it is integral to a related item of hardware. In this instance it remains classified within property, plant and equipment. Any charge to profit in respect of separately identified computer software is classified as amortisation of intangible assets under IFRS as opposed to depreciation under UK GAAP.

Accordingly, software has been reclassified in the balance sheets as at 1 January 2004 and 31 December 2004 from property, plant and equipment to intangible assets. This reclassification has no impact on the income statement.

(k) Leases

The criteria applied to the classification of leases as between operating leases and finance leases are broadly the same under IFRS as under UK GAAP. However, the application to the group's leasing contracts of the series of qualitative tests laid out in IAS 17 Leases has required a reclassification of certain contracts as finance leases rather than operating leases. In consequence, both the value of the asset and the associated financing obligation have been recognised on the balance sheet and costs classified as lease rentals under UK GAAP have been reclassified to depreciation and financing costs under IFRS.

(l) Securities

Under UK GAAP, securities held as investments by the group's captive insurance companies were not included within net debt. There is no definition of net debt within IFRS. However, in the opinion of the directors, net debt includes such securities.

Independent auditor's report to the members of Group 4 Securicor plc

We have audited the parent company financial statements of Group 4 Securicor plc for the year ended 31 December 2005 which comprise the Parent Company Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Group 4 Securicor plc for the year ended 31 December 2005.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 50.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the parent company financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

> the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005; and

> the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
11 April 2006

8 Salisbury Square
London
EC4Y 8BB

Parent company balance sheet

At 31 December 2005

	Notes	2005 £m	2004 (restated) £m
Fixed assets			
Tangible assets	(c)	**3.8**	4.5
Investments	(d)	**437.5**	337.1
		441.3	341.6
Current assets			
Debtors – amounts falling due within one year	(e)	**1,497.0**	1,339.4
Cash at bank and in hand		**14.0**	19.4
		1,511.0	1,358.8
Creditors – amounts falling due within one year			
Bank overdraft (unsecured)		**(30.0)**	–
Other	(f)	**(757.2)**	(740.8)
		(787.2)	(740.8)
Net current assets		**723.8**	618.0
Total assets less current liabilities		**1,165.1**	959.6
Creditors – amounts falling due after more than one year			
Borrowings (unsecured)	(g)	**(731.2)**	(633.5)
Provisions for liabilities and charges	(h)	**(5.1)**	(4.6)
Net assets		**428.8**	321.5
Capital and reserves			
Called up share capital	35	**317.2**	316.1
Share premium and reserves	(i)	**111.6**	5.4
Equity shareholders' funds		**428.8**	321.5

The balance sheet was approved by the board of directors on 11 April 2006 and signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Notes to the parent company balance sheet

(a) Incorporation

Group 4 Securicor plc was incorporated on 11 December 2003 as Precis (2395) Limited, on 19 February 2004 changed its name to Group 4 Securicor Limited and on 14 May 2004 re-registered as Group 4 Securicor plc. On 19 July 2004 the company acquired a 42.5% shareholding in Group 4 Securicor Holdings Limited and 90% of Group 4 A/S. In October 2004 it acquired a further 8% of Group 4 A/S. Group 4 A/S owns 57.5% of Group 4 Securicor Holdings Limited, which owns the security businesses of the former Group 4 Falck A/S and the businesses of Securicor plc. In 2005, the group completed the compulsory redemption of the remaining Group 4 A/S shares which it did not already own.

(b) Accounting policies

The parent company balance sheet is prepared in accordance with UK GAAP which is progressively converging towards IFRS. The following Financial Reporting Standards which became applicable for the first time in 2005 are identical in all essential respects to their IFRS equivalents: FRS 20 Share-based Payment, FRS 21 Events after the balance sheet date, FRS 22 Earnings per share, FRS 23 The effects of changes in foreign exchange rates, FRS 24 Financial reporting in hyperinflationary economies, FRS 25 Financial instruments: disclosure and presentation and FRS 26 Financial instruments: measurement (which only incorporates the measurement aspects of IAS 39). Also applicable for the first time in 2005 is FRS 17 Retirement benefits, the requirements of which are, in respect of pension obligations, similar to those contained within IAS 19 Employee Benefits which have been adopted by the group. Therefore, the accounting policies used in the preparation of the parent company balance sheet are consistent with those detailed in note 3 to the consolidated accounts which are relevant to the parent company.

The balance sheet at 31 December 2004 has been restated in respect of the retrospective implementation of the new accounting standards, other than in respect of FRS 25 and FRS 26. Proposed dividends receivable of £30.0m and payable of £23.5m, previously recognised in advance of being declared, are now, in accordance with FRS 21, not recognised.

(c) Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2005	3.0	3.9	6.9
Additions at cost	–	2.6	2.6
Transfer to subsidiary undertakings	–	(3.8)	(3.8)
Disposals	–	(0.5)	(0.5)
At 31 December 2005	3.0	2.2	5.2
Depreciation			
At 1 January 2005	(0.4)	(2.0)	(2.4)
Transfer to subsidiary undertakings	–	1.2	1.2
Charge for the year	(0.2)	(0.5)	(0.7)
Disposals	–	0.5	0.5
At 31December 2005	(0.6)	(0.8)	(1.4)
Net book value			
At 31 December 2005	**2.4**	**1.4**	**3.8**
At 31 December 2004	2.6	1.9	4.5

The net book value of land and buildings comprises short leasehold buildings (under 50 years).

Notes to the parent company balance sheet (continued)

(d) Fixed asset investments

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	Total £m
Shares at cost:	
At 1 January 2005	337.1
Additions	100.4
At 31 December 2005	**437.5**

Full details of significant investments held by the parent company and the group are detailed in note 42 to the consolidated financial statements.

(e) Debtors

	2005 £m	2004 £m
Amounts owed by group undertakings	1,472.2	1,323.0
Other debtors	15.7	8.9
Prepayments and accrued income	7.4	7.5
Derivative financial instruments at fair value	1.7	–
Total debtors	1,497.0	1,339.4

Included in other debtors is £1.3m (2004: £0.6m) with regard to deferred tax comprised as follows:

	2005 £m	2004 £m
Accelerated capital allowances	0.8	0.6
Other	0.5	–
Total	1.3	0.6

(f) Creditors

	2005 £m	2004 £m
Amounts falling due within one year:		
Trade creditors	1.1	1.9
Amounts owed to group undertakings	736.4	717.6
Corporation tax	–	5.3
Other taxation and social security costs	0.5	0.6
Other creditors	2.9	10.8
Accruals and deferred income	8.7	4.6
Derivative financial instruments at fair value	7.6	–
Total creditors – amounts falling due within one year	757.2	740.8

(g) Unsecured borrowings

The unsecured borrowings are at floating rates and in the following currencies:

	2005 £m	2004 £m
Sterling	–	40.0
Euro	314.7	199.7
US dollar	416.5	393.8
Total unsecured borrowings	731.2	633.5

Notes to the parent company balance sheet (continued)

(g) Unsecured borrowings (continued)

The payment profile of the unsecured borrowings is as follows :

	2005 £m	2004 £m
Repayable within one to two years	–	193.3
Repayable within two to five years	731.2	440.2
Total	731.2	633.5

There were no fixed rate financial liabilities and no financial liabilities upon which no interest is paid.

Undrawn committed facilities are as follows:

	2005 £m	2004 £m
Repayable within one to two years	–	6.7
Repayable within two to five years	268.8	359.8
Total	268.8	366.5

The fair value of the company's financial instruments equates to their book values. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

Borrowing at floating rates exposes the company to cash flow interest rate risk. The management of this risk is detailed in note 31 to the consolidated financial statements.

(h) Provisions for liabilities and charges

	Onerous contracts £m
At 1 January 2005	4.6
Additional provisions in the year	1.9
Utilisation of provisions	(1.4)
At 31 December 2005	**5.1**

The onerous contracts provision comprises a provision against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties.

(i) Share premium and reserves

	Share premium £m	Profit and loss account £m	Own shares £m	Employee Benefit Trust reserve £m	Total £m
At 1 January 2005 as previously stated	0.2	11.1	(0.2)	0.8	11.9
Prior year adjustments (see note (b)):					
Proposed dividends receivable and payable	–	(6.5)	–	–	(6.5)
At 1 January 2005 as restated	0.2	4.6	(0.2)	0.8	5.4
Retained profit	–	151.4	–	–	151.4
Changes in fair value of hedging derivatives	–	(5.8)	–	–	(5.8)
Dividends declared	–	(39.8)	–	–	(39.8)
Share issues	3.8	–	–	–	3.8
Own shares purchased	–	–	(6.1)	–	(6.1)
Equity settled transactions:					
– Performance share plans	–	–	–	1.2	1.2
– Share options	–	1.5	–	–	1.5
At 31 December 2005	**4.0**	**111.9**	**(6.3)**	**2.0**	**111.6**

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the year to 31 December 2005 attributable to shareholders was £151.4m (financial period from 11 December 2003 to 31 December 2004: £3.9m).

Notes to the parent company balance sheet (continued)

(j) Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2005

	2005 £m	2004 £m
Retained profit for the year	151.4	3.9
Changes in fair value of hedging derivatives	(5.8)	–
Dividends paid	(39.8)	–
Equity settled transactions:		
– Performance share plans	1.2	0.8
– Share options	1.5	0.7
Own shares purchased	(6.1)	(0.2)
Issue of share capital	4.9	316.3
Net increase in shareholders' funds	107.3	321.5
Opening equity shareholders' funds	321.5	–
Closing equity shareholders' funds	428.8	321.5

(k) Operating lease commitments

At the balance sheet date, the company had annual commitments under non-cancellable operating leases, which expire as follows:

	2005 £m	2004 £m
Within one year	0.2	0.1
In the second to fifth years inclusive	0.2	0.3
After more than five years	1.2	0.5
Total operating lease commitments	1.6	0.9

(l) Staff costs and employees

	2005 Number	2004 Number
The average monthly number of employees of the company during the year was:	122	47

Total staff costs, including directors' emoluments, were as follows:

	2005 £m	2004 £m
Wages and salaries	20.6	8.2
Social security costs	1.6	0.8
Pension costs	0.9	0.4
Total staff costs	23.1	9.4

(m) Pension obligations

The company participates in both the Securicor and the Group 4 multi-employer pension schemes in the UK, which provide benefits based on final pensionable pay. The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. The schemes are therefore accounted for by the company as defined contribution schemes. Details of the schemes are included in note 32 of the consolidated financial statements.

Group financial record

£m	Presented under IFRS 2005	2004	Presented under the then UK GAAP 2003	2002	2001
Turnover	**4,129.9**	3,093.6	2,569.5	2,152.6	1,273.3
Profit before interest, taxation, amortisation of acquisition-related intangibles and exceptional items	**254.0**	165.5	118.4	93.7	57.5
Profit/(loss) after taxation	**90.7**	(65.4)	(3.2)	12.5	19.8
Profit/(loss) attributable to shareholders	**80.8**	(72.3)	(9.7)	7.6	17.5
Non-current assets	**1,963.9**	1,876.0	693.6	658.5	290.3
Net assets	**969.9**	909.9	323.6	290.8	138.4
Net debt	**657.3**	586.4	382.4	487.0	142.5
Net debt/equity (%)	**68**	64	118	167	103
Return on net assets (%) (profit/(loss) after taxation/net assets)	**9**	(7)	(1)	4	14
Adjusted earnings per ordinary share (pence)	**11.1p**	9.5p	8.0p	6.1p	4.5p
Dividends for the year per ordinary share (pence)	**3.54p**	1.85p	0.46p	0.43p	0.40p
Average headcount (number)	**395,771**	306,313	230,472	218,278	136,081

As explained in note 1 to the consolidated financial statements on page 56, the five year record comprises only the results of the security businesses of the former Group 4 Falck A/S up to the acquisition of Securicor plc on 19 July 2004. After that date, the record reflects the results of the combined businesses.

The figures presented for 2001 to 2003 are in accordance with the then UK GAAP. The main adjustments that would be required to make them consistent with the 2005 financial statements which have been prepared under IFRS relate to:

(i) the non-amortisation of goodwill
(ii) the recognition of separable or contractual intangible assets on a business combination
(iii) the recognition of the funding balances for each retirement benefit scheme
(iv) the recognition of a charge to income in respect of share options granted
(v) the accounting treatment of joint ventures under either the proportionate consolidation method or equity method rather than the gross equity method of accounting
(vi) the recognition of all derivative financial instruments at fair value
(vii) the recognition of all taxable temporary timing differences between the accounting base and tax base of assets and liabilities
(viii) dividends being provided for in the year in which they are declared
(ix) the reclassification of certain contracts as finance leases rather than operating leases
(x) the reclassification of securities held by the group's captive insurance companies as a component of net debt

Further information on the adoption of IFRS is provided in note 43 to the consolidated financial statements.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Group 4 Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 29 June 2006 at 2.00 pm.

Resolutions 1 to 7 will be proposed as ordinary resolutions. Resolutions 8 and 9 will be proposed as special resolutions.

1. To receive the financial statements of the Company for the year ended 31 December 2005 and the reports of the directors and auditor thereon.

2. To receive and approve the Directors' Remuneration Report contained in the financial statements for the year ended 31 December 2005.

3. To confirm and declare dividends.

4. To elect Mark Seligman as a director (member of Remuneration Committee).

5. To re-elect the directors who retire by rotation:

   (a) Trevor Dighton
   (b) Thorleif Krarup
   (c) Bo Lerenius (member of Remuneration Committee)

6. To re-appoint KPMG Audit Plc as auditor of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders, and to authorise the directors to fix their remuneration.

7. That the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £105,000,000 provided that the authority hereby given shall expire on 1 June 2011, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexpired authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

8. That the directors be and are hereby granted, pursuant to section 95 of the Act, power to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

   (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record dates as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

   (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £15,880,000

   and shall expire on 1 June 2011 save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting (continued)

9. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company provided that:

   (i) the maximum number of shares which may be purchased is 127,000,000;

   (ii) the minimum price which may be paid for each share is 25p;

   (iii) the maximum price which may be paid for each share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and

   (iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007 (except in relation to the purchase of shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry).

By order of the board

Nigel Griffiths
Secretary
11 April 2006

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN

Notes

(a) Every member entitled to attend and vote at the meeting may appoint another person as his proxy to attend and, on a poll, to vote thereat instead of him and such proxy need not be a member. Forms appointing proxies must be deposited at the office of the Company's registrar by 2.00pm on 27 June 2006. The appointment of a proxy will not prevent a member from attending and voting at the Annual General Meeting should he decide to do so.

(b) To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a person may cast), a person must have his name entered on the register of ordinary shares by no later than 2.00 pm on 27 June 2006. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(c) By attending the meeting, a member expressly agrees that he is requesting and willing to receive any communications made at the meeting.

Financial calendar and corporate addresses

Results announcements
Interim results – September
Final results – March

Dividend payment
Interim paid – 16 December 2005
Final payable – 11 July 2006

Annual General Meeting
29 June 2006

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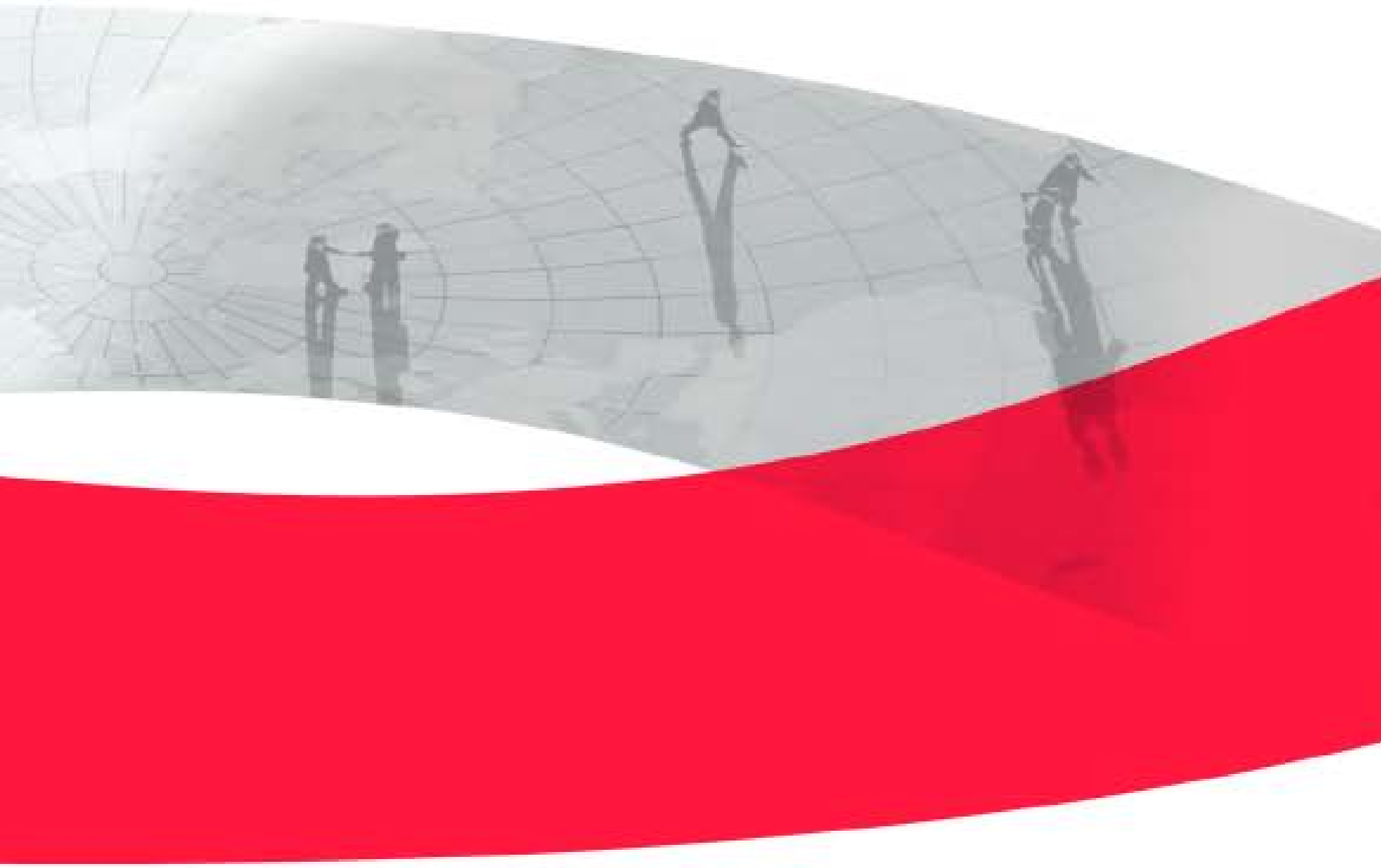

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