

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you are recommended to seek your own personal financial and taxation advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is authorised under the Financial Services and Markets Act 2000, or, if you are taking advice in a territory outside the United Kingdom, is an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your ArmorGroup Shares, please send this document, but not any accompanying personalised Form of Acceptance, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected, for transmission to the purchaser or transferee. **However, such documents must not be forwarded or transmitted in or into any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction, including, but not limited to, any Restricted Jurisdiction.** If you have sold or otherwise transferred only part of your holding of ArmorGroup Shares you should retain these documents.

If you hold your ArmorGroup Shares in certificated form (that is, not in CREST), this document should be read in conjunction with the accompanying Form of Acceptance.

Recommended cash offer

by

G4S (March 2008) Limited

(a wholly-owned subsidiary of G4S plc)

for

ArmorGroup International plc

To accept the Offer in respect of certificated ArmorGroup Shares, the Form of Acceptance must be completed, signed and returned to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible, but in any event so as to arrive not later than 1.00 p.m. (London time) on 21 April 2008. Acceptances in respect of uncertificated ArmorGroup Shares should be made electronically through CREST so that the TTE Instruction settles not later than 1.00 p.m. (London time) on 21 April 2008. The procedure for acceptance of the Offer is set out in paragraph 14 of the letter from the G4S Board in Part 2 of this document and, in respect of certificated ArmorGroup Shares, in the accompanying Form of Acceptance.

YOUR ATTENTION IS DRAWN TO THE LETTER FROM THE CHAIRMAN OF ARMORGROUP, WHICH IS SET OUT IN PART 1 OF THIS DOCUMENT, WHICH CONTAINS THE ARMORGROUP DIRECTORS' UNANIMOUS RECOMMENDATION THAT YOU ACCEPT THE OFFER.

Greenhill, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for G4S and Bidco and no one else in connection with the Offer and will not be responsible to anyone other than G4S and Bidco for providing the protections afforded to clients of Greenhill nor for providing advice in relation to the Offer, the content of this document, or any transaction, arrangement or matter referenced herein.

Rothschild, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for ArmorGroup and no one else in connection with the Offer and will not be responsible to anyone other than ArmorGroup for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Offer, the content of this document, or any transaction, arrangement or matter referenced herein.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervising Authority) and regulated by the Financial Services Authority for the conduct of UK business. Deutsche Bank AG is acting for G4S and Bidco and no one else in connection with the Offer and will not be responsible to anyone other than G4S and Bidco for providing the protections afforded to clients of Deutsche Bank nor for providing advice in connection with the Offer.

Hoare Govett Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for ArmorGroup and no one else in connection with the Offer and will not be responsible to anyone other than ArmorGroup for providing the protections afforded to clients of Hoare Govett Limited nor for providing advice in relation to the Offer, the content of this document, or any transaction, arrangement or matter referenced herein.

IMPORTANT INFORMATION SECTION

Overseas Shareholders

Unless otherwise determined by Bidco and permitted by applicable law and regulation, subject to certain exemptions, the Offer is not being made, directly or indirectly, in or into and will not be capable of acceptance from or within a Restricted Jurisdiction. Accordingly, copies of this document and the Form of Acceptance must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction and persons receiving this document and the Form of Acceptance (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction and should read paragraph 5 of Part B and paragraph 3 of Part C of Appendix I to this document.

The Offer in the United States is being made pursuant to an exemption from certain US tender offer rules provided by Rule 14d-1(c) under the Exchange Act. US shareholders should read paragraph 5.7 *et seq* of Part B of Appendix I to this document.

Bidco or its nominees or brokers (acting as agents for Bidco) may, in connection with applicable law, including applicable exemptions from Rule 14e-5 under the Exchange Act, make certain purchases of ArmorGroup Shares in the market or otherwise during the period in which the Offer remains open. Such purchases will be announced via a Regulatory Information Service.

Any person (including nominees, trustees and custodians) who would, or otherwise intends to, or may have a legal or contractual obligation to, forward this document and/or the Form of Acceptance and/or any related document to any jurisdiction outside the United Kingdom, should read paragraph 5 of Part B and paragraph 3 of Part C of Appendix I to this document and the relevant provisions of the Form of Acceptance, before taking any action.

Dealing disclosure requirements

Under the provisions of Rule 8.3 of the Code, if any person is, or becomes, “interested” (directly or indirectly) in 1 per cent. or more of any class of “relevant securities” of ArmorGroup, all “dealings” in any “relevant securities” of ArmorGroup (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 3.30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the “offer period” otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of ArmorGroup, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all “dealings” in “relevant securities” of ArmorGroup by Bidco or ArmorGroup, or by any of their respective “associates”, must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of such securities in issue, can be found on the Panel’s website at www.thetakeoverpanel.org.uk.

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms mentioned in the preceding four paragraphs in quotation marks are defined in the Code, which can also be found on the Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8, you should contact the Panel. If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000, consult the Panel’s website or contact the Panel by telephone on +44 20 7638 0129 or by fax on +44 20 7236 7013.

Forward-looking statements

This document contains statements about G4S, Bidco and ArmorGroup that are or may be forward looking statements. All statements other than statements of historical facts included in this document may be forward looking statements. Forward looking statements often use words such as “target”, “plan”, “believe”, “expect”, “aim”, “intend”, “will”, “should”, “could”, “would”, “may”, “consider”, “anticipate”, “estimate”, “synergy”, “cost saving”, “project”, “goal” or “strategy” or words or terms of similar substance or the negative thereof. Forward looking statements include statements relating to the following: (i) the expected timetable for implementing the Offer, future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects of G4S, Bidco or ArmorGroup; (ii) business and management strategies and the expansion and growth of G4S, Bidco’s or ArmorGroup’s operations and potential synergies resulting from the acquisition of ArmorGroup by Bidco; and (iii) the effects of government regulation on G4S, Bidco’s or ArmorGroup’s business.

These forward looking statements are not guarantees of future performance. They have not been reviewed by the auditors of G4S or ArmorGroup. These forward looking statements involve known and unknown risks, uncertainties and other factors which may cause them to differ from the actual results, performance or achievements expressed or implied by such forward looking statements. These forward looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors are cautioned not to place undue reliance on the forward looking statements, which speak only as of the date they were made.

All subsequent written and oral forward looking statements attributable to G4S, Bidco or ArmorGroup or persons acting on behalf of either of them are expressly qualified in their entirety by the cautionary statements above. Subject to compliance with the City Code, none of G4S, Bidco or ArmorGroup intends, or undertakes any obligation, to update any information contained in this document.

ACTION TO BE TAKEN TO ACCEPT THE OFFER

If you hold your ArmorGroup Shares, or any of them, in certificated form (that is, not in CREST), complete the Form of Acceptance in accordance with the instructions printed thereon and paragraph 14.1 of the letter from the G4S Board set out in Part 2 of this document and return the completed Form of Acceptance (together with your share certificate(s) and any other documents of title) by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received by Capita Registrars not later than 1.00 p.m. (London time) on 21 April 2008.

If you hold your ArmorGroup Shares, or any of them, in CREST, you should follow the procedures set out in paragraph 14.2 of the letter from the G4S Board in Part 2 of this document and ensure that an Electronic Acceptance is made by you or on your behalf and that settlement is made no later than 1.00 p.m. (London time) on 21 April 2008.

If you have any questions relating to this document, and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

THE FIRST CLOSING DATE OF THE OFFER IS 1.00PM LONDON TIME ON 21 APRIL 2008

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Part 1

Letter of recommendation from the Chairman of ArmorGroup

ARMORGROUP

ArmorGroup International plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4931893)

Directors:

Sir Malcolm Rifkind KCMG, QC (*Non-Executive Chairman*)

John Biles (*Non-Executive Director*)

Simon Havers (*Non-Executive Director*)

Iain Paterson (*Non-Executive Director*)

David Barrass (*Chief Executive Officer*)

Matthew Brabin (*Chief Financial Officer*)

Noel Philp (*Chief Operating Officer*)

Christopher Beese MBE (*Chief Administrative Officer*)

31 March 2008

To ArmorGroup Shareholders and, for information only, to holders of options or awards under the ArmorGroup Share Schemes and to persons nominated under section 146 Companies Act 2006

Dear ArmorGroup Shareholder

RECOMMENDED CASH OFFER FOR ARMORGROUP

1 Introduction

It was announced on 20 March 2008, that the Boards of ArmorGroup and Bidco (a wholly-owned subsidiary of G4S) had reached agreement on the terms of a recommended cash offer to be made by Bidco to acquire the entire issued and to be issued ordinary share capital of ArmorGroup.

The purpose of this letter is to explain the background to the Offer and to set out the reasons why your Directors are unanimously recommending that you accept the Offer, as they have irrevocably undertaken to do in respect of their own beneficial holdings (and, where applicable, those of their wives), amounting, in aggregate, to 1,231,049 ArmorGroup Shares representing approximately 2.30 per cent. of the existing issued ordinary share capital of ArmorGroup.

2 The Offer

The Offer is being made on the following basis:

for each ArmorGroup Share 80 pence in cash

The Offer values the entire issued and to be issued share capital of ArmorGroup at approximately £43.6 million and represents:

- a premium of approximately 127.0 per cent. to 35.25 pence, being the Closing Price per ArmorGroup Share on 26 February 2008, the Business Day prior to ArmorGroup's announcement that it was in discussions with a number of parties regarding a possible offer for ArmorGroup; and
- a premium of approximately 156.8 per cent. to 31.15 pence, being the average Closing Price per ArmorGroup Share over the three month period up to and including 26 February 2008.

ArmorGroup's proposed final dividend in respect of the year ended 31 December 2007 of 1.5 pence per ArmorGroup Share, announced on 20 March 2008, is included in the Offer Price and hence such final dividend will not be paid if the Offer becomes or is declared wholly unconditional.

Address and Registered Office: Egginton House, 25-28 Buckingham Gate, London, SW1E 6LD

Registered in England No. 4931893
Tel: +44 (0)20 7808 5800 • Fax: +44 (0)20 7828 2845
www.armorgroup.com



The Offer is conditional, *inter alia*, upon acceptance by ArmorGroup Shareholders who together own 90 per cent. of the ArmorGroup Shares to which the Offer relates and not less than 90 per cent. of the voting rights carried by those ArmorGroup Shares. The conditions to the Offer are set out in full in Appendix I to this document together with, in the case of ArmorGroup Shares held in certificated form, the Form of Acceptance.

The ArmorGroup Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges and encumbrances and other interests whatsoever.

The formal Offer is set out in the letter from the G4S Board in Part 2 of this document.

3 Information on ArmorGroup

ArmorGroup is one of the leading international providers of defensive and protective security services to national governments, multinational corporations and international peace and security organisations operating in hostile environments.

Headquartered in London, ArmorGroup has been operating for over 25 years and employs approximately 8,500 individuals operating across offices in 27 countries. ArmorGroup has extensive operations in some of the world's most hazardous environments including Afghanistan, Iraq, Nigeria and Sudan. Over the past two years ArmorGroup has supported its clients in over 50 countries across the Middle East, Africa, North and South America, the CIS and Central Asia.

ArmorGroup's services are provided through five operational areas:

Protective security: ArmorGroup's core business is devising and implementing solutions to complex security issues in high risk environments and providing the following services worldwide: premium guarding of embassies and high value facilities; close protection of individuals; logistic convoy protection in Iraq; travel security; the design, installation and maintenance of integrated security systems; and security management services.

Risk management consultancy: ArmorGroup identifies clients' current and potential issues from political risk through to extortion, wherever their employees, assets or facilities are operating. It then proposes, plans and manages cost-effective and innovative solutions to those issues, including cases of abduction, extortion and kidnap for ransom.

Security training: ArmorGroup teaches commercial and government students how to recognise and avoid potential threats, combined with practical training to prevent and, if necessary, confront hostile activity. ArmorGroup has six training facilities in the UK, US, Iraq and Afghanistan, as well as mobile training teams.

Weapons reduction and mine action services: ArmorGroup is a commercial leader in the survey, removal and clearance of landmines and similarly unexploded ordnance pollution, as well as providing services in battlefield area clearance and ammunition stockpile destruction.

Development, humanitarian and reconstruction support: Over the last 15 years, ArmorGroup has supported over 53 development, humanitarian and reconstruction programme missions in over 30 countries.

For the financial year ended 31 December 2007, ArmorGroup, in its unaudited preliminary results announcement released on 20 March 2008, reported revenues of approximately \$295.3 million (2006: \$273.5 million) and profit before taxation of approximately \$4.2 million (2006: \$9.6 million) after exceptional items of approximately \$2.9 million (2006: \$nil). Net assets as at 31 December 2007, as reported in its unaudited preliminary results announcement, were approximately \$84.1 million (2006: \$82.9 million).

Further financial information on ArmorGroup is set out in Appendix II to this document.

4 Background to and reasons for recommending the Offer

The ArmorGroup Board and its advisers have received a number of approaches over several months and have engaged in discussions with a number of trade and financial parties regarding a range of strategic options for ArmorGroup, including possible offers and other business combinations. On 27 February 2008, following a movement in ArmorGroup's share price, the ArmorGroup Board was obliged, under the Code, to announce that it was in discussions with a number of parties regarding possible offers for ArmorGroup.

On 27 November 2007, ArmorGroup announced that operating profits for the year ending 31 December 2007 would be below that reported in the prior year and that David Seaton, Chief Executive Officer, would be stepping down with immediate effect. Following this, the ArmorGroup Board carried out a review of ArmorGroup's business which was completed in early January 2008. As a result of this review, the ArmorGroup Board reorganised certain aspects of ArmorGroup's operational and administrative structure, as a result of which the ArmorGroup Board remains confident about the future prospects of ArmorGroup.

The ArmorGroup Board considers, however, that the Offer, at a price of 80 pence per ArmorGroup Share in cash, representing a premium of approximately 127.0 per cent. to the Closing Price on 26 February 2008, provides ArmorGroup Shareholders with the prospect of a cash exit at an attractive price when considered against the potential of ArmorGroup as a standalone business.

5 Management, employees, locations and future intentions

In paragraph 7 of Part 2 of this document, G4S states that it recognises the skills, technical ability and experience of the existing management and employees of ArmorGroup and its subsidiaries. Accordingly, G4S states that it intends to develop ArmorGroup's strong position in the markets in which ArmorGroup currently operates and use this strengthened platform to grow operations across other geographies and business lines, where appropriate. G4S states it intends to integrate ArmorGroup with its existing activities in the geographic markets in which there is an operational overlap and confirms that there are no immediate plans to change the principal operational locations of ArmorGroup's business.

The G4S Directors have given assurances to the ArmorGroup Directors that, if the Offer becomes or is declared unconditional in all respects, the existing employment rights, including pension rights, of all management and employees of ArmorGroup will be fully safeguarded.

The ArmorGroup Board welcomes the assurances received from G4S as described above as they are, in the view of the ArmorGroup Board, in the interests of ArmorGroup and its employees. Furthermore, the ArmorGroup Directors welcome the statements made by G4S with regard to the long-term commercial justification for making the Offer which is contained in paragraphs 4 and 7 of Part 2 of this document.

The Non-Executive Directors of ArmorGroup intend to resign from the ArmorGroup Board shortly after the Offer becomes or is declared unconditional in all respects and agree to waive entitlements against ArmorGroup except for payments in lieu of notice and other payments and benefits to which they are entitled under the terms of their letters of appointment.

6 Inducement Fee Agreement and Non-Solicitation Agreement

ArmorGroup has agreed, pursuant to the Inducement Fee Agreement, to pay to Bidco a fee of a sum equivalent to 1 per cent. of the aggregate Offer Price plus any VAT chargeable in respect of the fee to the extent recoverable if:

- the ArmorGroup Board withdraws or adversely modifies its recommendation of the Offer and the Offer subsequently lapses or is withdrawn solely due to non-satisfaction of any condition other than that set out in paragraph 1(b) of Part A of Appendix I to this document; or
- prior to the Offer lapsing or being withdrawn, a competing offer, scheme of arrangement or other similar transaction relating to ArmorGroup is announced and subsequently becomes unconditional in all respects or is completed or implemented.

The inducement fee shall not be payable if the Offer lapses or is withdrawn due to non-satisfaction of the condition set out in paragraph 1(b) of Part A of Appendix I to this document.

Subject to any obligations of confidentiality, if the ArmorGroup Directors determine that any competing offer proposal received by them constitutes an offer proposal for ArmorGroup which the ArmorGroup Board is minded to recommend (a **Superior Proposal**), ArmorGroup shall use all reasonable endeavours to notify Bidco of such Superior Proposal (such notification to include, subject to compliance by the ArmorGroup Directors with any obligations of confidentiality and with their fiduciary and other obligations as directors, confirmation of the price and form of consideration offered under such Superior Proposal and the identity of the proposed offeror in respect of such Superior Proposal). Such notification must be made as soon as reasonably practicable and, in any event, within 12 hours after making a determination that such competing offer proposal constitutes a Superior Proposal.

Pursuant to Rule 21.2 of the City Code, Rothschild and ArmorGroup have confirmed to the Panel that they consider the inducement fee to be in the best interests of ArmorGroup Shareholders.

ArmorGroup has also entered into the Non-Solicitation Agreement with Bidco, which will, in broad terms, remain in force until the earlier of the Offer becoming or being declared unconditional in all respects and the Offer lapsing.

Under the terms of the Non-Solicitation Agreement, ArmorGroup may not, except as stated below:

- solicit, initiate or encourage (directly or indirectly) enquiries or proposals from any third party in respect of, or in connection with, an offer for ArmorGroup or an acquisition or purchase of all or a substantial portion of the assets of, or of a substantial equity interest in, or any business combination or share exchange with ArmorGroup or any of its subsidiary undertakings (a **Relevant Acquisition**);
- enter into or participate in any discussions relating to any possible Relevant Acquisition; or
- provide any information to any third party in connection with a Relevant Acquisition.

The terms of the Non-Solicitation Agreement would not prevent the ArmorGroup Directors from:

- complying with the provisions of Rule 20.2 of the City Code; or
- responding to or entering into and pursuing discussions in respect of an unsolicited approach or indication of interest relating to a Relevant Acquisition received after the date of the Non-Solicitation Agreement if the fiduciary and other duties of the ArmorGroup Directors so require.

The Non-Solicitation Agreement obliges ArmorGroup:

- to notify Bidco if it is approached by any third party in connection with a Relevant Acquisition (subject to any obligation of confidentiality imposed unilaterally by such third party) or if ArmorGroup provides information to any such third party pursuant to Rule 20.2 of the City Code; and
- save to the extent that the fiduciary and other duties of the ArmorGroup Directors require otherwise: (a) only to give information relating to ArmorGroup to the extent that ArmorGroup is strictly obliged to provide the third party with it pursuant to Rule 20.2 of the City Code; and (b) provide to Bidco a list of any such information so provided. Any such information may only be made available on terms that are equivalent in all material respects to those contained in a confidentiality agreement entered into between ArmorGroup and Bidco (subject to compliance with Note 2 on Rule 21.2 of the Code).

The Non-Solicitation Agreement also states that ArmorGroup will not be obliged to pay any amount to the extent to which the Panel determines it would not be permitted to do so by Rule 21.2 of the City Code.

7 ArmorGroup Share Schemes

The Offer will extend to any ArmorGroup Shares issued or unconditionally allotted or issued fully paid (or credited as fully paid) whilst the Offer remains open for acceptance (or until such earlier date as, subject to the City Code, Bidco may decide, being not earlier than the date on which the Offer becomes or is declared unconditional as to acceptances or, if later, the final closing date of the Offer), including those allotted or issued as a result of the exercise of options or vesting of awards under the ArmorGroup Share Schemes.

Bidco intends to make appropriate proposals to the holders of options and awards under the ArmorGroup Share Schemes upon the Offer becoming or being declared unconditional in all respects, to the extent that such options and awards have not been exercised or vested by that date.

8 Irrevocable undertakings

All of the ArmorGroup Directors who hold ArmorGroup Shares have irrevocably undertaken to accept (or procure the acceptance of) the Offer in respect of their own beneficial holdings (and, where applicable, those of their wives), representing, in aggregate, approximately 2.30 per cent. of ArmorGroup's existing issued share capital.

In addition, Bidco has received irrevocable undertakings from certain ArmorGroup Shareholders to accept (or procure the acceptance of) the Offer in respect of their beneficial holdings, representing, in aggregate, approximately 56.26 per cent. of ArmorGroup's existing issued share capital.

Accordingly, Bidco has received, in aggregate, irrevocable undertakings to accept the Offer in respect of 31,289,694 ArmorGroup Shares representing approximately 58.57 per cent. of ArmorGroup's existing issued share capital.

Further details of the irrevocable undertakings can be found in paragraph 5 of Appendix III to this document.

9 Compulsory acquisition, de-listing and re-registration

Your attention is drawn to the intentions of Bidco in paragraph 11 headed “Compulsory acquisition, de-listing and re-registration” in the letter from the G4S Board in Part 2 of this document.

10 United Kingdom taxation

Your attention is drawn to paragraph 12 headed “United Kingdom taxation of chargeable gains” in the letter from the G4S Board in Part 2 of this document. **If you are in any doubt as to your own tax position, or you are neither resident nor ordinarily resident in the UK for UK tax purposes or if you are subject to taxation in any jurisdiction outside the UK, you should consult an appropriate independent professional adviser immediately.**

11 Overseas Shareholders

Overseas Shareholders should refer to paragraph 5 of Part B and either paragraph 3 of Part C of Appendix I to this document in respect of ArmorGroup Shares held in certificated form, or paragraph 3 of Part D of Appendix I to this document which contain important information for such shareholders.

12 Further information

Your attention is drawn to the letter from the G4S Board set out in Part 2 of this document and the further information contained in the Appendices to this document.

13 Action to be taken to accept the Offer

Your attention is drawn to the procedure for acceptance of the Offer set out in paragraph 14 of the letter from the G4S Board in Part 2 of this document, the Appendices to this document and (if your ArmorGroup Shares are in certificated form) the accompanying Form of Acceptance.

To accept the Offer:

- if you hold your ArmorGroup Shares, or any of them, in certificated form (that is, not in CREST), to accept the Offer in respect of those ArmorGroup Shares you should complete, sign and return the Form of Acceptance (together with your share certificate(s) and any other document(s) of title) **as soon as possible and, in any event, so as to be received by the Receiving Agent not later than 1.00 p.m. (London time) on 21 April 2008.** Further details on the procedures for acceptance of the Offer if you hold any of your ArmorGroup Shares in certificated form are set out in paragraph 14.1 of the letter from the G4S Board in Part 2 of this document and Parts B and C of Appendix I to this document and in the accompanying Form of Acceptance. A reply-paid envelope for use in the UK only is enclosed for returning your Form of Acceptance together with your share certificate(s); or
- if you hold your ArmorGroup Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer in respect of those ArmorGroup Shares you should follow the procedure for Electronic Acceptance through CREST so that the TTE Instruction settles **as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 21 April 2008.** Further details on the procedures for acceptance of the Offer if you hold any of your ArmorGroup Shares in uncertificated form are set out in paragraph 14.2 of the letter from the G4S Board in Part 2 of this document and Parts B and D of Appendix I to this document. If you hold your ArmorGroup Shares as a CREST sponsored member you should refer to your CREST sponsor, as only your CREST sponsor will be able to send the necessary TTE Instruction(s) to CREST.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Your decision as to whether to accept the Offer will depend on your individual circumstances. If you are in any doubt as to the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the UK or, if you are outside the UK an appropriately authorised independent financial adviser, without delay.

14 Recommendation

The ArmorGroup Board, which has been so advised by Rothschild, considers the terms of the Offer to be fair and reasonable. In providing its advice, Rothschild has taken into account the commercial assessments of the ArmorGroup Directors.

Accordingly, the ArmorGroup Board unanimously recommends that ArmorGroup Shareholders accept the Offer, as those ArmorGroup Directors who hold ArmorGroup Shares have irrevocably undertaken to do in respect of their own beneficial holdings (and, where applicable, those of their wives) totalling, in aggregate, 1,231,049 ArmorGroup Shares, representing approximately 2.30 per cent. of ArmorGroup's existing issued share capital.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Malcolm Rifkind', written in a cursive style.

Sir Malcolm Rifkind KCMG, QC
Non-Executive Chairman

Part 2

Letter from the G4S Board



Group 4 Securicor

G4S plc

The Manor, Manor Royal,
Crawley, West Sussex,
RH10 9UN, UK.

Telephone: +44 (0)1293 554 400

Fax: +44 (0)1293 554 500

Email: info@g4s.com

www.g4s.com

(Incorporated in England and Wales under the Companies Act 1985 with registered number 4992207)

Directors:

Alf Duch-Pedersen (*Non-Executive Chairman*)

Lord Condon (*Non-Executive Deputy Chairman*)

Thorleif Krarup (*Non-Executive Director*)

Bo Lerenius (*Non-Executive Director*)

Mark Seligman (*Non-Executive Director*)

Sir Malcolm Williamson (*Non-Executive Director*)

Mark Elliott (*Non-Executive Director*)

Nick Buckles (*Chief Executive Officer*)

Trevor Dighton (*Chief Financial Officer*)

Grahame Gibson (*Chief Operating Officer*)

31 March 2008

To ArmorGroup Shareholders and, for information only, to holders of options or awards under the ArmorGroup Share Schemes and to persons nominated under section 146 Companies Act 2006

Dear ArmorGroup Shareholder

RECOMMENDED CASH OFFER FOR ARMORGROUP

1 Introduction

On 20 March 2008, the Boards of G4S and ArmorGroup announced that they had reached agreement on the terms of a recommended cash offer to be made by Bidco (a wholly-owned subsidiary of G4S) to acquire the entire issued and to be issued ordinary share capital of ArmorGroup.

This letter, Appendix I to this document and the Form of Acceptance (in relation to certificated ArmorGroup Shares (that is, those not held in CREST)) together contain the formal terms and conditions of the Offer.

Your attention is drawn to the letter from the Non-Executive Chairman of ArmorGroup set out in Part 1 of this document, which explains the background to the Offer and the reasons why the ArmorGroup Directors, who have been so advised by Rothschild, consider the terms of the Offer to be fair and reasonable and unanimously recommend all ArmorGroup Shareholders to accept the Offer.

G4S plc
Registered Office:
The Manor, Manor Royal, Crawley
West Sussex RH10 9UN
Registered in England No. 4992207

Directors:
Alf Duch-Pedersen (Chairman)
Lord Condon QPM (Deputy Chairman)
Nick Buckles, (Chief Executive)
Trevor Dighton
Grahame Gibson
Mark Elliott
Thorleif Krarup
Bo Lerenius
Mark Seligman
Sir Malcolm Williamson
Secretary: Peter David

2 The Offer

The Offer is being made on the following basis:

for each ArmorGroup Share 80 pence in cash

The Offer values the entire issued and to be issued share capital of ArmorGroup at approximately £43.6 million and represents:

- a premium of approximately 127.0 per cent. to 35.25 pence, being the Closing Price per ArmorGroup Share on 26 February 2008, the Business Day prior to ArmorGroup's announcement that it was in discussions with a number of parties regarding a possible offer for ArmorGroup; and
- a premium of approximately 156.8 per cent. to 31.15 pence, being the average Closing Price per ArmorGroup Share over the three month period up to and including 26 February 2008.

ArmorGroup's proposed final dividend in respect of the year ended 31 December 2007 of 1.5 pence per ArmorGroup Share, announced on 20 March 2008, is included in the Offer Price and hence such final dividend will not be paid if the Offer becomes or is declared wholly unconditional.

The Offer is conditional, *inter alia*, upon acceptance by ArmorGroup Shareholders who together own 90 per cent. of the ArmorGroup Shares to which the Offer relates and not less than 90 per cent. of the voting rights carried by those ArmorGroup Shares. The conditions to the Offer are set out in full in Appendix I to this document.

The ArmorGroup Shares will be acquired by Bidco fully paid and free from all liens, equitable interests, charges and encumbrances and other interests whatsoever.

The Offer is subject to the conditions and further terms set out and referred to in Appendix I to this document and, in the case of ArmorGroup Shares held in certificated form, in the accompanying Forms of Acceptance.

3 Irrevocable undertakings

All of the ArmorGroup Directors who hold ArmorGroup Shares have irrevocably undertaken to accept (or procure the acceptance of) the Offer in respect of their own beneficial holdings (and, where applicable, those of their wives), representing, in aggregate, approximately 2.30 per cent. of ArmorGroup's existing issued share capital.

In addition, Bidco has received irrevocable undertakings from certain ArmorGroup Shareholders to accept (or procure the acceptance of) the Offer in respect of their beneficial holdings, representing, in aggregate, approximately 56.26 per cent. of ArmorGroup's existing issued share capital.

Accordingly, Bidco has received, in aggregate, irrevocable undertakings to accept the Offer in respect of 31,289,694 ArmorGroup Shares representing approximately 58.57 per cent. of ArmorGroup's existing issued share capital.

Further details of the irrevocable undertakings can be found in paragraph 5 of Appendix III to this document.

4 Background to and reasons for the Offer

G4S is an international leader in the provision of risk management and protection to governments and major corporate customers around the world. G4S' management has developed a strategy for accelerated growth and development and has communicated to the capital markets that this strategy would involve the acquisition of expertise in a number of key areas. The proposed acquisition of ArmorGroup represents an important and logical step in the delivery of the G4S strategy.

Further Exposure to High Growth Developing Markets: G4S has experience of providing risk management and protection to governments and corporate customers in a number of high risk environments throughout the Middle East, Africa, Russia and South America. The acquisition of ArmorGroup extends that experience further and provides an opportunity to share best practice across a highly specialised international workforce in these high growth, high margin markets.

Customer Relationship Development: G4S has extensive relationships with governments and non-government organisations around the world, with particular emphasis on the UK and US in the areas of defence, homeland security, international development, justice and energy. The acquisition of ArmorGroup

will enable G4S to extend those relationships further into additional government areas and enhance its existing contact base across key government departments.

Geographic Expansion: G4S has an unrivalled geographic footprint in the security solutions sector, with operations in over 110 countries. The acquisition of ArmorGroup provides G4S with market entries into four new countries: Sudan; Afghanistan; Algeria; and Rwanda.

Market Consolidation: G4S and ArmorGroup each have local operations in the following markets:

- Bahrain
- Colombia
- Cyprus
- Democratic Republic of Congo
- Ecuador
- Iraq
- Ivory Coast
- Jordan
- Kenya
- Kuwait
- Mozambique
- Nepal
- Nigeria
- Russia
- Saudi Arabia
- Tanzania
- Uganda
- UK
- US

The acquisition of ArmorGroup will enable the sharing of best practice in these regions and potential synergies in administrative and infrastructure costs.

Additional Specialist Services: ArmorGroup has considerable expertise in key niche areas such as mine clearance and disposal, risk management, kidnap for ransom and extortion services and training services for the military, law enforcement and government agencies. There are significant opportunities to develop these specialist services further and to offer them to G4S' broad international customer base.

Cost Synergies: G4S has identified cost synergies of at least £5 million largely through rationalisation of administration functions.

General: ArmorGroup is highly complementary to G4S' existing operations and G4S believes that there is compelling financial and strategic logic in a combination of the respective activities.

5 Information on G4S and Bidco

G4S is the world's leading international security solutions group, which specialises in assessing current and future risks and developing secure solutions to minimise their impact across a wide range of geographic markets and business sectors.

G4S is a major provider of risk management and protection to governments and major corporate customers around the world and is an expert in all aspects of local and international secure logistics. G4S operates in two key areas:

Secure Solutions: risk management and consultancy services, fire protection and emergency response, military support to governments, armed forces pre-deployment training, commercial security services, juvenile and adult custody services, immigration facility management, management of cash centre networks, aviation security services, security of sporting and other major international events, electronic security and detection systems, critical national infrastructure protection.

Secure Logistics: ATM network management, retail cash management, repatriation of immigration detainees, secure prisoner escorting, local and international transportation of cash and valuables, document and data storage and distribution, electronic monitoring of offenders in the community.

G4S is the largest employer quoted on the London Stock Exchange, with a secondary stock exchange listing in Copenhagen. G4S has operations in over 110 countries and over 530,000 employees.

For the financial year ended 31 December 2007, G4S, in its unaudited preliminary results announcement released on 11 March 2008, reported revenues of approximately £4,490.4 million (2006: £4,036.8 million) and profit before taxation of approximately £216.8 million (2006: £199.5 million). Net assets as at 31 December 2007, reported by G4S in its unaudited preliminary results announcement released on 11 March 2008, were approximately £1,123.0 million (2006: £971.5 million).

As stated in its preliminary results announcement released on 11 March 2008, G4S believes that the outlook for G4S is good and it does not expect the recent economic uncertainties to impact its ability to continue to deliver strong results in the future. Overall G4S' business model is robust and defensible and G4S' future strategy will build upon its key strengths to deliver enhanced performance.

Bidco is a newly incorporated company specifically formed for the purpose of implementing the Offer. Bidco, which is incorporated in England, is a wholly-owned subsidiary of G4S. The Bidco Directors are Nick Buckles, Trevor Dighton, Søren Lundsberg-Nielsen and Peter David. Bidco has not traded since its date of incorporation nor has it entered into any obligations other than in connection with the Offer.

6 Information on ArmorGroup

ArmorGroup is one of the leading international providers of defensive and protective security services to national governments, multinational corporations and international peace and security organisations operating in hostile environments.

Headquartered in London, ArmorGroup has been operating for over 25 years and employs approximately 8,500 individuals operating across offices in 27 countries. ArmorGroup has extensive operations in some of the world's most hazardous environments including Afghanistan, Iraq, Nigeria and Sudan. Over the past two years ArmorGroup has supported its clients in over 50 countries across the Middle East, Africa, North and South America, the CIS and Central Asia.

ArmorGroup's services are provided through five operational areas:

Protective security: ArmorGroup's core business is devising and implementing solutions to complex security issues in high risk environments and providing the following services worldwide: premium guarding of embassies and high value facilities; close protection of individuals; logistic convoy protection in Iraq; travel security; the design, installation and maintenance of integrated security systems; and security management services.

Risk management consultancy: ArmorGroup identifies clients' current and potential issues from political risk through to extortion, wherever their employees, assets or facilities are operating. It then proposes, plans and manages cost-effective and innovative solutions to those issues, including cases of abduction, extortion and kidnap for ransom.

Security training: ArmorGroup teaches commercial and government students how to recognise and avoid potential threats, combined with practical training to prevent and, if necessary, confront hostile activity. ArmorGroup has six training facilities in the UK, US, Iraq and Afghanistan, as well as mobile training teams.

Weapons reduction and mine action services: ArmorGroup is a commercial leader in the survey, removal and clearance of landmines and similarly unexploded ordnance pollution, as well as providing services in battlefield area clearance and ammunition stockpile destruction.

Development, humanitarian and reconstruction support: Over the last 15 years, ArmorGroup has supported over 53 development, humanitarian and reconstruction programme missions in over 30 countries.

For the financial year ended 31 December 2007, ArmorGroup, in its unaudited preliminary results announcement released on 20 March 2008, reported revenues of approximately \$295.3 million (2006: \$273.5 million) and profit before taxation of approximately \$4.2 million (2006: \$9.6 million) after exceptional items of approximately \$2.9 million (2006: \$nil). Net assets as at 31 December 2007, as reported in its unaudited preliminary results announcement, were approximately \$84.1 million (2006: \$82.9 million).

Further financial information on ArmorGroup is set out in Appendix II to this document.

7 Management, employees, locations and future intentions

G4S values the skills, technical ability and experience of the existing management and employees of ArmorGroup and its subsidiaries. Accordingly, G4S intends to develop ArmorGroup's strong positions in the markets in which ArmorGroup currently operates and use this strengthened platform to grow operations across other geographies and business lines, where appropriate. G4S intends to integrate ArmorGroup with its existing activities in geographic markets in which there is operational overlap. There are no immediate plans to change the principal operational locations of ArmorGroup's business.

The G4S Directors have given assurances to the ArmorGroup Directors that, if the Offer becomes or is declared unconditional in all respects, the existing employment rights, including pension rights, of all management and employees of ArmorGroup will be fully safeguarded.

As set out in paragraph 5 of the letter from the Non-Executive Chairman of ArmorGroup which is contained in Part 1 of this document, the ArmorGroup Board welcomes the assurances received from G4S as they are, in the view of the ArmorGroup Board, in the interests of ArmorGroup and its employees.

The Non-Executive Directors of ArmorGroup intend to resign from the ArmorGroup Board shortly after the Offer becomes or is declared unconditional in all respects and agree to waive entitlements against ArmorGroup except for payments in lieu of notice and other payments and benefits to which they are entitled under the terms of their letters of appointment.

8 Inducement Fee Agreement and Non-Solicitation Agreement

Full details of the Inducement Fee Agreement and the Non-Solicitation Agreement entered into with ArmorGroup are set out in paragraph 6 of Part 1 of this document.

9 ArmorGroup Share Schemes

The Offer will extend to any ArmorGroup Shares issued or unconditionally allotted or issued fully paid (or credited as fully paid) whilst the Offer remains open for acceptance (or until such earlier date as, subject to the City Code, Bidco may decide, being not earlier than the date on which the Offer becomes or is declared unconditional as to acceptances or, if later, the final closing date of the Offer), including those allotted or issued as a result of the exercise of options or vesting of awards under the ArmorGroup Share Schemes.

Bidco intends to make appropriate proposals to the holders of options and awards under the ArmorGroup Share Schemes upon the Offer becoming or being declared unconditional in all respects, to the extent that such options and awards have not been exercised or vested by that date.

10 Financing of the Offer

Full acceptance of the Offer (assuming the exercise of all outstanding options with an exercise price of less than the Offer Price per ArmorGroup Share under the ArmorGroup Share Schemes) will result in the payment by Bidco of approximately £43.6 million in cash.

The cash consideration payable by Bidco under the terms of the Offer will be funded from the existing cash resources of the G4S Group.

Greenhill has confirmed that it is satisfied that the necessary financial resources are available to Bidco to enable it to satisfy in full the cash consideration payable by Bidco as a result of full acceptance of the Offer.

11 Compulsory acquisition, de-listing and re-registration

If Bidco receives acceptances under the Offer in respect of, and/or otherwise acquires 90 per cent. or more in value of the ArmorGroup Shares to which the Offer relates (and not less than 90 per cent. of the voting rights carried by ArmorGroup Shares), and if all other conditions of the Offer have been satisfied or waived (to the extent that they are capable of being waived), Bidco intends to exercise its rights pursuant to the provisions of Part 28 of the Companies Act 2006 to acquire compulsorily any remaining ArmorGroup Shares in respect of which acceptances have not then been received on the same terms as the Offer.

If the Offer becomes or is declared unconditional in all respects, and sufficient acceptances under the Offer are received and subject to any applicable requirements of the UK Listing Authority, Bidco intends to procure that ArmorGroup makes applications to cancel the listing of ArmorGroup Shares on the Official List and to cancel admission to trading in ArmorGroup Shares on the London Stock Exchange's market for listed securities. De-listing would significantly reduce the liquidity and marketability of any ArmorGroup Shares not assented to the Offer at that time and the value of any such ArmorGroup Shares may be affected as a consequence.

It is anticipated that cancellation of the listing on the Official List and of admission to trading on the London Stock Exchange's market for listed securities will take effect no earlier than 20 Business Days after the earlier of (i) the date on which Bidco has, by virtue of its shareholdings and acceptances of the

Offer, acquired or agreed to acquire issued share capital carrying 75 per cent. or more of the voting rights of ArmorGroup and (ii) the first date of issue of compulsory acquisition notices under Chapter 3 of Part 28 of the Companies Act 2006. Bidco will notify ArmorGroup Shareholders when the required threshold has been attained and confirm that the notice period has commenced and the anticipated date of cancellation.

It is also intended that, following the Offer becoming or being declared unconditional in all respects and after the de-listing and cancellation referred to above becoming effective, ArmorGroup will be re-registered as a private company under the relevant provisions of the Act.

12 United Kingdom taxation of chargeable gains

The following paragraphs, which are intended as a general guide only, are based on current UK legislation and HM Revenue & Customs practice. They summarise certain limited aspects of the UK taxation consequences of acceptance of the Offer, and relate only to the position of ArmorGroup Shareholders who hold their ArmorGroup Shares beneficially as an investment (otherwise than under any scheme which benefits from special tax treatment or exemptions) and not as trading stock and who are resident or, in the case of individuals, ordinarily resident in the UK for taxation purposes at all relevant times. The statements may not apply to certain classes of ArmorGroup Shareholders such as brokers, dealers in securities or persons regarded as having obtained their ArmorGroup Shares by reason of their employment.

If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate professional adviser without delay.

Liability to UK taxation of chargeable gains will depend on the individual circumstances of ArmorGroup Shareholders.

Cash: The receipt of cash by an ArmorGroup Shareholder will constitute a disposal of his ArmorGroup Shares for the purposes of UK taxation of chargeable gains. Such a disposal may, depending on personal circumstances (including the availability of exemptions, reliefs and/or allowable losses), give rise to a liability to UK taxation on chargeable gains. Any chargeable gain will be calculated by reference to the difference between consideration received by the ArmorGroup Shareholder and his base cost in his ArmorGroup Shares.

For ArmorGroup Shareholders within the charge to UK corporation tax but which do not qualify for substantial shareholdings exemption in respect of their ArmorGroup Shares, indexation allowance will be available in respect of the full period of ownership of the ArmorGroup Shares to reduce any chargeable gain arising but not so as to create a loss.

The above tax treatment assumes that no liability arises under the provisions of Section 684 Income Tax Act 2007 (**ITA**). The relevant provisions permit HM Revenue & Customs to counteract tax advantages arising from certain transactions in securities. It does not apply where it can be shown that the transaction in question was carried out for genuine commercial reasons and did not involve as one of its main objects the obtaining of a tax advantage. Were this section to be applicable, individual ArmorGroup Shareholders could incur an income tax liability in relation to the consideration received for the disposal of their ArmorGroup Shares (rather than the capital gains tax treatment outlined above). No application for clearance has been made or is to be made under Section 701 ITA in this regard.

Stamp duty and stamp duty reserve tax (SDRT): No stamp duty or SDRT should be payable by ArmorGroup Shareholders as a result of accepting the Offer.

Other tax matters: Special tax provisions may apply to ArmorGroup Shareholders who have acquired or acquire their ArmorGroup Shares by exercising options or other rights, or on the vesting of rights, under the ArmorGroup Share Schemes, including provisions imposing a charge to income tax when such an option is exercised.

The above statements are intended as a general guide to the current law and published practice in the UK. If you are in any doubt as to your tax position, you should consult your independent professional adviser immediately.

13 Overseas Shareholders

The availability of the Offer to ArmorGroup Shareholders who are not resident in the UK may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction and should read paragraph 5 of Part B and either paragraph 3 of Part C or paragraph 3 of Part D (as appropriate) of Appendix I to this document. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

The attention of ArmorGroup Shareholders who are citizens or residents of jurisdictions outside the UK or who are holding shares for such citizens or residents and any person (including, without limitation, nominees, trustees and custodians) who would, or otherwise intend to, or may have an obligation to forward this document and/or the Form of Acceptance and/or any related document in connection with the Offer outside the UK is drawn to paragraph 5 of Part B and paragraph 3 of Part C or paragraph 3 of Part D (as appropriate) of Appendix I to this document and to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The Offer is not being made, directly or indirectly, in or into and is not capable of acceptance from or within any Restricted Jurisdiction. Accordingly, acceptors who are unable to give the warranties set out in paragraph 3 of Part C of Appendix I to this document in respect of ArmorGroup Shares held in certificated form, or paragraph 3 of Part D of Appendix I to this document in respect of electronic acceptances, may be deemed not to have validly accepted the Offer.

14 Procedure for acceptance of the Offer

ArmorGroup Shareholders who hold their ArmorGroup Shares in certificated form should read paragraph 14.1 below in conjunction with the Form of Acceptance and Parts B and C of Appendix I to this document. The instructions on the Form of Acceptance are deemed to be incorporated in and form part of the terms of the Offer. ArmorGroup Shareholders who hold their shares in uncertificated form (that is, through CREST) should read paragraph 14.2 below in conjunction with Parts B and D of Appendix I to this document.

14.1 To accept the Offer in relation to ArmorGroup Shares held in certificated form (i.e. not in CREST)

(a) *Completion of the Form of Acceptance*

To accept the Offer in respect of ArmorGroup Shares held in certificated form, you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. You should complete separate Forms of Acceptance for ArmorGroup Shares held in certificated form but under different designations. If you have any questions relating to this document, and the completion and return of the Form of Acceptance, please telephone Capita Registrars between 9.00am and 5.00pm (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. Additional Forms of Acceptance are available from the Receiving Agent upon request.

(i) *To accept the Offer in respect of all your ArmorGroup Shares in certificated form*

To accept the Offer in respect of all your ArmorGroup Shares held in certificated form, you must complete Box 3 and, if appropriate, you should also complete Boxes 2, 5 and/or 6. In all cases, you must sign Box 4 of the enclosed Form of Acceptance in accordance with the instructions printed on the Form of Acceptance.

(ii) *To accept the Offer in respect of less than all your ArmorGroup Shares in certificated form*

To accept the Offer in respect of less than all your ArmorGroup Shares held in certificated form, you must insert in Box 3 of the enclosed Form of Acceptance such lesser number of ArmorGroup Shares in respect of which you wish to accept the Offer in accordance with the instructions printed thereon. You should then follow the

procedure set out in paragraph (i) above in respect of such lesser number of ArmorGroup Shares. If you do not insert a number in Box 3 of the Form of Acceptance, or if you insert in Box 3 a number which is greater than the number of ArmorGroup Shares that you hold and you have signed Box 4, your acceptance will be deemed to be in respect of all ArmorGroup Shares in certificated form held by you.

In all cases, you must sign Box 4 on the relevant Form of Acceptance including, if you are an individual, in the presence of a witness who should also sign in accordance with the instructions printed on it. Any ArmorGroup Shareholder which is a company should execute the relevant Form of Acceptance in accordance with the instructions printed on it. The Form of Acceptance is issued only to the addressee(s) and is specific to the class of security and the unique designated account printed on it. The Form of Acceptance is a personalised form and is not transferable between accounts or uniquely designated accounts. Bidco and the Receiving Agent accept no liability for any instructions which do not comply with the conditions set out in this document, the Form of Acceptance or accompanying materials.

(b) *Return of the Form of Acceptance*

To accept the Offer in respect of ArmorGroup Shares held in certificated form, the duly completed, signed and witnessed Form of Acceptance should be returned by post or by hand (during normal business hours only) to the Receiving Agent, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, together (subject to paragraph (c) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible, and, in any event, so as to be received not later than 1.00 p.m. (London time) on 21 April 2008. A reply-paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given by or on behalf of Bidco.

Any Form of Acceptance received in an envelope postmarked in a Restricted Jurisdiction or otherwise appearing to Bidco or its agents to have been sent from any Restricted Jurisdiction may be rejected as an invalid acceptance of the Offer. For further information on Overseas Shareholders, see paragraph 13 of this Part 2 above and paragraph 5 of Part B and paragraph 3 of Part C of Appendix I to this document and the relevant provisions of the Form of Acceptance.

(c) *Document(s) of title*

If your ArmorGroup Shares are in certificated form, a completed, signed and witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and lodge the Form of Acceptance as stated above so as to be received by the Receiving Agent at the address referred to in paragraph (b) above **not later than 1.00 p.m. (London time) on 21 April 2008**. You should send with the Form of Acceptance, any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant outstanding share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title, you should contact ArmorGroup's registrars, Equiniti Limited, as soon as possible on 0871 384 2030, or +44 121 415 7047 if telephoning from outside the UK, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given in paragraph (b) above.

(d) *Validity of acceptances in respect of ArmorGroup Shares in certificated form*

Without prejudice to Parts B and C of Appendix I to this document and subject to the provisions of the Code, Bidco reserves the right to treat as valid, in whole or in part, any acceptance of the Offer in relation to ArmorGroup Shares in certificated form which is not

entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Bidco have been received.

14.2 **ArmorGroup Shares held in uncertificated form (i.e. in CREST)**

(a) *General*

If your ArmorGroup Shares are in uncertificated form, to accept the Offer you should take (or procure the taking of) the action set out below to transfer ArmorGroup Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s) (that is, send a TTE instruction), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's relevant participant ID referred to below) as the Escrow Agent, **as soon as possible and in any event so that the TTE Instruction settles by not later than 1.00 p.m. (London time) on 21 April 2008. Please note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) — you should therefore ensure that you time the input of any TTE Instructions accordingly.**

The input and settlement of a TTE Instruction in accordance with this paragraph (a) will (subject to satisfying the requirements set out in Parts B and D of Appendix I to this document) constitute an acceptance of the Offer in respect of the number of ArmorGroup Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your ArmorGroup Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction(s) to Euroclear in relation to your ArmorGroup Shares.

After settlement of a TTE Instruction, you will not be able to access ArmorGroup Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer ArmorGroup Shares concerned to itself in accordance with paragraph 5 of Part D of Appendix I to this document.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your ArmorGroup Shares to settle prior to 1.00 p.m. (London time) on 21 April 2008. In this regard, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(b) *To accept the Offer in respect of ArmorGroup Shares held in uncertificated form*

To accept the Offer in respect of ArmorGroup Shares held in uncertificated form, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such shares. A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number of the ArmorGroup Shares. This is GB00B049FG32;
- the number of ArmorGroup Shares in respect of which you wish to accept the Offer (i.e. the number of ArmorGroup Shares in uncertificated form to be transferred to escrow);
- your participant ID;
- your member account ID;
- the participant ID of the Escrow Agent. This is RA10;

- the member account ID of the Escrow Agent for the Offer in its basic terms. This is G4SARM01;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 21 April 2008;
- the corporate action number of the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input with a standard delivery instruction priority of 80; and
- your name and contact telephone number in the shared note field.

(c) *Validity of acceptances in respect of ArmorGroup Shares held in uncertificated form*

Holders of ArmorGroup Shares in uncertificated form who wish to accept the Offer should note that a TTE instruction will only be a valid acceptance of that Offer as at the relevant closing date if it has settled on or before 1.00 p.m. (London time) on that date. **A Form of Acceptance which is received in respect of ArmorGroup Shares held in uncertificated form will not constitute a valid acceptance and will be disregarded.**

14.3 General

Bidco will make an appropriate announcement if any of the details contained in paragraph 14 above alter for any reason.

Normal CREST procedures (including timings) apply in relation to any ArmorGroup Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of ArmorGroup Shares or otherwise). ArmorGroup Shareholders who are proposing to convert any such ArmorGroup Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the ArmorGroup Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) or other document(s) of title or transfers to an escrow balance in the manner described above) prior to 1.00 p.m. (London time) on 21 April 2008.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

15 Settlement

Subject to the Offer becoming or being declared unconditional in all respects (except as provided in paragraph 5 of Part B of Appendix I to this document in the case of certain Overseas Shareholders) and provided that the TTE Instruction, Forms of Acceptance, share certificate(s) and/or other document(s) of title are in order, settlement of the consideration to which any ArmorGroup Shareholder (or the first named shareholder in the case of joint holders) is entitled under the Offer will be effected by the despatch of cheques or the crediting of CREST accounts: (i) in the case of acceptances received, valid and complete in all respects, by the date on which the Offer becomes or is declared wholly unconditional in all respects, within 14 days of such date; and (ii) in the case of acceptances received, valid and complete in all respects, after such date but while the Offer remains open for acceptance, within 14 days of such receipt, and in either case in the manner described in paragraphs 15.1 and 15.2 below.

15.1 ArmorGroup Shares in certificated form (i.e. not in CREST)

Where an acceptance relates to ArmorGroup Shares held in certificated form, settlement of the cash consideration to which the accepting ArmorGroup Shareholder is entitled will be despatched by first class post (or by such other method as may be approved by the Panel) to the accepting

ArmorGroup Shareholder or its appointed agents (but not into any Restricted Jurisdiction). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

15.2 **ArmorGroup Shares in uncertificated form (i.e. in CREST)**

Where an acceptance relates to ArmorGroup Shares in uncertificated form, settlement of the cash consideration to which the accepting ArmorGroup Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting ArmorGroup Shareholder's payment bank in respect of the cash consideration due, in accordance with CREST payment arrangements. Bidco reserves the right to settle all or any part of the consideration referred to in this paragraph 15.2, for all or any accepting ArmorGroup Shareholder(s), in the manner referred to in paragraph 15.1 above, if, for any reason, it wishes to do so.

15.3 **General**

If the Offer does not become or is not declared unconditional in all respects:

- (a) in the case of ArmorGroup Shares held in certificated form, the relevant Form of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing to the person or agent whose name and address is set out in Box 1 or, if appropriate, Box 6 of the relevant Form of Acceptance or, if none is set out, to the first-named holder at his/her registered address (provided that no such documents will be sent to an address in any Restricted Jurisdiction); and
- (b) in the case of ArmorGroup Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), give TFE Instructions to Euroclear to transfer all ArmorGroup Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the ArmorGroup Shareholders concerned.

All remittances, communications, notices, certificates and document(s) of title sent by, to or from ArmorGroup Shareholders or their appointed agents will be sent at their own risk.

Except with the consent of the Panel, settlement of the consideration to which any ArmorGroup Shareholder is entitled under the Offer will be settled in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled as against such ArmorGroup Shareholder.

16 **Further information**

Your attention is drawn to the further information contained in the Appendices which form part of this document and (if you hold your ArmorGroup Shares in certificated form) the accompanying Form of Acceptance.

The acquisition of ArmorGroup is being implemented by way of the Offer. However, Bidco reserves the right to implement the Offer by way of a scheme of arrangement of ArmorGroup pursuant to section 425 of the Companies Act 1985 or the successor provision under the Companies Act 2006. In such event, the scheme of arrangement will be implemented on the same terms, so far as applicable, as those which would apply to the Offer (subject to appropriate amendments). In particular, condition 1(a) of the conditions would not apply and the scheme of arrangement would become effective and binding following:

- approval of the scheme of arrangement at a meeting convened by the Court by a majority in number, representing 75 per cent. or more in value, present and voting, either in person or by proxy, of ArmorGroup Shareholders (or the relevant class or classes thereof);
- the resolution(s) required to implement the scheme of arrangement being passed by the requisite majority of ArmorGroup Shareholders at a general meeting of ArmorGroup validly convened for such purpose; and
- sanction of the scheme of arrangement and confirmation of any reduction of ArmorGroup's share capital involved therein by the Court (in both cases, with or without modifications, on terms reasonably acceptable to Bidco) and office copies of the orders of the Court sanctioning the scheme of arrangement and confirming the reduction of share capital being delivered for registration to the Registrar of Companies in England and Wales and being registered by him.

17 Action to be taken

To accept the Offer:

- if you hold your ArmorGroup Shares, or any of them, in certificated form (that is, not in CREST), to accept the Offer in respect of those ArmorGroup Shares you should complete, sign and return the Form of Acceptance (together with your share certificate(s) and any other document(s) of title) **as soon as possible and, in any event, so as to be received by Capita Registrars not later than 1.00 p.m. (London time) on 21 April 2008**. Further details on the procedures for acceptance of the Offer if you hold any of your ArmorGroup Shares in certificated form are set out in paragraph 14.1 of this letter, Parts B and C of Appendix I to this document and in the accompanying Form of Acceptance. A reply-paid envelope (for use in the UK only) is enclosed for your convenience; or
- if you hold your ArmorGroup Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer in respect of those ArmorGroup Shares you should follow the procedure for Electronic Acceptance through CREST so that the TTE Instruction settles **as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 21 April 2008**. Further details on the procedures for electronic acceptance of the Offer if you hold any of your ArmorGroup Shares in uncertificated form are set out in paragraph 14.2 of this letter and Parts B and D of Appendix I to this document. If you hold your ArmorGroup Shares as a CREST sponsored member you should refer to your CREST sponsor, as only your CREST sponsor will be able to send the necessary TTE Instruction(s) to CREST.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Your decision as to whether to accept the Offer will depend on your individual circumstances. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the UK or, if you are outside the UK, from an appropriately authorised independent financial adviser, without delay.

Yours faithfully,



Alf Duch-Pedersen
Non-Executive Chairman

Appendix I

Conditions and Further Terms of the Offer

Part A

Conditions of the Offer

- 1 The Offer is subject to the following conditions:
- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on 21 April 2008 (or such later time(s) and/or date(s) as Bidco may, subject to the rules of the Code or with the consent of the Panel, decide) in respect of not less than 90 per cent. of the ArmorGroup Shares to which the Offer relates and not less than 90 per cent. of the voting rights carried by those ArmorGroup Shares (or in each case such lesser percentage as Bidco may decide), provided that this condition shall not be satisfied unless Bidco and/or its wholly-owned subsidiaries shall have acquired or agreed to acquire, pursuant to the Offer or otherwise, ArmorGroup Shares carrying in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of ArmorGroup including for this purpose (to the extent, if any, required by the Panel) any such voting rights attached to any ArmorGroup Shares unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of conversion or subscription rights or otherwise and for the purposes of this condition:
 - (i) the expression **ArmorGroup Shares to which the Offer relates** shall be construed in accordance with sections 974 to 991 Companies Act 2006;
 - (ii) ArmorGroup Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue; and
 - (iii) valid acceptances shall be deemed to have been received in respect of ArmorGroup Shares which are treated for the purposes of section 979(8) Companies Act 2006 as having been acquired or contracted to be acquired by Bidco by virtue of acceptances of the Offer;
 - (b) in so far as the Acquisition (or any part of it) requires to be notified to:
 - (i) any Competition Authority in Russia, Cyprus or Colombia such that, without such notification, Completion would be unlawful or otherwise prohibited or restricted; or
 - (ii) any Competition Authority outside of Russia, Cyprus or Colombia such that, without such notification, Completion would be unlawful or otherwise prohibited, under the laws of that jurisdiction:
 - (A) all consents and approvals of any such Competition Authority having been obtained either unconditionally or subject to such conditions, obligations, undertakings or modifications as shall be acceptable to Bidco, acting reasonably; and
 - (B) all applicable mandatory waiting periods in connection with any such filings, submissions or notifications having expired or been terminated.
 - (c) the final dividend of 1.5 pence per ArmorGroup Share, recommended by the ArmorGroup Directors on 20 March 2008: (i) not being approved by the ArmorGroup Shareholders at the annual general meeting of ArmorGroup due to be held on or around 19 May 2008 (or such later date as such meeting may be adjourned to) or at any other general meeting of ArmorGroup or; (ii) only being approved at such meeting conditional upon the Offer lapsing or failing to become unconditional in all respects;
 - (d) no central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, professional association, institution, employee representative body, or any other such body or person (not being a

Competition Authority) whatsoever in any jurisdiction (each a **Third Party** and all collectively **Third Parties**) having decided or given notice of a decision to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference, or having required any action to be taken, or otherwise having done anything, or having enacted, made or proposed and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to:

- (i) make the Offer or its implementation or the acquisition or proposed acquisition by Bidco of all or any ArmorGroup Shares, or the acquisition or proposed acquisition of control of ArmorGroup, by any member of the Wider G4S Group, void, illegal or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, challenge, delay, hinder or otherwise interfere with the same, or impose material additional conditions or obligations with respect thereto, or otherwise challenge or require amendment in any material respect to the terms of the Offer or any such acquisition;
- (ii) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture, by any member of the Wider G4S Group or by any member of the Wider ArmorGroup Group of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct their respective businesses (or any part of them) or to own or manage their respective assets or properties or any part of them to an extent which is material in the context of the Wider ArmorGroup Group taken as a whole or the Wider G4S Group taken as a whole (as the case may be);
- (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider G4S Group, directly or indirectly, to acquire or to hold or to exercise effectively all or any rights of ownership in respect of shares, loans or other securities (or the equivalent) in any member of the Wider ArmorGroup Group or to exercise management control over any such member;
- (iv) otherwise adversely affect any or all of the businesses, assets, liabilities, profits or prospects of any member of the Wider G4S Group or any member of the Wider ArmorGroup Group (including any action which would or might reasonably be expected to adversely affect or prejudice any of the status, licences, authorisations, exemptions or consents of any member of the Wider G4S Group or of the Wider ArmorGroup Group in a manner which is material in the context of the Wider ArmorGroup Group taken as a whole);
- (v) save pursuant to the Offer or sections 974 to 991 Companies Act 2006, require any member of the Wider G4S Group or the Wider ArmorGroup Group to acquire, or offer to acquire, any shares or other securities (or the equivalent) in, or any asset owned by, any member of the Wider ArmorGroup Group or the Wider G4S Group;
- (vi) result in a material delay in the ability of Bidco, or render it unable, to acquire some or all of the ArmorGroup Shares or require a divestiture by Bidco or any member of the Wider G4S Group of any shares or other securities (or the equivalent) in ArmorGroup;
- (vii) limit the ability of any member of the Wider G4S Group or the Wider ArmorGroup Group to co-ordinate or integrate its business, or any part of it, with the business or any part of the business of any other member of the Wider G4S Group or of the Wider ArmorGroup Group; or
- (viii) result in any member of the Wider ArmorGroup Group or the Wider G4S Group ceasing to be able to carry on business under any name which it presently does so,

and all applicable waiting and other time periods during which any such Third Party could decide to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference under the laws of any relevant jurisdiction or enact any such statute, regulation, order or decision or take any steps having expired, lapsed or been terminated;

- (e) all material authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, certificates, exemptions, permissions and approvals (**Authorisations**) which Bidco reasonably deems necessary in any jurisdiction for or in respect of the Offer or the proposed acquisition of all or any ArmorGroup Shares or other securities in, or control of, ArmorGroup by any member of the Wider G4S Group having been obtained on terms and in a form reasonably satisfactory to Bidco from all appropriate Third Parties or persons with whom any member of the

Wider ArmorGroup Group has entered into any material contractual arrangements and all such Authorisations, together with all Authorisations necessary to carry on the business of any member of the Wider ArmorGroup Group remaining in full force and effect at the time at which the Offer becomes otherwise unconditional and there being no notification in writing of any intention to revoke, withdraw, suspend, restrict, withhold or modify in any material respect or not to grant or review any of the same where the absence, revocation, withdrawal, suspension, restriction, withholding or modification of such Authorisations would have a material and adverse effect upon the Wider ArmorGroup Group taken as a whole;

- (f) if, deemed necessary by Bidco (acting reasonably) in connection with the Offer all material filings or applications having been made, and all appropriate waiting periods (including extensions thereof) in respect of the Offer or its implementation under any applicable legislation or regulations in any jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the Wider G4S Group of any shares or other securities in, or control of, ArmorGroup where the absence of such filings or applications, the appropriate waiting period in respect of the Offer not having expired, lapsed or been terminated or the statutory or regulatory obligations not having been complied with would be material and adverse in the context of the Wider ArmorGroup Group taken as a whole;
- (g) save as Disclosed, there being no provision of any agreement, authorisation, arrangement, lease, licence, permit or other instrument to which any member of the Wider ArmorGroup Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Offer or the proposed acquisition by Bidco or any member of the Wider G4S Group of any shares or other securities (or the equivalent) in ArmorGroup or because of a change in the control or management of ArmorGroup or any member of the Wider ArmorGroup Group, provides for or is reasonably expected to result in (in each case to an extent which is material in the context of the Wider ArmorGroup Group taken as a whole):
 - (i) any monies borrowed by or any other indebtedness (actual or contingent) of, or grant available to, any member of the Wider ArmorGroup Group, being or becoming repayable or being capable of being declared repayable immediately or prior to their or its stated maturity date or repayment date or the ability of any such member to borrow monies or incur any indebtedness being withdrawn, prohibited or inhibited or becoming capable of being withdrawn, prohibited or inhibited;
 - (ii) any such agreement, authorisation, arrangement, licence, permit or other instrument or the rights, liabilities, obligations or interests of any member of the Wider ArmorGroup Group thereunder being terminated or adversely modified or affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
 - (iii) any assets or interests of any member of the Wider ArmorGroup Group being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged;
 - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Wider ArmorGroup Group, or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable or being enforced;
 - (v) the rights, liabilities, obligations or interests of any member of the Wider ArmorGroup Group in, or the business of any such member with, any person, company, firm or body (or any agreements relating to any such interest or business) being terminated, or modified or affected;
 - (vi) the value of any member of the Wider ArmorGroup Group or its financial or trading position or profits or prospects being prejudiced or adversely affected;
 - (vii) any member of the Wider ArmorGroup Group ceasing to be able to carry on business under any name under which it presently does so; or
 - (viii) the creation or assumption of any liability, actual or contingent, by any member of the Wider ArmorGroup Group other than trade creditors in the ordinary course,

- (h) save as Disclosed, no member of the Wider ArmorGroup Group having, since 31 December 2006:
- (i) (save as between ArmorGroup and wholly-owned subsidiaries of ArmorGroup, or for ArmorGroup Shares issued pursuant to the exercise of options or awards granted under the ArmorGroup Share Schemes prior to the Announcement Date) issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue of additional shares of any class or securities convertible into or exchangeable for, shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (ii) (save for ArmorGroup Shares held in treasury and sold or transferred pursuant to the exercise of options granted under the ArmorGroup Share Schemes prior to the Announcement Date) sold or transferred or agreed to sell or transfer any ArmorGroup Shares held in treasury;
 - (iii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue, dividend or other distribution whether payable in cash or otherwise other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly-owned subsidiary of ArmorGroup to ArmorGroup or any of its wholly-owned subsidiaries;
 - (iv) other than pursuant to the Offer (and save for transactions between ArmorGroup and its wholly-owned subsidiaries or other than in the ordinary course of business) implemented, effected, authorised or proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in any undertaking or undertakings in any such case in each case which would be material and adverse in the context of the Wider ArmorGroup Group taken as a whole;
 - (v) (save for transactions between ArmorGroup and its wholly-owned subsidiaries or other than in the ordinary course of business) disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any material asset or authorised, proposed or announced any intention to do so;
 - (vi) (save as between ArmorGroup and its wholly-owned subsidiaries) made or authorised or proposed or announced an intention to propose any change in its loan capital;
 - (vii) (save as between transactions between ArmorGroup and its wholly owned subsidiaries) issued, authorised, or proposed or announced an intention to authorise or propose, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness other than in the ordinary course of business which is material in the context of the Wider ArmorGroup Group taken as a whole;
 - (viii) (save for transactions between members of the ArmorGroup Group or for ArmorGroup Shares issued pursuant to the exercise of options or awards granted under the ArmorGroup Share Schemes) purchased, redeemed or repaid, or announced any proposal to purchase, redeem or repay, any of its own shares or other securities or reduced or made any other change to or proposed the reduction or other change to any part of its share capital;
 - (ix) entered into, implemented, effected, varied, authorised proposed or announced its intention to enter into, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business in each case which would be material in the context of the Wider ArmorGroup Group taken as a whole;
 - (x) entered into or varied or terminated or authorised, proposed or announced its intention to enter into or vary any contract, arrangement, agreement transaction or commitment (whether in respect of capital expenditure or otherwise), other than in the ordinary course, which is of a long term, onerous or unusual nature or which involves an obligation of such a nature or magnitude as is or is reasonably likely to be restrictive on the business of any member of the Wider ArmorGroup Group or the Wider G4S Group and in each case which would be material and adverse in the context of the Wider ArmorGroup Group as a whole;
 - (xi) entered into or varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary the terms of, any contract, service agreement or arrangement with any director or senior executive of any member of the Wider ArmorGroup Group which is any such case is material in the context of the Wider ArmorGroup Group taken as a whole;

- (xii) terminated or varied the terms of any agreement or arrangement between any member of the Wider ArmorGroup Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Wider ArmorGroup Group taken as a whole;
 - (xiii) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed in the Wider ArmorGroup Group;
 - (xiv) made or agreed or consented to any significant change to the terms of the trust deeds and rules constituting the pension scheme(s) established for its directors, employees or their dependants or to the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees, including the appointment of a trust corporation;
 - (xv) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease to carry on all or a substantial part of its business;
 - (xvi) (other than in respect of a member of the Wider ArmorGroup Group which is dormant and was solvent at the relevant time) taken or proposed any corporate action, or had any legal proceedings threatened or instituted against it for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any part of its assets or revenues or any analogous or equivalent steps or proceedings in any relevant jurisdiction having been taken or had any such person appointed;
 - (xvii) waived or compromised or settled any claim otherwise than in the ordinary course of business which is material in the context of the Wider ArmorGroup Group taken as a whole;
 - (xviii) made any alteration to its memorandum or articles of association or other constitutional documents; or
 - (xix) entered into any contract, agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition;
- (i) save as Disclosed, since 31 December 2006:
- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider ArmorGroup Group which is material in the context of the Wider ArmorGroup Group taken as a whole;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings or investigations having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider ArmorGroup Group or to which any member of the Wider ArmorGroup Group is or may become a party (whether as a claimant, defendant or otherwise) and no enquiry or investigation by any Third Party against or in respect of any member of the Wider ArmorGroup Group having been commenced, announced or threatened in writing by or against or remaining outstanding in respect of any member of the Wider ArmorGroup Group in each case which is material in the context of the Wider ArmorGroup Group as a whole;
 - (iii) no contingent or other liability having arisen or become apparent to any member of the Wider G4S Group which would or might adversely affect any member of the Wider ArmorGroup Group to an extent which is material in the context of the Wider ArmorGroup Group taken as a whole; and

- (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider ArmorGroup Group, which is necessary or appropriate for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is likely to be material and adverse in the context of the Wider ArmorGroup Group taken as a whole;
- (j) save as Disclosed, Bidco not having discovered after the Announcement Date:
 - (i) that any financial, business or other information concerning the Wider ArmorGroup Group publicly announced or Disclosed by or on behalf of any member of the Wider ArmorGroup Group to the Wider G4S Group, is misleading, contains a misrepresentation of any fact or omits to state a fact necessary to make that information not misleading (and which information was not subsequently corrected before the Announcement Date by disclosure publicly by an announcement to a Regulatory Information Service or privately in writing to Bidco and/or G4S and/or their respective directors and/or advisers);
 - (ii) that any present member of the Wider ArmorGroup Group or any partnership, company or other entity in which any member of the Wider ArmorGroup Group has a significant economic interest and which is not a subsidiary undertaking of ArmorGroup, is subject to any material liability, contingent or otherwise, which is not disclosed in the annual report and accounts for ArmorGroup for the year ending 31 December 2006;
 - (iii) any information which affects the import of any information Disclosed by or on behalf of any member of the Wider ArmorGroup Group (and which information was not subsequently corrected before the Announcement Date by disclosure publicly by an announcement to a Regulatory Information Service or privately in writing to Bidco and/or G4S and/or their respective directors and/or advisers),

in each case to an extent which is material and adverse in the context of the Wider ArmorGroup Group taken as a whole; and

- (iv) that, in relation to any release, emission, accumulation, discharge, disposal or other fact or circumstance which has impaired or is reasonably likely to impair the environment (including property) or harmed or is reasonably likely to harm human health, any member of the Wider ArmorGroup Group has, in a manner or to an extent which is reasonably likely to be material and adverse in the context of the Wider ArmorGroup Group taken as a whole (i) committed any violation of any applicable legislation, statutes, regulations, authorisations, notices or other requirements of any jurisdiction and/or (ii) incurred any liability (whether actual or contingent) to any Third Party; and/or being reasonably likely to incur any liability (whether actual or contingent), or being required to make good, repair, remediate, reinstate or clean up any asset or any other property or any environment.

For the purposes of these conditions:

Disclosed means fairly disclosed to Bidco and/or G4S and/or their respective directors and/or advisers prior to the Announcement Date either: by inclusion in the Announcement, inclusion in the annual report and accounts of ArmorGroup for the financial year ended 31 December 2006 or inclusion in the unaudited accounts of ArmorGroup for the six months ended 30 June 2007, by delivery of announcement by or on behalf of ArmorGroup to a Regulatory Information Service (including, for the avoidance of doubt, the preliminary results of ArmorGroup for the financial year ended 31 December 2007 announced on 20 March 2008) or otherwise in writing;

Wider ArmorGroup Group means ArmorGroup and its subsidiary undertakings, associated undertakings and any other undertaking in which ArmorGroup and/or such undertakings (aggregating their interests) have a significant interest;

Wider G4S Group means G4S and its subsidiary undertakings, associated undertakings and any other undertaking in which G4S and/or such undertakings (aggregating their interests) have a significant interest;

subsidiary undertaking, associated undertaking and undertaking have the meanings given by the Companies Act 1985, other than paragraph 20(1)(b) of Schedule 4A to that Act which shall be excluded for this purpose; and

significant interest means a direct or indirect interest in more than 20 per cent. of the equity share capital (as defined in that Act).

Bidco reserves the right to waive, in whole or in part, all or any of conditions (b) to (j) inclusive. Conditions (b) to (j) must be satisfied as at, or waived on or before midnight (London time), on the twenty first day after the later of 21 April 2008 and the date on which condition (a) is fulfilled (or in each case such later date as the Panel may agree).

Bidco shall be under no obligation to waive (if capable of waiver) or treat as fulfilled any of conditions (b) to (j) inclusive by a date earlier than the latest date specified above for the fulfilment thereof, notwithstanding that the other conditions of the Offer may at such earlier date have been fulfilled and that there are, at such earlier date, no circumstances indicating that any of such conditions may be incapable of fulfilment.

If Bidco is required by the Panel to make an offer for ArmorGroup Shares under the provisions of Rule 9 of the Code, Bidco may make such alterations to the above conditions of the Offer, including condition (a), as are necessary to comply with the provisions of that Rule.

The Offer will lapse if it is referred to the Competition Commission before 1.00 p.m. (London time) on 21 April 2008 or the time and date on which the Offer becomes or is declared unconditional as to acceptances, whichever is the later. In such circumstances, the Offer will cease to be capable of further acceptance and persons accepting the Offer and Bidco shall thereupon cease to be bound by acceptances of the Offer made or delivered on or before the date on which the Offer so lapses.

Under Rule 13.4 of the Code, an offeror should not invoke any condition or pre-condition of an offer so as to cause the offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition or pre-condition are of material significance to the offer or in the context of the offer. The acceptance condition is not subject to Rule 13.4.

The ArmorGroup Shares will be acquired by Bidco fully-paid up and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption, and other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid on or after the date on which the Offer is made.

Part B

Further Terms of the Offer

Except where the context requires otherwise, any reference in Parts B, C or D of this Appendix I and in the Form of Acceptance to:

- (a) the **Offer** means the Offer and any revision, variation, renewal or extension of the Offer;
- (b) the **Offer becoming unconditional** means the Offer becoming or being declared unconditional and shall be construed as a reference to the Offer becoming or being declared unconditional as to acceptances whether or not other condition of the Offer remains to be fulfilled;
- (c) the **Offer Document** means this document and any other document containing the Offer;
- (d) the **acceptance condition** means the condition as to acceptances of the Offer set out in paragraph 1 of Part A of Appendix I to this document;
- (e) **acceptances of the Offer** includes deemed acceptances of the Offer;
- (f) **acting in concert with G4S or Bidco** is a reference to a person acting or deemed to be acting in concert with G4S or Bidco for the purposes of the Code and/or the Offer; and

The following further terms apply, unless the context requires otherwise, to the Offer.

1 Acceptance Period

- 1.1 The Offer will initially be open for acceptance until 1.00 p.m. (London time) on 21 April 2008.
- 1.2 Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 calendar days (or such other period as the Panel may permit) following the date written notice of the revision is despatched to ArmorGroup Shareholders. Except with the consent of the Panel, no revision of the Offer may be made after 16 May 2008, or, if later, the date falling 14 calendar days before the last date on which the Offer can become unconditional.
- 1.3 The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional as to acceptances after midnight (London time) on 30 May 2008 (or any other time and/or date beyond which Bidco has stated that the Offer will not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptances after that time and/or date unless the Offer has previously become unconditional as to acceptances, provided that Bidco reserves the right, with the permission of the Panel, to extend the Offer to a later time and/or date. Except with the consent of the Panel, Bidco may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received or purchases of ArmorGroup Shares made after 1.00 p.m. (London time), on 30 May 2008 (or any other time and/or date beyond which Bidco has stated that the Offer will not be extended (and has not, where permitted, withdrawn that statement) or, if the Offer is so extended, such later time and/or date as Bidco, with the permission of the Panel, may determine. If the latest time at which the Offer may become unconditional as to acceptances is extended beyond midnight on 30 May 2008, acceptances received and purchases of ArmorGroup Shares made in respect of which the relevant documents are received by the Registrars after 1.00 p.m. (London time) on 30 May 2008 may (except where the Code otherwise permits) only be taken into account with the agreement of the Panel.
- 1.4 If the Offer becomes unconditional it will remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired (the **Subsequent Offer Period**). If the Offer has become unconditional and it is stated by or on behalf of Bidco that the Offer will remain open until further notice, then not less than 14 calendar days' notice in writing will be given to those holders of ArmorGroup Shares who have not accepted the Offer prior to the closing of the Subsequent Offer Period.

- 1.5 If a competitive situation arises (as determined by the Panel) after a “no extension” statement and/or a “no increase” statement (as referred to in the Code) has been made by or on behalf of Bidco in relation to the Offer, Bidco may, if it specifically reserves the right to do so at the time such statement is made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and be free to revise and/or extend the Offer provided it complies with the requirements of the Code and, in particular, that:
- (a) it announces the withdrawal and that it is free to extend and/or revise the Offer (as appropriate) as soon as possible and in any event within four business days after the day of the firm announcement of the competing offer or other competitive situation;
 - (b) it notifies ArmorGroup Shareholders to that effect in writing at the earliest opportunity or, in the case of ArmorGroup Shareholders with registered addresses outside the UK or whom Bidco knows to be a nominee, custodian or trustee holding ArmorGroup Shares for such persons, by announcement in the UK; and
 - (c) any ArmorGroup Shareholders who accepted the Offer after the date of the “no extension” or “no increase” statement are given a right of withdrawal in accordance with paragraph 3.5 of this Part B.

Bidco may, if it has reserved the right to do so, choose not to be bound by a “no increase” or “no extension” statement if it would otherwise prevent the posting of an increased or improved Offer (either as to the value or form of the consideration or otherwise) which is recommended for acceptance by the ArmorGroup Board, or in other circumstances permitted by the Panel.

- 1.6 If ArmorGroup makes an announcement of the kind referred to in Rule 31.9 of the Code after 9 May 2008 (or such other date as the Panel may determine shall be relevant for the purpose of Rule 31.9) after a “no extension” and/or “no increase” statement has been made by or on behalf of Bidco in respect of the Offer, Bidco may, with the consent of the Panel and if it reserved the right to do so in such circumstances at the time such statement was made, choose not to be bound by that statement and so be free to extend and/or revise the Offer, provided that an announcement of that fact is made as soon as possible and in any event within four business days after such announcement by ArmorGroup and, at the earliest opportunity thereafter, ArmorGroup Shareholders are informed of that fact in writing or, in the case of ArmorGroup Shareholders with registered addresses outside the UK, or whom ArmorGroup knows to be a nominee, custodian or trustee holding ArmorGroup Shares for such persons, by announcement in the UK.
- 1.7 If a competitive situation arises (as determined by the Panel) and is continuing on 30 May 2008, Bidco will enable ArmorGroup Shareholders in uncertificated form who have not already validly accepted the Offer but who have previously accepted any competing offer to accept the Offer by special form of acceptance to take effect on 30 May 2008 (or such later day to which the Offer may be extended with the consent of the Panel). It shall be a condition of such special form of acceptance being a valid acceptance of the Offer that: (i) it is received by Capita Registrars on or before 30 May 2008 (or such later day); (ii) the relevant ArmorGroup Shareholders shall have applied to withdraw his acceptance of the competing offer but the ArmorGroup Shares to which such withdrawal relates shall not have been released from escrow before 30 May 2008 (or such later day) by the escrow agent to the competing offer; and (iii) the ArmorGroup Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from the G4S Board in Part 2 of this document on or before 30 May 2008 (or such later day), but an undertaking is given that they will be so transferred as soon as possible thereafter.
- 1.8 ArmorGroup Shareholders wishing to use such special forms of acceptance should apply to Capita Registrars on 0871 664 0321 or +44 20 8639 3399 if calling from outside the UK, between 9:00 a.m. and 5:00 p.m. on the business day preceding 30 May 2008 (or such later day) in order that such forms can be despatched. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider’s network charges. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones. Notwithstanding the right to use such special form of acceptance, holders of ArmorGroup Shares in uncertificated form may not use a Form of Acceptance (for use when accepting the Offer in respect of certificated shares) (or any other purported form of acceptance) for the purpose of accepting the Offer in respect of such uncertificated shares.

- 1.9 For the purpose of determining whether the acceptance condition has been satisfied, Bidco will not be bound (unless otherwise required by the Panel) to take into account any ArmorGroup Shares which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights before that determination takes place, unless written notice given by ArmorGroup or its agent containing relevant details of the allotment, issue, subscription or conversion has been received before that time by Capita Registrars on behalf of Bidco at the address specified in paragraph 3.1 of this Part B. Notification by telex or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice for this purpose.

2 **Announcements**

- 2.1 Without prejudice to paragraph 3.1 of this Part B, by 8.00 a.m. (London time) on the business day (the **relevant day**) following the day on which the Offer is due to expire, or becomes or is declared unconditional, or is revised or is extended, as the case may be (or such later time or date as the Panel may agree), Bidco will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. Such announcement will also state (unless otherwise permitted by the Panel):
- 2.1.1 the number of ArmorGroup Shares for which acceptances of the Offer have been received (specifying the extent, if any, to which such acceptances have been received from persons acting in concert with G4S or Bidco or in respect of ArmorGroup Shares which were subject to an irrevocable commitment or a letter of intent procured by Bidco or any of its associates);
- 2.1.2 details of any relevant securities of ArmorGroup in which Bidco or any person acting in concert with G4S or Bidco has an interest or in respect of which any of them has a right to subscribe, in each case specifying the nature of the interests or rights concerned. Similar details of any short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, will also be stated;
- 2.1.3 details of any relevant securities of ArmorGroup in respect of which Bidco or any of its associates has an outstanding irrevocable commitment or letter of intent; and
- 2.1.4 details of any relevant securities of ArmorGroup which Bidco or any person acting in concert with G4S or Bidco has borrowed or lent, save for any borrowed shares which have been either on-lent or sold, and will in each case specify the percentages of each class of relevant securities represented by these figures.

Any such announcement shall include a prominent statement of the total number of ArmorGroup Shares which Bidco may count towards the satisfaction of the acceptance condition and the percentage of ArmorGroup's issued share capital represented by this figure.

- 2.2 Any decision to extend the time and/or date by which the acceptance condition has to be satisfied may be made at any time up to, and will be announced not later than, 8.00 a.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree). The announcement will also state the next expiry time and date unless the Offer is unconditional, in which case it may instead state that the Offer will remain open until further notice.
- 2.3 In computing the number of ArmorGroup Shares represented by acceptances and/or purchases, there may be included or excluded for announcement purposes, subject to paragraph 6.5 of this Part B, acceptances and purchases not in all respects in order or subject to verification, provided that such acceptances or purchases shall not be included unless they could be counted towards fulfilling the acceptance condition in accordance with paragraph 6.5 of this Part B and the provisions of the Code.
- 2.4 In this Appendix I, references to the making of an announcement or the giving of notice by or on behalf of Bidco include the release of an announcement by public relations consultants or by Greenhill on behalf of Bidco and the delivery by hand, telephone, telex or facsimile transmission or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service (unless the Panel otherwise agrees).

- 2.5 Without limiting the manner in which Bidco may choose to make any public statement and subject to Bidco's obligations under applicable law, including the Code, Bidco will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

3 Rights of withdrawal

- 3.1 If Bidco, having announced the Offer to be unconditional, fails by 3.30 p.m. (London time), on the relevant day (as defined in paragraph 2.1 of this Part B) (or such later time(s) and/or date(s) as the Panel may agree) to comply with any of the relevant requirements specified in paragraph 2.1 of this Part B, an accepting ArmorGroup Shareholder may (unless the Panel otherwise agrees) immediately after that time withdraw his acceptance of the Offer by written notice signed by the accepting ArmorGroup Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to Bidco, is produced with the notice) given by post or by hand (during normal business hours) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively, in the case of ArmorGroup Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3.8 of this Part B. Subject to paragraph 1.3 of this Part B, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Bidco confirming, if that be the case, that the Offer is still unconditional and complying with the other relevant requirements specified in paragraph 2.1 of this Part B. If any such confirmation is given, the first period of 14 calendar days referred to in paragraph 1.4 of this Part B will run from the date of that confirmation and compliance.
- 3.2 If by 1.00 p.m. (London time) on 12 May 2008 (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting ArmorGroup Shareholder may withdraw his acceptance at any time thereafter in the manner referred to in paragraph 3.1 above (or, in the case of ArmorGroup Shares held in uncertificated form, in the manner set out in paragraph 3.8 of this Part B), before the earlier of:
- 3.2.1 the time that the Offer becomes unconditional; and
- 3.2.2 the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1.3 of this Part B.
- 3.3 If the Panel determines that ArmorGroup is not permitted to invoke, or cause or permit Bidco to invoke, a condition to the Offer it may instead determine that accepting ArmorGroup Shareholders shall be entitled to withdraw their acceptances on such terms and by such time as the Panel may determine and notwithstanding that the Offer has become unconditional as to acceptances. The Panel may also determine that the timetable applicable to the Offer shall be varied in such manner as it may determine.
- 3.4 Exercise of such withdrawal rights by accepting ArmorGroup Shareholders could result in the Offer, if it has by then become unconditional as to acceptances, ceasing to be unconditional as to acceptances.
- 3.5 If a "no extension" and/or "no increase" statement is withdrawn in accordance with paragraph 1.5 of this Part B, any acceptance of the Offer made by an ArmorGroup Shareholder after the date of that statement may be withdrawn thereafter in the manner referred to in paragraph 3.1 of this Part B (or, in the case of ArmorGroup Shares held in uncertificated form, in the manner set out in paragraph 3.8 of this Part B) for a period of eight calendar days following the date on which the notice of the withdrawal of such statement is posted to ArmorGroup Shareholders.
- 3.6 Except as provided by this paragraph 3 and subject to paragraph 4 of this Part B, acceptances will be irrevocable.
- 3.7 In this paragraph 3, **written notice** (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting ArmorGroup Shareholder(s) or his/their agent(s) duly appointed in writing (evidence of whose appointment is produced with the notice in a form reasonably satisfactory to Bidco). Notification by telex, email, facsimile or other electronic transmissions or copies will not be sufficient to constitute written notice. No notice which is post-marked in, or otherwise appears to Bidco or its agents to have been sent from a Restricted Jurisdiction, will be treated as valid.

3.8 In the case of ArmorGroup Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraphs 3.1 to 3.5 of this Part B, an accepting ArmorGroup Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and settle, include the following details:

- the corporate action ISIN number of ArmorGroup Shares. This is GB00B049FG32;
- the number of ArmorGroup Shares in uncertificated form to be withdrawn;
- the member account ID of the accepting holder of ArmorGroup Shares;
- the participant ID of the accepting holder of ArmorGroup Shares;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent. This is G4SARM01;
- the CREST transaction ID of the Electronic Acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- input with a standard delivery instruction priority of 80;
- the intended settlement date for the withdrawal; and
- the corporate action number for the Offer, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, Capita Registrars will, on behalf of Bidco, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

3.9 Immediately (or within such longer period, not exceeding 14 calendar days, as the Panel may permit) upon an ArmorGroup Shareholder validly withdrawing his acceptance in respect of ArmorGroup Shares held in uncertificated form, Capita Registrars will give TFE instructions to Euroclear to transfer all relevant ArmorGroup Shares held in escrow balances, and in relation to which it is the Escrow Agent for the purposes of the Offer, to the original available balances of the ArmorGroup Shareholder concerned and, in respect of ArmorGroup Shares held in certificated form, Capita Registrars will return by post (or by such other method as may be approved by the Panel) all share certificates and/or other document(s) of title to the holder of ArmorGroup Shares concerned.

3.10 ArmorGroup Shares in respect of which acceptances have been properly withdrawn in accordance with this paragraph 3 may subsequently be re-assented to the Offer by following one of the procedures described in paragraph 14 of the letter from the G4S Board set out in Part 2 of this document, at any time while the Offer remains open for acceptance.

3.11 All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by Bidco, acting reasonably, whose determination (except as required by the Panel) will be final and binding. None of Bidco, ArmorGroup, Capita Registrars or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under this paragraph.

4 Revised Offer

4.1 Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or form of the consideration offered or otherwise), which Bidco reserves the right to do and any such revised Offer represents on the date on which the revision is announced (on such basis as Greenhill may consider appropriate) an improvement (or no diminution) in the value of the consideration or an improvement in or no impairment to the terms of the Offer as so revised compared with the value of the consideration or, as appropriate, terms previously offered, or in the overall value received by an ArmorGroup Shareholder (under or in consequence of the Offer or otherwise), the benefit of the revised Offer will, subject to paragraphs 4.3, 4.4 and 5 of this Part B, be made available to

any ArmorGroup Shareholder who has validly accepted the Offer in its original or any previously revised form(s) and who has not validly withdrawn such acceptance (a **Previous Acceptor**). The acceptance by or on behalf of a Previous Acceptor of the Offer in its original or any previously revised form(s) shall, subject to paragraphs 4.3, 4.4 and 5 of this Part B, be deemed to be an acceptance of the Offer as so revised and will also constitute the separate appointment of Bidco and each of its directors and agents as his attorney and/or agent (**Attorney**) with authority:

- (a) to accept any such revised Offer on behalf of such Previous Acceptor;
- (b) if such revised Offer includes alternative forms of consideration, to make on his behalf elections for and/or accept such alternative forms of consideration on his behalf in such proportions as such Attorney in his absolute discretion thinks fit; and
- (c) to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) and take such further actions (if any) as may be required to give effect to such acceptances and/or elections.

In making any such acceptance and/or election, the Attorney and/or agent will take into account the nature of any previous acceptance and/or election made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.

- 4.2 Bidco reserves the right (subject to paragraphs 3 and 4.1 of this Part B) to treat an executed Form of Acceptance or TTE Instruction relating to the Offer in its original or any previously revised form(s) which is received (or dated) on or after the announcement or issue of the Offer in any revised form as a valid acceptance of the revised Offer (and, where applicable, a valid election for the alternative form(s) of consideration). Such acceptance will constitute an authority in the terms of paragraph 4.1 above, *mutatis mutandis*, on behalf of the relevant ArmorGroup Shareholder.
- 4.3 The deemed acceptances referred to in this paragraph 4 shall not apply and the authorities conferred by this paragraph 4 shall not be exercised if, as a result thereof, the Previous Acceptor would (on such basis as Greenhill may consider appropriate) thereby receive, under or in consequence of the Offer and/or any alternative pursuant thereto as revised or otherwise, less in aggregate in consideration or overall value under the revised Offer than he would have received in aggregate as a result of acceptance of the Offer in the form in which it was previously accepted by him or on his behalf, having regard to any previous acceptance or election made by him, unless the Previous Acceptor has previously otherwise agreed in writing. The authorities conferred by this paragraph 4 shall not be exercised in respect of any election available under the revised Offer save in accordance with this paragraph 4.3.
- 4.4 The deemed acceptances referred to in this paragraph 4 will not apply and the authorities conferred by this paragraph 4 will be ineffective to the extent that a Previous Acceptor: (i) in respect of the ArmorGroup Shares held in certificated form, lodges with the Receiving Agent, within 14 days of the posting of the document pursuant to which the revised Offer referred to in paragraph 4.1 above is made available to ArmorGroup Shareholders, a form of acceptance (in the case of ArmorGroup Shares), or (ii) in respect of ArmorGroup Shares held in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA Instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each such ESA Instruction must, in order for it to be valid and settle, include the following details:
 - the number of ArmorGroup Shares in respect of which the changed election is made;
 - the participant ID of the Previous Acceptor;
 - the member account ID of the Previous Acceptor;
 - the corporate action ISIN number of ArmorGroup Shares. This is GB00B049FG32;
 - the CREST transaction ID of the Electronic Acceptance in respect of which an election is to be changed to be inserted at the beginning of the shared note field;
 - the intended settlement date for the changed election;
 - the participant ID of the Escrow Agent. This is RA10;
 - the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is G4SARM01;

- the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST,

and in order that the designated change of election can be effected must include:

- the member account ID of the Escrow Agent relevant to the new election;
- input with a standard delivery instruction priority of 80; and
- the name and contact telephone number of the Previous Acceptor inserted into the shared note field.

Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, Capita Registrars will, on behalf of Bidco, reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- 4.5 The authorities conferred by this paragraph 4 and any acceptance of a revised Offer shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part B and duly and validly does so.

5 Overseas Shareholders

- 5.1 The making of the Offer in jurisdictions outside the UK, or to certain persons who are Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any such person wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and compliance with other necessary formalities. Any such Overseas Shareholder will be responsible for the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction by whomsoever payable and Bidco, G4S and Greenhill and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes or duties or other requisite payments as such person (and any person acting on behalf of them) may be required to pay. The attention of US Shareholders is also directed to sub-paragraph 5.7 of this paragraph. **If you are an Overseas Shareholder and you are in doubt about your position, you should consult your professional adviser in the relevant jurisdiction.**
- 5.2 Unless otherwise determined by Bidco and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in or into a Restricted Jurisdiction, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone and the internet) of interstate or foreign commerce of, or of any facilities of a national securities exchange of any Restricted Jurisdiction and is not capable of acceptance by any such use, means, instrumentality or facility, or from within any Restricted Jurisdiction.
- 5.3 Copies of this document, the Form of Acceptance and any related offer documents are not being and must not be, directly or indirectly, mailed or otherwise distributed or sent in or into or from any Restricted Jurisdiction, including to ArmorGroup Shareholders with registered addresses in these jurisdictions or to persons whom Bidco knows to be custodians, nominees or trustees holding ArmorGroup Shares for such persons. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute, send or mail them in, into or from a Restricted Jurisdiction, or use such mails or any such means or instrumentality for any purpose, directly or indirectly, in connection with the Offer, and doing so may render invalid any related purported acceptance of the Offer. Persons wishing to accept the Offer must not use the mails or any such means, or instrumentality or facility of any Restricted Jurisdiction for any purpose directly or indirectly related to the acceptance of the Offer. Envelopes containing the Forms of Acceptance, evidence of title or other documents relating to the Offer must not be post-marked in, or otherwise dispatched from, any Restricted Jurisdiction and all acceptors must provide addresses outside a Restricted Jurisdiction for the receipt or the remittance of the consideration to which they are entitled under the Offer, or for the return of the Form of Acceptance and (in relation to ArmorGroup Shares in certificated form) any ArmorGroup share certificate(s) and/or other document(s) of title.

- 5.4 Subject as provided below, an ArmorGroup Shareholder will be deemed NOT to have accepted the Offer if:
- 5.4.1 he puts **NO** in Box 5 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph 3 of Part C of this Appendix I;
 - 5.4.2 Box 1 of the Form of Acceptance contains an address in a Restricted Jurisdiction and he does not insert in Box 6 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent, subject to the provisions of this paragraph 5 and applicable laws;
 - 5.4.3 he inserts in Box 2 of the Form of Acceptance a telephone number in a Restricted Jurisdiction for use in the event of queries;
 - 5.4.4 a Form of Acceptance received from him is received in an envelope postmarked in, or otherwise appears to Bidco or its receiving agents to have been sent from or otherwise evidences use of any means of instrumentality of a Restricted Jurisdiction; or
 - 5.4.5 (in respect of uncertificated ArmorGroup Shares) he makes a Restricted Escrow Transfer (as defined in paragraph 5.6 of this Part B) pursuant to paragraph 5.6 of this Part B unless he also makes a related Restricted ESA Instruction (as defined in paragraph 5.6 of this Part B) which is accepted by Capita Registrars.

Bidco reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph 3 of Part C (or as the case may be Part D) of this Appendix I could have been truthfully given by the relevant ArmorGroup Shareholder and, if such investigation is made and as a result Bidco cannot satisfy itself that such representations and warranties are true and correct, such acceptance shall not be valid.

- 5.5 If, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees) whether pursuant to a contractual or legal obligation or otherwise forwards this document, the Form of Acceptance or any related offer document in, into or from a Restricted Jurisdiction or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, email, telex, telephone and the internet) of interstate or foreign commerce of, or any facilities of a national securities exchange of, such jurisdictions in connection with such forwarding, such person should:
- 5.5.1 inform the recipient of such fact;
 - 5.5.2 explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - 5.5.3 draw the attention of the recipient to this paragraph 5.
- 5.6 If an ArmorGroup Shareholder holding ArmorGroup Shares in uncertificated form is unable to give the representations and warranties set out in paragraph 3 of Part D of this Appendix I, but nevertheless can produce evidence satisfactory to Bidco that he is able to accept the Offer in compliance with all legal and regulatory requirements and without Bidco or its agents being in breach of any such requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:
- (a) a valid TTE Instruction to a designated escrow balance detailed below (a **Restricted Escrow Transfer**); and
 - (b) one or more valid ESA Instructions (a **Restricted ESA Instruction**) which specify the form of consideration which he wishes to receive (consistent with the alternatives offered under the Offer).

Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and Bidco decides in its absolute discretion to exercise its right to waive, vary or modify the terms of the Offer relating to overseas shareholders to the extent required to permit such acceptance to be made in each case during the acceptance period set out in paragraph 1 of this Part B of this Appendix I. If Bidco decides to permit such acceptance to be made, Capita Registrars will on behalf of Bidco accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived,

varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, Capita Registrars will on behalf of Bidco reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message.

Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the corporate action ISIN number of the ArmorGroup Shares. This is GB00B049FG32;
- the number of ArmorGroup Shares in uncertificated form in respect of which the accepting holder of ArmorGroup Shares wishes to accept the Offer (i.e. the number of ArmorGroup Shares in uncertificated form to be transferred to an escrow balance);
- the participant ID of the accepting ArmorGroup Shareholder;
- the member account ID of the accepting ArmorGroup Shareholder;
- the participant ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RESTRICT;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. (London time) on 21 April 2008;
- the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input with standard delivery instruction priority of 80; and
- a contact name and telephone number inserted in the shared note field.

Each Restricted ESA Instruction must, in order for it to be valid and settle include the following details:

- the corporate action ISIN number of ArmorGroup Shares. This is GB00B049FG32;
- the number of ArmorGroup Shares in uncertificated form relevant to that Restricted ESA Instruction;
- the participant ID of the accepting ArmorGroup Shareholder;
- the member account ID of the accepting ArmorGroup Shareholder;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RESTRICT;
- the member account ID of the Escrow Agent. This is G4SARM01;
- the CREST transaction ID of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. (London time) on 21 April 2008;
- the corporate action number for the Offer; and
- input with a standard delivery instruction priority of 80.

5.7 The Offer in the United States is being made pursuant to an exemption from certain U.S. tender offer rules provided by Rule 14d-1(c) under the Exchange Act.

5.8 The Offer is made in respect of the securities of a UK company and is subject to UK disclosure requirements. Readers, and in particular U.S. readers, should be aware that this document has been prepared in accordance with UK format and style, which differs from U.S. format and style and should be read accordingly. In particular, the Appendices to this document contain information concerning the Offer that has been included to satisfy UK disclosure requirements that may be material and that in some cases has not been summarised elsewhere.

5.9 Takeover procedures under UK law differ from tender offer procedures under U.S. law. In particular, but without limitation, the acceptance and settlement procedures referred to in this Part B of Appendix I differ from U.S. tender offer rules in certain material respects, including with respect to the date of payment.

- 5.10 In making their decision, Shareholders must rely on their own examination of Bidco and ArmorGroup and the terms of the Offer, including the merits and risks involved. The contents of this document, including any general advice or recommendations contained herein, and the Form of Acceptance are not to be construed as legal or business advice. Shareholders should consult their own lawyer or financial adviser for independent advice. Additionally, this document does not include any information regarding U.S. taxation. Shareholders who may be subject to tax in the United States are urged to consult their tax adviser regarding the U.S. Federal, State, local and other tax consequences of owning and disposing Shares.
- 5.11 Bidco is a UK company. Bidco's directors and executive officers are citizens or residents of countries other than the United States. All of Bidco's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or upon Bidco or to enforce against them judgements of U.S. courts, including judgements predicated upon the civil liabilities provisions under the U.S. federal securities laws or the securities laws of any state or territory within the United States.
- 5.12 Bidco or its nominees or brokers (acting as agents for Bidco) may, in accordance with applicable law, including applicable exemptions from Rule 14e-5 under the Exchange Act, make certain purchases of ArmorGroup Shares in the market or otherwise during the period in which the Offer remains open. Information about such purchases will be announced via a Regulatory Information Service.
- 5.13 Notwithstanding anything to the contrary contained in this document or the Form of Acceptance, Bidco may make the Offer (with or without giving effect to the foregoing paragraphs of this paragraph 5) in a Restricted Jurisdiction or in any other jurisdiction pursuant to an exemption under, or in accordance with, applicable law in such jurisdictions and, in this connection, the provisions of paragraph 3 of Part C and paragraph 3 of Part D of this Appendix I will be varied accordingly.
- 5.14 The provisions of this paragraph 5 supersede any terms of the Offer inconsistent with them. The provisions of this paragraph 5 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific holder(s) of ArmorGroup Shares or on a general basis by Bidco in its absolute discretion.
- 5.15 References in this paragraph 5 to an ArmorGroup Shareholder shall include the person or persons executing a Form of Acceptance or making an Electronic Acceptance and, in the event of more than one person executing a Form of Acceptance or making an Electronic Acceptance, as the case may be, the provision of this paragraph shall apply to them jointly and to each of them.
- 5.16 Neither Bidco nor any agent or director of Bidco nor any person on behalf of any of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer on any of the bases set out above or otherwise in connection therewith.

6 General

- 6.1 Except with the consent of the Panel, the Offer will lapse unless all the conditions relating to the Offer have been fulfilled or, (if capable of waiver) waived or, where appropriate, have been determined by Bidco to be, and continue to be, satisfied by midnight (London time) on 12 May 2008, or by midnight (London time) on the date which is 21 days after the date on which the Offer becomes unconditional, whichever is the later, or such later date as Bidco, with the consent of the Panel, may decide.
- 6.2 If the Offer lapses for any reason: (a) it will cease to be capable of further acceptance and accepting ArmorGroup Shareholders; (b) Bidco will cease to be bound by Forms of Acceptance and Electronic Acceptances submitted before the time the Offer lapses and (c) neither Bidco nor any person acting or deemed to be acting in concert with Bidco for the purpose of the Offer may, pursuant to the Code, make an offer (whether inside or outside the UK) for ArmorGroup Shares for a period of one year following the date of such lapse, except with the consent of the Panel.
- 6.3 If sufficient acceptances under the Offer are received and/or sufficient ArmorGroup Shares are otherwise acquired and in either case Bidco acquires sufficient voting rights carried by such ArmorGroup Shares, Bidco intends to apply the provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily any outstanding ArmorGroup Shares to which the

Offer relates, following the Offer becoming or being declared unconditional in all respects, on the same terms as the Offer. Furthermore, Bidco intends to procure that ArmorGroup makes applications to cancel the listing of ArmorGroup Shares on the Official List and to cancel admission to trading the ArmorGroup Shares on the London Stock Exchange's market for listed securities. It is anticipated that the cancellation of listing on the Official List and admission to trading on the London Stock Exchange will take effect no earlier than 20 business days after either (i) the date on which Bidco has, by virtue of its shareholdings and acceptances of the Offer, acquired or agreed to acquire ArmorGroup Shares carrying 75 per cent. of the voting rights of ArmorGroup or (ii) the first date of issue of compulsory acquisition notices under Chapter 3 of Part 28 of the Companies Act 2006. The cancellation of listing and admission to trading of the ArmorGroup Shares would significantly reduce the liquidity and marketability of any of ArmorGroup Shares not assented to the Offer.

- 6.4 Except with the consent of the Panel, settlement of the consideration to which any ArmorGroup Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled as against such ArmorGroup Shareholder and will be effected:
- (a) in the case of acceptances received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s), and/or other document(s) of title or indemnities satisfactory to Bidco), by the date on which the Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; or
 - (b) in the case of acceptances of the Offer received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s), and/or other document(s) of title or indemnities satisfactory to Bidco), after the date on which the Offer becomes or is declared unconditional in all respects, but while it remains open for acceptance, within 14 calendar days of such receipt.

All cash payments (other than payments made by means of CREST) will be made by cheque drawn on a branch of a UK clearing bank. Unless otherwise determined by Bidco, no consideration will be sent to any address in a Restricted Jurisdiction. Where the ArmorGroup Shares concerned are in uncertificated form, cash consideration will be paid by a CREST payment, or at Bidco's discretion, in pounds sterling by cheque drawn as aforesaid.

Subject to paragraph 5. above, no consideration will be sent to an address in a Restricted Jurisdiction.

- 6.5 Notwithstanding the right reserved by Bidco to treat an acceptance of the Offer as valid, even though in the case of certificated ArmorGroup Shares the Form of Acceptance is not entirely in order or not accompanied by the relevant ArmorGroup Share certificate(s) and/or other document(s) of title or indemnities reasonably satisfactory to Bidco), except as otherwise agreed with the Panel:
- (a) an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it and ArmorGroup Shares falling within Note 8 on Rule 10 of the Code will not be counted towards fulfilling the acceptance condition;
 - (b) a purchase of ArmorGroup Shares by Bidco or its nominee(s) (or, if relevant, any person acting in concert with G4S or Bidco, or its nominee(s)) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it; and
 - (c) the Offer will not become unconditional unless the Receiving Agent has issued a certificate to Bidco or Greenhill stating the number of ArmorGroup Shares in respect of which acceptances have been received which comply with sub-paragraph 6.5(a) above and the number of ArmorGroup Shares otherwise acquired, whether before or during the Offer Period, which comply with sub-paragraph 6.5(b) above. A copy of such certificate will be sent to the Panel and Greenhill as soon as possible after it is issued.

- 6.6 The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance will, in respect of certificated ArmorGroup Shares, constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Appendix I shall be deemed to be incorporated into and form part of the Form of Acceptance.
- 6.7 All references in this document and in the Forms of Acceptance to 21 April 2008 will (except in the definition of Offer Period and where the context otherwise requires) be deemed, if the expiry date of the Offer is extended, to refer to the expiry date of the Offer as so extended.
- 6.8 References in paragraph 5 of this Part B and in Part C of this Appendix I to an ArmorGroup Shareholder will include references to the person or persons executing a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, such paragraphs will apply to them jointly and severally.
- 6.9 Any omission to despatch this document, the Form of Acceptance, any other documents relating to the Offer or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made, or should be made, will not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person.
- 6.10 Without prejudice to any other provision of this Part B, Bidco reserves the right to treat acceptances of the Offer as valid if not entirely in order or not accompanied by the relevant share certificate(s) and/or other relevant document(s) of title or not accompanied by the relevant TTE Instructions or if received, by or on behalf of it, at any place or places, or in any manner, otherwise than as specified in this document or in the Form of Acceptance. In that event, no payment of cash or settlement of consideration will be made under the Offer until the relevant TTE Instruction has settled or (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Bidco have been received.
- 6.11 No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title will be given by, or on behalf of Bidco. All communications, notices, certificates, document(s) of title and remittances to be delivered by, or sent to or from, holders of ArmorGroup Shares (or their designated agent(s)) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- 6.12 Subject to paragraph 5 of this Part B, the Offer extends to persons to whom the Offer is made or should be made but to whom this document, the Form of Acceptance or any related documents may not be despatched or who may not receive any such documents and such persons may inspect or collect copies of these documents from Capita Registrars at the relevant address set out in paragraph 3.1 of this Part B.
- 6.13 Bidco reserves the right to notify any matter (including the making of the Offer) to all or any holder of ArmorGroup Shares with a registered address outside the UK or whom Bidco knows to be a custodian, trustee or nominee holding ArmorGroup Shares for persons who are citizens, residents or nationals of jurisdictions outside the UK, by announcement in the UK to the London Stock Exchange or in any other appropriate manner, or by paid advertisement in a daily newspaper published and circulated in the UK or any part thereof, or in the London Gazette, in which event such notice will be deemed to have been sufficiently given, notwithstanding any failure by any such ArmorGroup Shareholder to receive or see such notice, and all references in this document to notice in writing by or on behalf of Bidco will be construed accordingly.
- 6.14 The Offer is made on 31 March 2008 by means of this document and an advertisement proposed to be published in the London Gazette dated on or around 1 April 2008 and is capable of acceptance from and after that time. Copies of this document, the Form of Acceptance and any related documents are available from Capita Registrars at the address set out in paragraph 3.1 of this Part B from that time.
- 6.15 Save in respect of the acceptance condition, Bidco shall not invoke any condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the condition are of material significance to Bidco in the context of the Offer.

- 6.16 If the Offer does not become unconditional in all respects:
- (a) in respect of ArmorGroup Shares held in certificated form, the Form of Acceptance, relevant share certificate(s) and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing or being withdrawn, at the risk of the person entitled thereto, to the person or agent whose name and address outside a Restricted Jurisdiction is set out in Box 6 in the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside a Restricted Jurisdiction (no such documents will be sent to an address in a Restricted Jurisdiction); and
 - (b) in respect of ArmorGroup Shares held in uncertificated form, Capita Registrars will, immediately after the lapsing or withdrawal of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing or withdrawal of the Offer), give instructions to Euroclear to transfer all ArmorGroup Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of ArmorGroup Shareholders concerned.
- 6.17 All powers of attorney, appointments of agents and authorities conferred by this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the ArmorGroup Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971) except in the circumstances where the donor of such power of attorney or authority or appointment is entitled to withdraw his acceptance in accordance with paragraph 3 of this Part B and duly does so.
- 6.18 In relation to any acceptance of the Offer in respect of a holding of ArmorGroup Shares which is in uncertificated form, Bidco reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided any such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- 6.19 Neither Bidco, G4S nor any agent acting on behalf of Bidco or G4S, shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer in the terms set out in this document.
- 6.20 For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time that the relevant instruction settles in CREST.
- 6.21 The Offer, all acceptances made thereof, this document, all Electronic Acceptances, the Form of Acceptance and all contracts made pursuant thereto and action taken or made or deemed to be taken or made under any of the foregoing, and the relationship between any ArmorGroup Shareholder and Bidco or Capita Registrars in respect thereof will be governed by and construed in accordance with English law. Execution of a Form of Acceptance or the making of an Electronic Acceptance by or on behalf of an ArmorGroup Shareholder will constitute his submission, in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance or the Electronic Acceptance (as appropriate), to the jurisdiction of the Courts of England and his agreement that nothing shall limit the right of Bidco and its agents to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance or the Electronic Acceptance (as appropriate) in any other manner permitted by law or in any court of competent jurisdiction.
- 6.22 The ArmorGroup Shares are to be acquired by Bidco fully paid with full title guarantee and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto, including, without limitation, the right to receive and retain in full all dividends and other distributions, if any, declared, paid or made after the date of the Announcement.
- 6.23 The provisions of the Contracts (Rights of Third Parties) Act 1999 shall not apply to this document, the Form of Acceptance or any contract made pursuant to the Offer.
- 6.24 All references in this Appendix I to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

Part C

Form of Acceptance

Without prejudice to the provisions of Part B of this Appendix I, each ArmorGroup Shareholder by whom, or on whose behalf, any Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with Bidco, Greenhill and Capita Registrars (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect that:

- 1 the execution of the Form of Acceptance shall constitute:
 - 1.1 an acceptance of the Offer in respect of the number of ArmorGroup Shares in certificated form inserted or deemed to be inserted in Box 3 of the Form of Acceptance; and
 - 1.2 an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable Bidco to obtain the full benefit of this Part C and/or to perfect any authorities expressed to be given hereunder,
in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance and undertaking shall be irrevocable. If Box 3 is left blank or a number greater than such ArmorGroup Shareholder's registered holding appears in Box 3 or the Form of Acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it will be deemed to be an acceptance by such ArmorGroup Shareholder of the terms of the Offer in respect of the total number of certificated ArmorGroup Shares registered in his name;
- 2 ArmorGroup Shares in certificated form in respect of which the Offer is accepted, or deemed to be accepted, are sold fully paid with full title guarantee and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto, including, without limitation, the right to receive and retain in full all dividends and other distributions, if any, declared, paid or made after the date of the Announcement;
- 3 unless "NO" is inserted in Box 5 of the Form of Acceptance, such ArmorGroup Shareholder:
 - 3.1 has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from, a Restricted Jurisdiction;
 - 3.2 has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone and the internet) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction;
 - 3.3 was outside a Restricted Jurisdiction when the Form of Acceptance was delivered and at the time of accepting the Offer and, in respect of ArmorGroup Shares to which the Form of Acceptance relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Offer from within a Restricted Jurisdiction or is a resident of any Restricted Jurisdiction; and
 - 3.4 the Form of Acceptance and any related offer documents have not been mailed or otherwise sent in, into or from a Restricted Jurisdiction and such shareholder is accepting the Offer from outside such jurisdictions;
- 4 the execution of the Form of Acceptance and its delivery to Capita Registrars constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting ArmorGroup Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of each of Bidco, Greenhill and/or any director of each of them, and/or any person authorised by Bidco as such ArmorGroup Shareholder's attorney and/or agent (**Attorney**), with an irrevocable instruction and authorisation to the attorney to:
 - 4.1 complete and execute all or any form(s) of transfer and/or renunciation and/or other documents in the attorney's discretion in relation to ArmorGroup Shares referred to in paragraph 1.1 of this Part C in favour of Bidco or such other person or persons as Bidco or its agents may direct;
 - 4.2 deliver such form(s) of transfer and/or renunciation and/or other documents at the Attorney's discretion together with any certificate(s) and/or other document(s) of title relating to such ArmorGroup Shares for registration within six months of the Offer becoming unconditional in all respects; and

- 4.3 execute all such other documents and do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance or deemed acceptance of the Offer and to vest in Bidco or its nominee(s) the ArmorGroup Shares as aforesaid;
- 5 the execution of the Form of Acceptance and its delivery to Capita Registrars constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting ArmorGroup Shareholder not having validly withdrawn his acceptance, a separate and irrevocable authority and request:
- 5.1 to ArmorGroup or its agents to procure the registration of the transfer of those ArmorGroup Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Bidco or as it may direct;
- 5.2 to Bidco or its agents to procure the despatch by post (or such other method as may be approved by the Panel) of a cheque in respect of any cash consideration to which an accepting ArmorGroup Shareholder is entitled under the Offer, at the risk of such ArmorGroup Shareholder, to the person or agent whose name and address (outside any Restricted Jurisdiction unless otherwise permitted by Bidco) is set out in Box 1 or Box 6 of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address (outside any Restricted Jurisdiction unless otherwise permitted by Bidco);
- 6 the execution of the Form of Acceptance and its delivery constitutes a separate authority to Bidco and/or Greenhill and/or their respective directors and/or agents within the terms of paragraph 4 of Part B of this Appendix I;
- 7 subject to the Offer becoming unconditional in all respects (or if the offer will become unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent), and pending registration, that:
- 7.1 Bidco or its agents be entitled to direct the exercise of any votes and any and all other rights and privileges (including the right to requisition the convening of a general meeting or separate class meeting of ArmorGroup) attaching to any certificated ArmorGroup Shares in respect of which the Offer has been accepted, or is deemed to have been accepted, and such acceptance has not been validly withdrawn; and
- 7.2 the execution of a Form of Acceptance by an ArmorGroup Shareholder constitutes, in respect of certificated ArmorGroup Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
- (a) an irrevocable authority to ArmorGroup and/or its agents from such ArmorGroup Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of ArmorGroup (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such ArmorGroup Shares into certificated form) to Bidco at its registered office;
- (b) an irrevocable authority to Bidco and/or any of its directors and/or its agents to sign on such ArmorGroup Shareholder's behalf such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such ArmorGroup Shares (including, without limitation, an authority to sign any consent to short notice on his behalf and/or attend and/or execute a form of proxy in respect of such ArmorGroup Shares appointing any person nominated by Bidco to attend general meetings and separate class meetings of ArmorGroup or its members (or any of them) (and any adjournments thereof) and to exercise or refrain from exercising the votes attaching to such shares on such ArmorGroup Shareholders behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding conditions of the Offer; and
- (c) the agreement of such ArmorGroup Shareholder not to exercise any of such rights without the consent of Bidco and the irrevocable undertaking of such ArmorGroup Shareholder not to appoint a proxy or representative for or to attend any such general meeting or separate class meeting;

- 8 he shall deliver (or procure the delivery) to Capita Registrars at the address referred to in paragraph 3.1 of Part B of this Appendix I his share certificate(s) or other document(s) of title in respect of all ArmorGroup Shares held by him in certificated form in respect of which the Offer has been accepted or is deemed to have been accepted and not validly withdrawn, or an indemnity acceptable to Bidco in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;
- 9 if, for any reason, any ArmorGroup Shares in respect of which a TTE instruction has been effected in accordance with paragraph 14.2 of the letter from the G4S Board contained in Part 2 of this document are converted to certificated form, he will (without prejudice to paragraph 7.2(a) of this Part C) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such ArmorGroup Shares as so converted to Capita Registrars at the address referred to in paragraph 3.1 of Part B of this Appendix I or to Bidco at its registered office or to such address as Bidco or its agents may direct and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in this Part C in relation to such ArmorGroup Shares without prejudice to the application of Part D of this Appendix I so far as Bidco deems appropriate;
- 10 if he accepts the Offer and does not validly withdraw such acceptances, he shall do all such acts and things as shall, in the opinion of Bidco and/or Capita Registrars, be necessary or expedient to vest in Bidco or its nominee(s) or such other person as Bidco may decide, title to the number of ArmorGroup Shares inserted or deemed to be inserted in Box 3 of the Form of Acceptance;
- 11 the terms and conditions of the Offer contained in this document will be deemed to be incorporated in, and form part of, the Form of Acceptance, which will be construed accordingly;
- 12 he will ratify each and every act or thing which may be lawfully done or effected by Bidco or Greenhill or Capita Registrars or their respective directors, agents or attorneys or ArmorGroup or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities hereunder;
- 13 if any provision of Part B or this Part C of this Appendix I shall be unenforceable or invalid or shall not operate so as to afford Bidco or Greenhill or Capita Registrars or their respective directors, agents or attorneys, as the case may be, the full benefit of authorities or powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts or things and execute all such documents as may be required to enable those persons to secure the full benefits of Part B and this Part C of this Appendix I;
- 14 the execution of the Form of Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the right of Bidco and/or Greenhill and/or any of their respective directors or agents to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction; and
- 15 on execution, the Form of Acceptance will take effect as a deed.

References in this Part C to an ArmorGroup Shareholder shall include reference to the person or persons executing a Form of Acceptance, and in the event of more than one person executing a Form of Acceptance the provisions of this Part C shall apply to them jointly and severally.

Part D

Electronic Acceptance

Without prejudice to the provisions of Part B of this Appendix I, each ArmorGroup Shareholder who holds ArmorGroup Shares in uncertificated form by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and with Bidco, Greenhill and Capita Registrars (so as to bind him and his personal representatives, heirs, successors and assigns) to the following effect that:

- 1 the Electronic Acceptance shall constitute in respect of the number of ArmorGroup Shares in uncertificated form to which a TTE Instruction relates:
 - 1.1 an acceptance of the Offer;
 - 1.2 an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable Bidco to obtain the full benefit of this Part D and/or to perfect any authorities expressed to be given hereunder,

in each case on and subject to the terms and conditions set out or referred to in this document and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, such acceptance and undertaking shall be irrevocable.
- 2 ArmorGroup Shares in uncertificated form in respect of which the Offer is accepted, or deemed to be accepted, are sold fully paid with full title guarantee and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto including, without limitation, the right to receive and retain in full all dividends and other distributions, if any, declared, paid or made after the date of the Announcement;
- 3
 - 3.1 such ArmorGroup Shareholder has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from, a Restricted Jurisdiction and has not otherwise utilised in connection with the Offer, directly or indirectly, the use of the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telex, telephone and the internet) of interstate or foreign commerce, or any facilities of a national securities exchange, of a Restricted Jurisdiction at the time of the input and settlement of the relevant TTE instruction(s), and in respect of ArmorGroup Shares in uncertificated form to which an Electronic Acceptance relates he is not an agent or fiduciary acting on a non-discretionary basis for a principal, who has given any instructions with respect to the Offer from within a Restricted Jurisdiction or is a resident of any Restricted Jurisdiction; and
 - 3.2 if such ArmorGroup Shareholder is not a citizen, resident or national of the UK he has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from him, in connection with such acceptance in any territory, and that he has not taken or omitted to take any action which will or may result in Bidco, or any other person acting in breach of any legal or regulatory requirements of any territory in connection with the Offer or his acceptance thereof, provided that the warranties and representations above shall be deemed not to be given if such ArmorGroup Shareholder purports to accept the Offer by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) a Restricted Escrow Transfer and a Restricted ESA Instruction pursuant to paragraph 5.6 of Part B of this Appendix I;
- 4 the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting ArmorGroup Shareholder not having validly withdrawn his acceptance, the irrevocable separate appointment of each of Bidco, Greenhill and/or any director of each of them, and/or any person authorised by Bidco as such ArmorGroup Shareholder's attorney and/or agent (**Attorney**) with an irrevocable instruction and authorisation to the attorney to do all such acts and things as may in the opinion of such Attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in Bidco or its nominee(s) the ArmorGroup Shares in uncertificated form referred to in paragraph 1 above in respect of which such accepting ArmorGroup Shareholder has not validly withdrawn his acceptance (the **Electronic Acceptance Shares**);

- 5 the Electronic Acceptance constitutes the irrevocable appointment of Capita Registrars as Escrow Agent with an irrevocable instruction and authority to Capita Registrars, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and to such accepting ArmorGroup Shareholder not having validly withdrawn his acceptance, to transfer to Bidco (or to such other person or persons as Bidco or its agents may direct) by means of CREST all or any of the Electronic Acceptance Shares and, if the Offer does not become or is not declared unconditional in all respects immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days from the lapsing of the Offer), to transfer all the Electronic Acceptance Shares to the original available balance of the accepting ArmorGroup Shareholder;
- 6 the Electronic Acceptance constitutes, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and to an accepting ArmorGroup Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request, subject to the provisions of paragraph 5 of Part B of this Appendix I, to Bidco or its agents:
- 6.1 to procure the making of a CREST payment obligation in favour of the accepting ArmorGroup Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such accepting ArmorGroup Shareholder is entitled under the Offer, provided that:
- (a) Bidco may (if for any reason it wishes to do so) determine that all or any part of such cash consideration shall be paid by cheque, despatched by post; and
 - (b) if the accepting ArmorGroup Shareholder is a CREST member whose registered address is in a Restricted Jurisdiction, any cash consideration to which he is entitled shall in any case be paid by cheque despatched by post,
- and in either case all such cheques shall be despatched at the risk of such ArmorGroup Shareholder to the first-named holder at an address outside a Restricted Jurisdiction stipulated by such holder or as otherwise determined by Bidco;
- 7 the Electronic Acceptance constitutes a separate authority to any Bidco and/or Greenhill and/or their respective directors and/or agents within the terms of paragraph 4 of Part B of this Appendix I in respect of the Electronic Acceptance Shares;
- 8 the Electronic Acceptance constitutes the same undertakings, acceptances, acknowledgements and authorities as set out in paragraph 4 of Part C of this Appendix I as if the same had been restated in this Part D *mutatis mutandis*;
- 9 subject to the Offer becoming unconditional in all respects (or if the Offer will become unconditional in all respects or lapse immediately upon the outcome of the resolution in question or if the Panel otherwise gives its consent), and pending registration that:
- 9.1 Bidco or its agents be entitled to direct the exercise of any votes and any and all other rights and privileges (including the right to requisition the convening of a general meeting or separate class meeting of ArmorGroup) attaching to any uncertificated ArmorGroup Share in respect of which the Offer has been accepted, or is deemed to have been accepted, and such acceptance has not been validly withdrawn; and
- 9.2 an Electronic Acceptance by an ArmorGroup Shareholder constitutes, in respect of uncertificated ArmorGroup Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
- (a) an irrevocable authority to ArmorGroup and/or its agents from such ArmorGroup Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of ArmorGroup (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such ArmorGroup Shares into certificated form) to Bidco at its registered office;
 - (b) an irrevocable authority to Bidco, and/or any of its directors and/or its agents to sign on such ArmorGroup Shareholder's behalf such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such ArmorGroup Shares (including, without limitation, an authority to sign any consent to short notice on his behalf and/or attend and/or

execute a form of proxy in respect of such ArmorGroup Shares appointing any person nominated by Bidco to attend general meetings and separate class meetings of ArmorGroup or its members (or any of them) (and any adjournments thereof) and to exercise or refrain from exercising the votes attaching to such shares on such ArmorGroup Shareholders behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding conditions of the Offer; and

- (c) the agreement of such ArmorGroup Shareholder not to exercise any of such rights without the consent of Bidco and the irrevocable undertaking of such ArmorGroup Shareholder not to appoint a proxy or representative for or to attend any such general meeting or separate class meeting;
- 10 if, for any reason, any ArmorGroup Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 14.2 of the letter from the G4S Board contained in Part 2 of this document are converted to certificated form, he will (without prejudice to paragraph 9.2(a) of this Part C) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such ArmorGroup Shares as so converted to Capita Registrars at the address referred to in paragraph 3.1 of Part B of this Appendix I or to Bidco at its registered office or to such address as Bidco or its agents may direct and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part C of this Appendix I in relation to such ArmorGroup Shares without prejudice to the application of this Part D so far as Bidco deems appropriate;
- 11 the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in paragraph 6.1 above shall, to the extent of the obligations so created, discharge in full any obligation of Bidco to pay him the cash consideration to which he is entitled pursuant to the Offer;
- 12 if he accepts the Offer and does not validly withdraw such acceptances, he shall do all such acts and things as shall, in the opinion of Bidco and/or Capita Registrars, be necessary or expedient to enable Capita Registrars to perform its functions as Escrow Agent for the purposes of the Offer;
- 13 he will ratify each and every act or thing which may be lawfully done or effected by Bidco or Greenhill or Capita Registrars or their respective directors, agents or attorneys, or ArmorGroup or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities hereunder;
- 14 if any provision of Part B or this Part D of this Appendix I shall be unenforceable or invalid or shall not operate so as to afford Bidco or Greenhill or Capita Registrars or their respective directors, agents or attorneys, as the case may be, the full benefit of authorities or powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts or things and execute all such documents as may be required to enable those persons to secure the full benefits of Part B and this Part D of this Appendix I;
- 15 the making of an Electronic Acceptance constitutes his submission, in relation to all matters arising out of the Offer and the Electronic Acceptance, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the right of Bidco and/or Greenhill and/or any of their respective directors or agents to bring any action, suit or proceeding arising out of or in connection with the Offer and the Electronic Acceptance in any other manner permitted by law or in any court of competent jurisdiction; and
- 16 by virtue of the Regulations the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the relevant holder of ArmorGroup Shares in the terms of the powers and authorities expressed to be given by Part B, this Part D and (where applicable by virtue of paragraph 9 above) Part C of this Appendix I to Bidco, Greenhill and Capita Registrars and their respective directors or agents.

References in this Part D to an ArmorGroup Shareholder shall include reference to the person or persons making an Electronic Acceptance, and in the event of more than one person making an Electronic Acceptance the provisions of this Part D shall apply to them jointly and severally.

Appendix II

Financial Information on ArmorGroup

Basis of Information:

The financial information contained in this Appendix II does not constitute statutory financial statements within the meaning of section 240 of the Companies Act. Audited statutory financial statements for ArmorGroup have been delivered to the Registrar of Companies for the years ended 31 December 2005 and 31 December 2006. Unqualified audit reports in accordance with the Companies Act for the years ended 31 December 2005 and 31 December 2006 have been given and none of such audit reports contained a statement under section 237(2) or (3) of the Companies Act.

The financial information set out in Part A of this Appendix II is a direct extraction, without material adjustment, from ArmorGroup's unaudited preliminary results for the year ended 31 December 2007 which were announced on 20 March 2008. The unaudited financial information in Part A of this Appendix II has been prepared in accordance with IFRS.

Part B of this Appendix II contains a direct extraction, without material adjustment, from ArmorGroup's audited consolidated financial statement for the year ended 31 December 2006. Certain documents contained within the financial statements have not been included in this document including the Chairman's statement, operating and financial report, directors' report, corporate governance statement and directors' remuneration report. The audited financial information in Part B of this Appendix II has been prepared in accordance with IFRS.



ARMORGROUP

ArmorGroup International plc

Preliminary results

ArmorGroup International plc, the leading provider of defensive protective security services, today announces its unaudited preliminary results for the twelve months ended 31 December 2007. The Group can also announce that the Board has reached agreement on the terms of a recommended cash offer for ArmorGroup by G4S (March 2008) Limited (a wholly-owned subsidiary of G4S plc).

Summary of the results

- Revenues up 8.0% to \$295.3 million, with non-Iraq revenue rising 33%.
- Operating profit of \$9.2 million, before \$2.9 million of exceptional aborted acquisition and severance costs, and \$6.3m after exceptional items (2006: \$10.6 million).
- Profit before tax, before the exceptional costs, of \$7.1 million and \$4.2million after exceptional items (2006: \$9.6 million).
- Basic earnings per share of 5.5 cents (2006: 13.4 cents).
- Strong operating cash flow of \$25.3 million (2005: \$30.7 million).
- Recommended final dividend of 1.5 pence, giving a total of 2.75 pence for the year (2006: 2.75p).
- Recommended cash offer by G4S (March 2008) Limited, a wholly-owned subsidiary of G4S plc, at a price of 80 pence per share in cash announced this morning (see separate announcement for full details). The final dividend is included in offer price and so will not be paid if offer becomes or is declared wholly unconditional.

All figures quoted in this statement are in US\$, with the exception of the dividend and the Offer price.

Sir Malcolm Rifkind, Chairman, commenting on the results and the Offer said:

“2007 was a challenging year for the Group with continued growth in the market and in the Group’s revenues undermined by lower margins and delays on some of its largest contracts. The management and organisational changes the Board made towards the end of the year and at the start of 2008 have given the Group the operational strength and commercial focus essential for improving its profitability.

“The offer by G4S announced today gives ArmorGroup shareholders the prospect of a cash exit at an attractive price when considered against the potential of the ArmorGroup as a standalone business. The Board believes that G4S’ offer is full and fair and, accordingly, the Board is pleased to recommend it to shareholders.”

Enquiries:

ArmorGroup International plc

David Barrass, Chief Executive Officer

Tel: + 44 (0) 20 7808 5800

Matthew Brabin, Chief Financial Officer

Patrick Toyne Sewell, Director of Communications

Mob: +44 (0) 7767 498 195

This press release will be available to download from the ArmorGroup website at www.armorgroup.com today after 7.00 am.

Notes to Editors

ArmorGroup International plc

For over 25 years ArmorGroup has been recognised as a leading provider of defensive and protective security services to national governments, multinational corporations and international peace and security agencies operating in hazardous environments. It has approximately 8,500 employees and 38 offices in 27 countries. Over the past two years ArmorGroup has supported its clients in over 50 countries across the Middle East, Africa, North and South America, the CIS and central Asia.

ArmorGroup International plc is headquartered in London and listed on the London Stock Exchange. It complies with the US Foreign and Corrupt Practices Act, 1997 and the UK's Anti-Terrorism, Crime and Security Act, 2001 and has also been certified to ISO 9001:2000 and to ISO/IEC 27001:2005. For more information please visit www.armorgroup.com.

Preliminary results

Summary

Overall revenue for the twelve months to 31 December grew to \$295.3 million (2006: \$273.5 million) with the Group's operations in Afghanistan and Nigeria contributing to growth of 33% outside Iraq. The Group's operations in Iraq now represent 37% (2006: 49%) of total Group revenues.

Gross profits increased 9.9% to \$65.6 million although operating profits declined to \$9.2 million, before \$2.9 million of one off costs relating to the aborted acquisition and settlement costs with the previous CEO, and to \$6.3m after the one-off costs (2006: US\$10.6 million). The Group achieved good profit growth in Iraq and from the Weapons Reduction & Mine Clearance (WR&MC) division which was offset by widespread margin reduction, particularly in Afghanistan, combined with contract delays.

The Group continued to achieve strong cash conversion through good working capital management. Net debt was US\$9.5 million at the year end (2006: US\$3.6 million). Basic earnings per share fell to 5.5 cents (2006: 13.4 cents). The Board is recommending a final dividend for the year of 1.5 pence to be paid on 4 July 2008 to shareholders on the register on 30 May 2008.

Moving forward

As a result of the Group's underperformance, as reported in the Group's trading update in November, the Board carried out an immediate and full review of the Group's organisational structure. David Barrass was appointed interim Chief Executive Officer in December following the resignation of David Seaton in November.

The Board's review of the Group was completed in early January and its recommendations on the Group's structure were implemented immediately. The changes already made to the cost base since the beginning of 2008 are expected to result in annual savings of \$3.5 million. The focus on cost reduction is expected to lead to further savings in 2008.

The Group's new structure will make it a more commercially-focused organisation, with a level of overhead appropriate for the current level of business. The drive for expansion will continue although it will be tempered by greater prudence in expenditure.

Outlook

The Board believes the Group's competitive advantages, the continued growth in its markets and the changes it is making will allow the business to continue to develop in 2008 and beyond.

The market

The major market driver continues to be the increase in government outsourcing of security services to the private sector. The US Government has used private contractors to support its military and diplomatic activities for many years but there is a growing understanding and acceptance of the benefits that reputable companies, such as ArmorGroup, can bring to the over-stretched public sector. This change in attitude has accelerated over the last year, albeit with set-backs resulting from the ill-judged actions of other less reputable companies. As a result the Group has been closely involved in briefing a number of sovereign governments and major international organisations on the development and management of procedures and controls for wider use of private security companies to bolster capacity.

Market growth, driven by greater use of the private security market by governments and international peace and security organisations (NGOs), is matched by the ongoing dependence of the oil, gas and extractive industries on security services as they develop operations in the world's more hostile environments. The Group continues to support its existing clients as their operations extend into new hazardous areas while providing services to new clients, as more international organisations accept that their duty of care towards their employees needs the proactive security services provided by highly regarded, international providers rather than the commoditised services offered by local suppliers.

The Group's competitive advantages: its proven global capability; the highest quality employees; prestigious client base; unrivalled ethical and regulatory standards; and access to the resources required to invest in its clients' protection, will continue to position ArmorGroup strongly.

Operational review

The Group provided its services to over 95 separate government, commercial and NGO clients in over 45 countries during 2007. The Group's Protective Services division had a mixed year winning and retaining a number of major strategic contracts, yet being impacted by delays in the mobilisation and execution of those contracts and increased margin pressure. The WR&MC division had an excellent year, carrying out a number of major programmes won in the second half of 2006, which resulted in a strong growth in revenues and operating profits. The Training division undertook a cost reduction exercise at Pershore in the second half of the year and achieved a strong performance at Longworth Hall. However, the division continues to be undermined by the short notice cancellation of courses in the US. The recently formed risk management business performed creditably and continues to provide the Group with specialist skills it could not previously offer its clients.

Protective Security Division

The Division's revenues increased by 5.6% to \$258.3 million, driven by the award of major new contracts in Afghanistan and Nigeria. Operating profits before head office costs fell to \$16.8 million (2006: \$20.3 million) primarily due to significantly lower margins on the new UK Government contract in Afghanistan, the losses on the US Embassy contract in Kabul and weak performances from several of the Group's African and Latin American operations.

Middle East

The Group's Middle East revenues fell to \$119.7 million (2006: \$138.9 million) as the Iraq business completed its transition to the lower volume but higher margin convoy escort contracts and away from the high volume, but lower margin, guarding contracts of the previous year.

ArmorGroup is the largest commercial provider of convoy escort services in Iraq and conducted a total of 2,387 convoy escort missions in support of reconstruction efforts throughout Iraq in 2007. The security situation in Iraq has improved since the US military's "surge" was launched in the spring of 2007 with around 150 hostile actions directed at ArmorGroup personnel in the second half of the year, compared to 365 in the first half. The Group has invested a further \$6.5 million in 2007 to provide enhanced protective equipment and vehicles for its employees.

The involvement of a number of private security companies (PSCs) in the shooting of Iraqi civilians during September 2007 led to widespread political debate over the use, coordination and regulation of PSCs in Iraq. This debate led to a significant slowing in the award and mobilisation of a number of major contracts in the country over the last quarter of the year as clients attempted to mitigate the perceived risk to their operations and reputations. ArmorGroup, although temporarily impacted by this slow down, continues to be a recognised global leader in the regulatory, ethical and reputational advancement of the industry. Performance was also impacted in the final quarter by a major contract which did not achieve the rapid increase in convoy escort teams originally projected by the client. This increase eventually happened in January 2008 and the contract is now running in line with expectations.

Elsewhere the Group continued to benefit from its regional network with non-Iraq revenues rising significantly on the back of successfully winning a number of contracts to support US Government programmes in Bahrain, the United Arab Emirates and Jordan. The Group's restructuring of its central overhead in the region is expected to lead to improvements in the region's profitability in 2008.

Asia

The division's revenues in Asia grew strongly during the period to \$59.5 million (2006: \$35.9 million), primarily through the securing of two strategically important and long-term projects in Afghanistan: the

US Embassy contract in Kabul; and the extension of the Group's contract to protect UK Government personnel and property across the country. However, operating profits for the region fell, impacted by lower margins on the extended FCO contract due to increased competition at the time of the rebid in late 2006 and the extensive mobilisation costs and ongoing operational commitments associated with the US Embassy project. The Group restructured the project management team in October 2007 and has worked closely with the client to overcome many of the outstanding issues to ensure this project achieves profitability in 2008.

The Group has continued to win an increasing number of commercial contracts in Afghanistan and believes that the international commitment to the reconstruction of the country will present further opportunities in 2008.

The Tokyo sales and marketing office continues to source a good stream of opportunities from Japanese companies operating across the world and the Group remains committed to those efforts.

Africa

African revenues improved 26% to \$37.2 million (2006: \$29.6 million) with strong performances from the Group's operations in Algeria, Nigeria and the Democratic Republic of Congo. However, the Group's African businesses continue to be impacted by the increasing commoditisation of its services, driven by local competition and the tendency of some clients to award contracts based on price rather than quality.

The Group is in the process of realigning its businesses across the continent through the consolidation of living and office accommodation, reductions in local head office staff and a focus on operational and accounting procedures. At the same time the Group is implementing a training and quality assurance programme across the region to ensure performance standards and Duty of Care responsibilities are maintained. The Group expects the benefits of these programmes to become evident over the first half of 2008.

The Group continues to pursue additional opportunities across the region, building on its growing consultancy and training track record, and has more recently supported clients' bids for opportunities in Libya and Sudan as well as providing a wide range of emergency services for organisations affected by the recent troubles in Kenya.

North America

ArmorGroup North America's revenues increased to \$7.4 million (2006: \$6.6 million), primarily due to a continuation of its reconstruction support activities in Louisiana. The Washington office continues to provide the hub for the Group's bidding for and management of major US Government contracts overseas while coordinating the Group's relationships with the larger US defence integrators on potential opportunities. There was some reorganisation of the US cost-base at the beginning of 2008 to reduce its costs in line with its current revenue base.

South America

South American revenues decreased marginally to \$20.5 million (2006: \$21.0 million) with a good performance in Venezuela offset by a very poor one in Colombia and a slow decline in Ecuador. A reorganisation of the South American business has been undertaken with the region now being managed out of Venezuela, a new commercial manager appointed to run the Colombian business and the closure of the loss-making Brazil office.

The Group's businesses in the region will continue to be impacted by growing government intervention and increasing commoditisation of services by local competition. However, the new management team, a rebalanced cost base and an increasing number of multinational clients is expected to deliver better returns in 2008.

Eurasia

Revenues in Eurasia fell 7% to \$12.3 million (2006: \$13.3 million) primarily due to the loss of the US Embassy Moscow contract in mid-year and a number of major commercial contracts coming to an end in the third quarter of the year. However, the business was awarded contracts in the final quarter of the year which will replace a substantial portion of the lost revenue in 2008. The business has also established partnership arrangements with reputable local security providers in a number of key Siberian cities and former Soviet republics, including Kyrgyzia and Azerbaijan.

Risk management

The risk management business was formed in the autumn and was built around Neil Young International, the Group's specialist abduction, kidnap for ransom and extortion consultancy which was acquired in January 2007. The business has made a satisfactory start with a modest but expanding number of consulting projects for major international companies in the Middle East and Africa. However, the business is also generating an increasing number of opportunities for other Group services and we expect to benefit further from this cross-selling programme in 2008.

Security Training Division

Training revenues grew by 1% to \$18.5 million (2006: \$18.3 million) and reported a comparable operating loss, before charging its share of head office costs, of \$0.8 million for the year (2006: loss of \$0.8 million).

The Group's training business in the US continued to be impacted by the cancellation of client courses at short notice with the delays in the Congress approval for the US Defense budget leading to further cut backs in the fourth quarter as clients were left without sufficient training budgets. The ongoing commitment to the training of the US Embassy Kabul guard force continues to tax resources and the ability to offer commercial courses at the Group's Texas facility. Some of this commitment shifted to the Group's Virginia facility, in order to share the burden of this important effort and resulted in the Texas facility performing well towards the end of the year. The Defense budget was passed in January 2008, which has enabled US Government clients to book new courses and reschedule cancelled ones. In February 2008, the business was awarded its first long-term contract, worth a maximum of \$7.5 million over five years, to provide training for the US Department of Homeland Security.

The cost reduction exercise at the Pershore training facility in July significantly reduced its previous losses. Due to the continued lack of sustained interest by UK companies in providing programmed pre-deployment training to employees, its costs were further reduced in January 2008 and its instructors refocused on providing internal training as a Group-wide resource.

Our specialist courses continue to develop and the Group anticipates those courses will run for an extended period. The Group has now suspended its low margin, close protection training courses to ensure management focus on these courses.

Weapons Reduction & Mine Clearance Division

The division had an excellent year, achieving \$18.5 million in revenues (2006: \$10.6 million) and achieving \$3.3 million in operating profit before head office costs (2006: \$0.8 million). The division now accounts for around 6% of Group revenues, up from 4% in the same period last year. The majority of this revenue was generated by two major contracts which mobilised in the second half of 2006: a mine survey and clearance programme in Southern Sudan; and a battle area clearance programme in South Lebanon. The former contract was substantially re-awarded to the Group in September although the latter programme was completed in December, which will impact the division's revenues in the first half of 2008.

The division continued to win new contracts and contract extensions throughout the year, supporting humanitarian programmes in Cyprus, Nepal and Sudan as well as pursuing further commercial projects in Afghanistan and Mozambique. The team also won a number of smaller projects in Albania, Azerbaijan and Montenegro as part of the US Government's Weapons Reduction and Abatement Services programme.

The division has continued to extend its commercial footprint in Afghanistan, which is becoming one of the more important growth markets for mine action, and ArmorGroup is one of only five registered mine action companies in the country. The division has now supported both commercial and humanitarian clients across Afghanistan and as reconstruction activity continues is well-placed to benefit from further growth.

Financial Review

Overall revenue for the twelve months to 31 December grew to \$295.3 million (2006: \$273.5 million). Gross margins were maintained at 22% for the year as whole, despite a number of major contracts which were re-awarded at significantly lower margins.

Gross profits increased 9.9% to \$65.6 million. Administrative expenses, excluding exceptional items, increased 14.9% year on year to \$56.4 million (2006: \$49.1 million), evenly split over the two halves of the

year, with the increase primarily due to: \$2.4 million in legal, consultancy and insurance costs; \$0.9 million of Mine Action establishment costs in relation to new contracts in Afghanistan, Sudan and Nepal; and \$1.9 million increased cost base in Nigeria, partially related to the introduction of a consultancy and training capability in that country.

Profits were expected to be adversely affected by the weakness over the year of the US\$, the Group's primary operating currency, which had an impact of \$0.4 million in the first half. However, due to the strengthening of the US\$ in the last two months of the year the impact was reduced to \$0.1 million over the year as a whole (2006: loss of \$0.6 million). The Group continues to review how best to reduce this exposure going forward, although the strengthening of the US\$ since the beginning of 2008 has reduced the effects of this issue.

The Group incurred two one-off costs during the year:

- the Board reported in December that the Group had been unable to progress a strategic acquisition that had been the subject of extensive discussions for some months, primarily due to the reduced availability of acquisition finance following the collapse of global credit markets in the second half of the year. Consequently the Group wrote off \$2.1 million of professional fees incurred on the due diligence and contract negotiations in 2007.
- the Group also charged \$0.7 million of severance costs related to former CEO David Seaton, following his departure from the Group in November 2007.

A review of the Group's overhead structure was undertaken over the year end with a significant reorganisation of the Group's operations in January 2008. The reorganisation is expected to cost \$0.9 million in 2008 and will produce annual savings of \$3.5 million. The focus on cost reduction is expected to lead to further savings in the near future.

Operating profit, before the \$2.9 million of exceptional costs, was down to \$9.2 million (2006: \$10.6 million) with good growth in Iraq and from the WR&MC division offset by widespread margin reduction, particularly in Afghanistan in the first half of the year, combined with contract delays.

Net interest charges increased to \$2.1 million, compared to \$1.1million in 2006. The charge reflects the interest costs associated with the \$23.7 million (2006: \$18.7 million) capital investment in the business over the year including: \$10.8 million on the acquisition of over 175 vehicles; \$3.6 million on a Group-wide IT system, which is now substantially complete and already bringing significant benefits; and \$3.4 million on equipment for a major contract in Colombia. Capital expenditure will continue to be aligned to the operational equipment required for new contract awards. Profit before tax, taking into account the \$2.9 million of exceptional charges, was reduced to \$4.2 million (2006: \$9.6 million).

The Group's effective tax rate during the period increased to 30% (2006: 26%) which reflects the mix of jurisdictions where profits have been generated, the release of provisions and the Group's ability to utilise tax losses in the US, Nigeria and Kenya. Profit after tax fell by 58.4% to \$3.0 million (2006: \$7.1 million) and basic earnings per share to 5.5 cents (2006: 13.4 cents).

The Group achieved a good cash conversion rate of 275% (2006: 289%), before exceptional items, with cash inflow from operations of \$25.3million (2006: \$30.7 million) as a result of a strong management focus on improving working capital. Net debt at 31 December 2007 had increased to \$9.5 million at the year end (2006: \$3.6 million). The Group still has a strong balance sheet comprising US\$18.2 million (2006: \$14.6 million) of positive cash balances offset by bank borrowings of US\$27.7 million (2006: \$18.2 million). Net assets at 31 December 2007 were \$84.1 million (2006: \$82.9 million).

The Board will be recommending the payment of a final dividend of 1.5 pence on 4 July 2008 to shareholders on the register on 30 May 2008. Combined with the interim dividend of 1.25 pence, which was paid in November 2007, this will result in a dividend for the year of 2.75 pence (2006: 2.75 pence).

ArmorGroup International plc

Consolidated income statement for the year ended 31 December 2007

Unaudited

	Note	Year ended 31 December 2007 US\$'000	Year ended 31 December 2006 US\$'000
Revenue	3	295,275	273,453
Cost of sales		<u>(229,695)</u>	<u>(213,784)</u>
Gross profit		65,580	59,669
Administrative expenses before exceptional items		(56,387)	(49,062)
Exceptional administrative expenses	4	<u>(2,856)</u>	<u>—</u>
Operating profit before exceptional items		9,193	10,607
Exceptional administrative expenses	4	<u>(2,856)</u>	<u>—</u>
Operating profit		6,337	10,607
Finance income	5	136	157
Finance costs	5	<u>(2,246)</u>	<u>(1,209)</u>
Profit before tax		4,227	9,555
Income tax expense	7	<u>(1,275)</u>	<u>(2,460)</u>
Profit for the year		2,952	7,095
Profit attributable to:			
Equity shareholders		2,952	7,095
Earnings per share expressed in US cents per 1 pence share			
— basic	9	5.53	13.35
— diluted	9	<u>5.35</u>	<u>13.05</u>

ArmorGroup International plc

Consolidated balance sheet as at 31 December 2007
Unaudited

	31 December 2007 US\$'000	31 December 2006 US\$'000
Non-current assets		
Goodwill	22,850	21,317
Other intangible assets	4,268	810
Property, plant and equipment	33,697	30,870
Deferred tax assets	<u>5,858</u>	<u>3,845</u>
	66,673	56,842
Current assets		
Inventories	1,874	1,530
Trade and other receivables	58,060	54,033
Cash and cash equivalents	<u>18,158</u>	<u>14,646</u>
	78,092	70,209
Total assets	<u>144,765</u>	<u>127,051</u>
Current liabilities		
Borrowings	(21,474)	(14,614)
Trade and other payables	(28,919)	(21,157)
Current income tax liabilities	(1,723)	(2,102)
Provisions and other liabilities	<u>(33)</u>	<u>(134)</u>
	(52,149)	(38,007)
Non-current liabilities		
Borrowings	(6,185)	(3,592)
Provisions and other liabilities	(37)	(131)
Deferred tax liabilities	<u>(2,327)</u>	<u>(2,434)</u>
	(8,549)	(6,157)
Total liabilities	<u>(60,698)</u>	<u>(44,164)</u>
Net assets	<u>84,067</u>	<u>82,887</u>
Capital and reserves attributable to equity holders of the Company		
Called up share capital	1,052	1,049
Share premium account	56,993	56,952
Capital redemption reserve	96	96
Merger reserve	1,273	1,273
Cumulative translation reserve	1,403	961
Retained earnings	<u>23,250</u>	<u>22,556</u>
Total equity	<u>84,067</u>	<u>82,887</u>

ArmorGroup International plc

**Consolidated cash flow statement for the year ended 31 December 2007
Unaudited**

	Note	Year ended 31 December 2007 US\$'000	Year ended 31 December 2006 US\$'000
Cash flows from operating activities			
Cash generated from operations	10	25,274	30,650
Interest received		136	157
Interest paid		(1,546)	(1,271)
Income tax paid		<u>(3,774)</u>	<u>(2,418)</u>
Net cash generated from operating activities		20,090	27,118
Cash flows from investing activities			
Purchase of businesses (net of cash acquired)		(884)	(52)
Purchase of property, plant and equipment		(19,231)	(18,105)
Purchase of intangible assets		(3,567)	(524)
Proceeds from sale of property, plant and equipment		<u>1,035</u>	<u>122</u>
Net cash used in investing activities		(22,647)	(18,559)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		44	43
Equity dividends paid to shareholders		(2,976)	(2,754)
New bank borrowings		14,189	3,460
Finance lease principal payments		(53)	(43)
Repayment of borrowings		<u>(5,226)</u>	<u>(6,986)</u>
Net cash generated from/(used in) financing activities		<u>5,978</u>	<u>(6,280)</u>
Net increase in cash and cash equivalents		3,421	2,279
Cash and cash equivalents at beginning of year		14,594	12,279
Exchange gains on cash and bank overdrafts		<u>143</u>	<u>36</u>
Cash and cash equivalents at end of year	10	<u>18,158</u>	<u>14,594</u>

ArmorGroup International plc

Consolidated statement of changes in shareholders' equity for the year ended 31 December 2007
Unaudited

	<u>Note</u>	<u>Share capital</u> <u>US\$'000</u>	<u>Share premium</u> <u>account</u> <u>US\$'000</u>	<u>Capital redemption</u> <u>reserve</u> <u>US\$'000</u>	<u>Merger</u> <u>reserve</u> <u>US\$'000</u>	<u>Cumulative</u> <u>translation</u> <u>reserve</u> <u>US\$'000</u>	<u>Retained</u> <u>earnings</u> <u>US\$'000</u>	<u>Total</u> <u>US\$'000</u>
At 1 January 2006		1,046	56,912	96	1,273	(178)	17,334	76,483
Share options								
— Proceeds from shares issued		3	40	—	—	—	—	43
— Cost		—	—	—	—	—	881	881
Currency translation adjustments		—	—	—	—	1,139	—	1,139
Profit for the year		—	—	—	—	—	7,095	7,095
Dividends paid to equity shareholders	8	—	—	—	—	—	(2,754)	(2,754)
At 31 December 2006		1,049	56,952	96	1,273	961	22,556	82,887
Share options								
— Proceeds from shares issued		3	41	—	—	—	—	44
— Cost		—	—	—	—	—	718	718
Currency translation adjustments		—	—	—	—	442	—	442
Profit for the year		—	—	—	—	—	2,952	2,952
Dividends paid to equity shareholders	8	—	—	—	—	—	(2,976)	(2,976)
At 31 December 2007		1,052	56,993	96	1,273	1,403	23,250	84,067

ArmorGroup International plc

Notes to financial information

1 Preliminary announcement

The preliminary financial information in this statement, which was approved by the Board on 19 March 2008, is not audited and does not constitute statutory accounts for the years ended 31 December 2007 or 31 December 2006 within the meaning of Section 240 of the Companies Act 1985 (as amended). Financial statements for ArmorGroup International plc for the year ended 31 December 2006 presented under IFRS have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

As at the date of this announcement the auditors have not reported on the Group's financial statements for the year ended 31 December 2007, nor have such financial statements been delivered to the Registrar of Companies. The financial statements for the year ended 31 December 2007 will be distributed to shareholders prior to, and filed with the Registrar of Companies following, the Annual General Meeting.

2 Basis of preparation

The preliminary financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority and uses EU adopted International Financial Reporting Standards (IFRS) accounting policies consistent with those described in the Annual Report and Financial Statements 2006. During the year ended 31 December 2007, the Company has defined its accounting policy for exceptional items. Exceptional items are material non-recurring items of income and expense separately disclosed by virtue of their size or significance to enable a full understanding of the group's financial performance.

The directors consider United States Dollars (US\$) to be the Group's functional currency. Accordingly, this financial information is presented in US\$. At 31 December 2007 the closing exchange rate to sterling was £1/US\$1.997 (31 December 2006: £1/US\$1.958) and the average exchange rate to sterling for the year ended 31 December 2007 was £1/US\$2.001 (31 December 2006: £1/US\$1.8398).

The preparation of financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

3 Segmental reporting

(a) Primary reporting format — business segment analysis

	2007	2006
Revenue	US\$'000	US\$'000
Protective security services	258,282	244,510
Security training	18,490	18,329
Weapons reduction and mine clearance	<u>18,503</u>	<u>10,614</u>
Revenue	<u>295,275</u>	<u>273,453</u>

ArmorGroup International plc

Notes to financial information

3 Segmental reporting (continued)

Revenue in respect of protective security services includes recharges to third party customers at cost or cost plus a handling fee of certain contract expenses, including insurance, equipment, travel and out of pocket expenses of US\$1,848,000 for the year ended 31 December 2007 (2006: US\$3,476,000).

	2007 US\$'000	2006 US\$'000
Profit for the year from continuing operations		
Protective security services before head office costs	16,847	20,345
Security training before head office costs	(826)	(803)
Weapons reduction and mine clearance before head office costs	3,348	835
Head office costs	<u>(10,176)</u>	<u>(9,770)</u>
Segment result		
Protective security services including head office costs	7,946	11,610
Security training including head office costs	(1,463)	(1,458)
Weapons reduction and mine clearance including head office costs	<u>2,710</u>	<u>455</u>
Operating profit before exceptional items	<u>9,193</u>	<u>10,607</u>
Exceptional items	(2,856)	—
Operating profit	<u>6,337</u>	<u>10,607</u>

(b) Secondary format — geographical segment analysis

The group manages its business segments on a global basis.

	Revenue	
	2007 US\$'000	2006 US\$'000
Western Europe	10,496	10,174
Eastern Europe	13,876	13,939
South America	20,522	20,959
North America	16,844	14,914
Asia	62,888	36,636
Africa	45,617	35,413
Middle East	<u>125,032</u>	<u>141,418</u>
	<u>295,275</u>	<u>273,453</u>

Geographical analysis is based on the region in which the services are performed.

4 Exceptional items

Exceptional items include \$2,124,000 of costs incurred as a result of the decision taken not to progress with a strategic acquisition. The costs relate to professional fees incurred on the due diligence and contract negotiations.

In addition, \$732,000 included in exceptional items relates to the redundancy package for the former CEO Dave Seaton.

5 Net finance costs

	2007 US\$'000	2006 US\$'000
Finance costs on bank overdrafts and loans	2,244	1,201
Finance costs on finance leases	2	8
Total finance costs	2,246	1,209
Finance income	<u>(136)</u>	<u>(157)</u>
Net finance costs	<u>2,110</u>	<u>1,052</u>

ArmorGroup International plc

Notes to financial information

6 Acquisitions and Disposals

Acquisitions

On 10 January 2007 the Group purchased 100% of the ordinary share capital of Neil Young Associates for a consideration of £250,000 in cash and a further £375,000 of deferred consideration to be paid in three annual tranches, dependent on the annual profits of Neil Young Associates. Neil Young Associates provides kidnap and extortion prevention, training and response services. The acquisition was satisfied by £321,500 in cash (inclusive of £71,500 acquisition costs) and £375,000 cash in deferred consideration, resulting in provisional goodwill of £696,500. Goodwill arising on the acquisition was US\$1,385,000 and was attributed to the anticipated profitability of the acquired business and the synergies expected to arise. The fair value of the net assets acquired on the acquisition of Neil Young Associates was £100, being the nominal value of the share capital.

From the date of acquisition to 31 December 2007 Neil Young Associates contributed US\$1,798,000 to revenue, increased profit before interest by US\$593,000 and increased profit before taxation by US\$592,000. Neil Young Associates contributed US\$4,000 to the Group's net operating cash inflows, paid US\$ nil in respect of interest, US\$ nil in respect of taxation and utilised US\$2,000 for capital expenditure.

There were no acquisitions or disposals during the year ended 31 December 2006.

7 Income tax expense

Analysis of expense for the year	2007 US\$'000	2006 US\$'000
UK current tax		
Corporation tax charge at 30% (2006: 30%)	2,105	1,792
Adjustment in respect of prior periods	<u>1,032</u>	<u>(16)</u>
	3,137	1,776
Foreign current tax		
Corporation tax charge	1,325	670
Adjustment in respect of prior periods	<u>(1,094)</u>	<u>(455)</u>
	231	215
Total current tax expense	3,368	1,991
UK deferred tax		
Deferred tax charge	695	597
Adjustment in respect of prior periods	<u>(662)</u>	<u>62</u>
Impact of change in UK tax rate	<u>55</u>	<u>—</u>
	88	659
Foreign deferred tax		
Deferred tax credit	<u>(2,084)</u>	<u>(115)</u>
Adjustments in respect of prior periods	<u>(97)</u>	<u>(75)</u>
	(2,181)	(190)
Total deferred tax (credit)/expense	(2,093)	469
Income tax expense	<u>1,275</u>	<u>2,460</u>

ArmorGroup International plc

Notes to financial information

7 Income tax expense (continued)

The total income tax expense for the year is higher (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2007</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>
Profit before income tax	4,227	9,555
Profit multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	1,268	2,867
Effects of:		
Adjustments to tax in respect of prior periods	(821)	(484)
Adjustments in respect of foreign tax rates	(1,530)	(1,946)
Expenses not deductible for tax purposes	537	266
Depreciation in excess of capital allowances	49	13
Other timing differences	72	(27)
Utilisation of losses	(74)	(257)
Unrelieved foreign tax credits	441	343
Unrelieved losses carried forward	356	262
Deferred tax on undistributed earnings	922	1,423
Remeasurement of deferred tax — change in UK tax rate	55	—
Income tax expense	<u><u>1,275</u></u>	<u><u>2,460</u></u>

8 Dividends

A dividend of 1.5 pence per share will be recommended by the Board after the balance sheet date and will be paid on 4 July 2008 to shareholders on the register on 30 May 2008.

An interim dividend for 2007 of 1.25p per share, amounting to US\$1,377,000, was paid on 9 November 2007 to shareholders on the register on 28 September 2007.

A second interim dividend for 2006 of 1.50 pence per share, amounting to US\$1,599,000, was paid on 2 July 2007 to shareholders on the register on 1 July 2007.

An interim dividend for 2006 of 1.25 pence a share, amounting to US\$1,263,000, was paid on 10 November 2006 to shareholders on the register at 29 September 2006.

9 Earnings per share

Basic

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>2007</u>	<u>2006</u>
Profit attributable to equity holders of the Company (US\$'000)	2,952	7,095
Weighted average number of ordinary shares	53,355,360	53,145,172
Basic earnings per share (US cents)	<u><u>5.53</u></u>	<u><u>13.35</u></u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume allotment of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

ArmorGroup International plc

Notes to financial information

9 Earnings per share (continued)

	<u>2007</u>	<u>2006</u>
Profit attributable to equity holders of the Company (US\$'000)	2,952	7,095
Weighted average number of ordinary shares	53,355,360	53,145,172
Adjustment for dilutive potential of ordinary shares	<u>1,832,582</u>	<u>1,202,826</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>55,187,942</u>	<u>54,347,998</u>
Diluted earnings per share (US cents)	<u>5.35</u>	<u>13.05</u>

10 Reconciliation of profit after tax to net cash generated from operating activities

	<u>2007</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>
Profit after tax	2,952	7,095
Adjustments for:		
Finance income	(136)	(157)
Finance costs	2,246	1,209
Taxation	1,275	2,460
Depreciation	14,610	14,871
Loss on disposal of property, plant and equipment	953	1,141
Amortisation of intangible assets	818	440
Compensation charge in respect of share based payments	<u>718</u>	<u>881</u>
	23,436	27,940
Changes in working capital (excluding effects of acquisition of subsidiaries)		
Increase in inventories	(344)	(360)
Increase in trade and other receivables	(4,035)	(768)
Increase in payables	6,412	3,786
(Decrease)/increase in provisions	<u>(195)</u>	<u>52</u>
Cash generated from operations	<u>25,274</u>	<u>30,650</u>

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	<u>2007</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>
Cash and cash equivalents	18,158	14,646
Bank overdrafts	<u>—</u>	<u>(52)</u>
	<u>18,158</u>	<u>14,594</u>

11 Reconciliation of net cash flow to movement in net debt

	<u>2007</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>
Increase in cash in the year	3,421	2,279
(Increase)/decrease in other borrowings	<u>(8,910)</u>	<u>3,569</u>
Changes in net debt resulting from cash flows	(5,489)	5,848
Other non-cash movements	(595)	—
Foreign exchange translation adjustments	143	24
Movement in net debt in the year	(5,941)	5,872
Net debt at the beginning of the year	<u>(3,560)</u>	<u>(9,432)</u>
Net debt at the end of the year	<u>(9,501)</u>	<u>(3,560)</u>

ArmorGroup International plc

Notes to financial information

12 Reconciliation of movements in net debt

Group	At 1 January 2007 US\$'000	Cash flow US\$'000	Non-cash movements US\$'000	Exchange movement US\$'000	At 31 December 2007 US\$'000
Cash at bank and in hand	14,646	3,369	—	143	18,158
Overdrafts	(52)	52	—	—	—
	14,594	3,421	—	143	18,158
Bank and other borrowings due within one year	(14,509)	(3,056)	(3,887)	—	(21,452)
Bank and other borrowings due in more than one year	(3,588)	(5,907)	3,358	—	(6,137)
Finance leases	(57)	53	(66)	—	(70)
	(3,560)	(5,489)	(595)	143	(9,501)

Part B

ArmorGroup International plc

Consolidated income statement for the year ended 31 December 2006

	<u>Note</u>	<u>Year ended 31 December 2006 US\$'000</u>	<u>Year ended 31 December 2005 US\$'000</u>
Turnover	2	273,453	233,150
Cost of sales		<u>(213,784)</u>	<u>(176,158)</u>
Gross profit		59,669	56,992
Administrative expenses		<u>(49,062)</u>	<u>(44,587)</u>
Operating profit		10,607	12,405
Interest receivable and similar income	4	157	168
Interest payable and similar charges	4	<u>(1,209)</u>	<u>(451)</u>
Profit before tax	5	9,555	12,122
Income tax expense	6	<u>(2,460)</u>	<u>(3,632)</u>
Profit for the year		<u>7,095</u>	<u>8,490</u>
Profit attributable to: Equity shareholders		<u>7,095</u>	<u>8,490</u>
Earnings per share expressed in US cents per 1 pence share			
— basic	9	13.35	16.24
— diluted	9	<u>13.05</u>	<u>15.76</u>

All amounts included above relate to continuing operations.

ArmorGroup International plc

Balance sheets as at 31 December 2006

	Note	Group		Company	
		31 December 2006 US\$'000	31 December 2005 US\$'000	31 December 2006 US\$'000	31 December 2005 US\$'000
Non-current assets					
Goodwill	10	21,317	20,355	—	—
Other intangible assets	10	810	726	—	—
Investment in group companies	12	—	—	7,290	6,409
Property, plant and equipment	11	30,870	28,784	—	—
Deferred tax assets	20	3,845	2,938	—	—
		<u>56,842</u>	<u>52,803</u>	<u>7,290</u>	<u>6,409</u>
Current assets					
Inventories	13	1,530	1,170	—	—
Trade and other receivables	14	54,033	53,114	79,060	76,396
Cash and cash equivalents	15	14,646	12,304	—	—
		<u>70,209</u>	<u>66,588</u>	<u>79,060</u>	<u>76,396</u>
Total assets		<u>127,051</u>	<u>119,391</u>	<u>86,350</u>	<u>82,805</u>
Current liabilities					
Borrowings	18	(14,614)	(14,953)	(13,045)	(13,322)
Trade and other payables	16	(21,157)	(17,412)	(6,559)	(5,900)
Current income tax liabilities	17	(2,102)	(2,489)	(607)	—
Provisions and other liabilities	19	(134)	(124)	—	—
		<u>(38,007)</u>	<u>(34,978)</u>	<u>(20,211)</u>	<u>(19,222)</u>
Net current assets		<u>32,202</u>	<u>31,610</u>	<u>58,849</u>	<u>57,174</u>
Total assets less current liabilities		<u>89,044</u>	<u>84,413</u>	<u>66,139</u>	<u>63,583</u>
Non-current liabilities					
Borrowings	18	(3,592)	(6,783)	—	—
Provisions and other liabilities	19	(131)	(89)	—	—
Deferred tax liabilities	20	(2,434)	(1,058)	—	—
		<u>(6,157)</u>	<u>(7,930)</u>	<u>—</u>	<u>—</u>
Net assets		<u>82,887</u>	<u>76,483</u>	<u>66,139</u>	<u>63,583</u>
Shareholders' equity					
Called up share capital	21	1,049	1,046	1,049	1,046
Share premium account		56,952	56,912	56,952	56,912
Capital redemption reserve		96	96	96	96
Merger reserve		1,273	1,273	1,273	1,273
Cumulative translation reserve		961	(178)	—	—
Retained earnings		<u>22,556</u>	<u>17,334</u>	<u>6,769</u>	<u>4,256</u>
Shareholders' equity		<u>82,887</u>	<u>76,483</u>	<u>66,139</u>	<u>63,583</u>

The financial statements were approved by the Board of Directors on 28 March 2007 and were signed on its behalf by:

David Seaton
Chief Executive Officer

Matthew Brabin
Chief Financial Officer

ArmorGroup International plc

Cash flow statements for the year ended 31 December 2006

	Note	Group		Company	
		Year ended 31 December 2006 US\$'000	Year ended 31 December 2005 US\$'000	Year ended 31 December 2006 US\$'000	Year ended 31 December 2005 US\$'000
Cash flows from operating activities					
Cash inflow/(outflow) from operations	23	30,650	15,811	(677)	(8,361)
Interest received		157	168	4,360	13
Interest paid		(1,271)	(378)	(695)	(115)
Income tax paid		(2,418)	(4,693)	—	—
Net cash inflow/(outflow) from operating activities		27,118	10,908	2,988	(8,463)
Cash flows from investing activities					
Purchase of businesses (net of cash acquired)		(52)	(5,890)	—	(6,346)
Deferred consideration received for disposal of business		—	160	—	—
Purchase of property, plant and equipment		(18,105)	(26,123)	—	—
Purchase of intangible assets		(524)	(533)	—	—
Proceeds from sale of property, plant and equipment		122	115	—	—
Net cash outflow from investing activities		(18,559)	(32,271)	—	(6,346)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		43	132	43	132
Equity dividends paid to shareholders		(2,754)	(1,150)	(2,754)	(1,150)
New bank borrowings		3,460	22,677	—	10,838
Finance lease principal payments		(43)	(4)	—	—
Repayment of borrowings		(6,986)	(2,585)	(548)	—
Net cash (outflow)/inflow from financing activities		(6,280)	19,070	(3,259)	9,820
Net increase/(decrease) in cash and cash equivalents					
		2,279	(2,293)	(271)	(4,989)
Cash and cash equivalents at beginning of year		12,279	14,566	(2,484)	2,505
Exchange gains on cash and bank overdrafts		36	6	—	—
Cash and cash equivalents at end of year	23	14,594	12,279	(2,755)	(2,484)

ArmorGroup International plc

Statements of changes in shareholders' equity

Group	Note	Share capital US\$'000	Share premium account US\$'000	Capital redemption reserve US\$'000	Merger reserve US\$'000	Cumulative translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2005		1,027	56,784	96	—	(49)	8,457	66,315
New shares issued on acquisition		15	—	—	1,273	—	—	1,288
Share options								
— Proceeds from shares issued		4	128	—	—	—	—	132
— Cost		—	—	—	—	—	1,537	1,537
Currency translation adjustments		—	—	—	—	(129)	—	(129)
Profit for the year		—	—	—	—	—	8,490	8,490
Dividends paid to equity shareholders	7	—	—	—	—	—	(1,150)	(1,150)
At 31 December 2005		1,046	56,912	96	1,273	(178)	17,334	76,483
Share options								
— Proceeds from shares issued		3	40	—	—	—	—	43
— Cost		—	—	—	—	—	881	881
Currency translation adjustments		—	—	—	—	1,139	—	1,139
Profit for the year		—	—	—	—	—	7,095	7,095
Dividends paid to equity shareholders	7	—	—	—	—	—	(2,754)	(2,754)
At 31 December 2006		1,049	56,952	96	1,273	961	22,556	82,887

Company	Note	Share capital US\$'000	Share premium account US\$'000	Capital redemption reserve US\$'000	Merger reserve US\$'000	Retained earnings US\$'000	Total US\$'000
At 1 January 2005		1,027	56,784	96	—	1,128	59,035
New shares issued on acquisition		15	—	—	1,273	—	1,288
Share options							
— Proceeds from shares issued		4	128	—	—	—	132
— Cost		—	—	—	—	1,537	1,537
Profit for the year		—	—	—	—	2,741	2,741
Dividends paid to equity shareholders	7	—	—	—	—	(1,150)	(1,150)
At 31 December 2005		1,046	56,912	96	1,273	4,256	63,583
Share options							
— Proceeds from shares issued		3	40	—	—	—	43
— Cost		—	—	—	—	881	881
Profit for the year		—	—	—	—	4,386	4,386
Dividends paid to equity shareholders	7	—	—	—	—	(2,754)	(2,754)
At 31 December 2006		1,049	56,952	96	1,273	6,769	66,139

1 Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historic cost convention and in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and related interpretations, as adopted for use in the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The Parent Company financial statements have also been prepared in accordance with IFRS, IAS and related interpretations as adopted in the European Union and applied in accordance with the provisions of the Companies Act 1985. The Directors have taken advantage of the exemption offered by Section 230 of the Companies Act not to present a separate income statement for the Parent Company.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Consolidation

The consolidated financial information includes financial information in respect of the Company and its subsidiary undertakings. Subsidiary undertakings are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. From the date on which control ceases they are no longer consolidated. Inter-company transactions and balances are eliminated.

(b) Revenue recognition

Turnover represents the amounts (excluding value added tax and other sales taxes) derived from the provision of services to third party customers, plus recharges of other contract expenses including insurance, equipment, travel and out-of-pocket expenses at cost or cost plus a handling fee.

Revenue is recognised as services are provided in accordance with the terms of each contract on a contract-by-contract basis over the term of the contract.

(c) Segment reporting

The Group provides services that are subject to different risks and returns across different business segments and across different geographical segments. The primary segment assessed for the Group is business segment.

(d) Foreign currency translation

Functional and presentational currency

Transactions included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars ("US\$") which is the Group's functional and presentational currency. At 31 December 2006 the closing exchange rate to sterling was £1/\$1.958 (31 December 2005: £1/\$1.720) and the average exchange rate to sterling for the year ended 31 December 2006 was £1/\$1.8398 (31 December 2005: £1/\$1.818).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences on loan relationships between subsidiary undertakings are recognised in the income statement.

Group companies

For consolidation purposes, the results and financial position of all Group entities that have a functional currency different from US Dollars are translated into US Dollars on the following basis:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity (cumulative translation reserve).

Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity on consolidation. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

As permitted by IFRS 1, goodwill and fair value adjustments arising on the acquisition of foreign entities before 1 January 2004 are treated as assets and liabilities of the acquiring entities and measured in the acquiring entities' functional currency. Goodwill and fair value adjustments arising on the acquisition of a foreign entity after 1 January 2004 are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

All property, plant and equipment is shown at cost less depreciation and any provision for impairment, except for land which is not depreciated and is shown at cost less any provision for impairment. The cost of property, plant and equipment is purchase cost together with other expenditure that is directly attributable to the acquisition.

Depreciation is provided to write off the cost less the estimated residual value of each asset on a straight-line basis over its estimated useful economic life as follows:

Freehold buildings	50 years
Leasehold properties	over the term of the lease (or the useful economic life if shorter)
Plant and equipment	one year* or four-five years
Office equipment	one year* or four-five years
Fixtures and fittings	five years
Motor vehicles (except armoured vehicles)	one year* or four-five years

* Relates to property, plant and equipment held in Iraq.

The cost of armoured vehicles held in Iraq less the estimated residual value is depreciated on a non-linear basis over their estimated useful economic life of three years on the basis of the estimated recoverable value at the end of each of the three years.

Assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are included in the income statement and are determined by comparing proceeds with carrying amount.

(f) Intangible assets

Goodwill

Goodwill represents the excess of the fair value of the consideration paid on acquisition of a business over the fair value of the assets, including any intangible assets identified, and liabilities

acquired at the date of acquisition. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment provisions. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. As permitted by IFRS 1, goodwill arising on acquisitions before 1 January 2004 has been frozen at the UK GAAP amounts, subject to being tested for impairment at that date.

Intangible assets, other than goodwill, are stated at cost less amortisation less any provision for impairment, as detailed below.

Patents and trademarks

Patents and trademarks acquired are capitalised at cost. This amount is included in “other intangible assets” and amortised on a straight line basis over the estimated useful economic lives of between one and ten years based on the term of the relevant patent or trademark.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs directly associated with the production of identifiable and unique software products, where it is probable that they will generate economic benefits exceeding costs, are also capitalised. These costs are included in “other intangible assets” and are amortised over their estimated useful economic lives of between one and three years.

Know how

Know how is capitalised on acquisition and amortised over its expected useful life of between one and three years.

(g) Impairment testing of assets

Assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

(h) Investments in subsidiary undertakings

Investments in subsidiary undertakings are carried in the Company’s balance sheet at cost less any provision for impairment in value in accordance with IAS 27 “Consolidated and Separate Financial Statements”.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade receivables

Trade receivables are stated at nominal value less any provision for irrecoverable amounts. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for doubtful trade receivables are recorded in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method, or over a shorter period where it is more likely than not that the lender will require earlier repayment or where the borrower intends or is required to redeem early.

(m) Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(n) Taxation

Current income tax is recognised as an income and expense in the income statement for the period, except to the extent that the tax arises from a transaction or event that is recognised directly in equity, either in the same or a different accounting period.

Current tax assets and liabilities are measured at the amount expected to be paid to, or recovered from, the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(o) Employee benefits

Share-based plans

The Group operates a number of equity-settled, share-based plans. In accordance with IFRS 2 "Share-based payment", equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of options that will eventually vest. At each balance sheet date, the Group reviews its estimate of the number of options that are expected to vest. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

No charge is recognised in the Company income statement as the employees to which share based awards are granted are all employed by subsidiary companies. The charge recognised in the Group income statement is therefore reported as an increase to investments representing a capital contribution within the Company balance sheet.

The Group has taken advantage of the exemption available and has applied the provisions of IFRS 2 only to those options granted after 7 November 2002 and which had not vested on or before 31 December 2004. For those options granted after 7 November 2002 and which had vested on or before 31 December 2004, the Group recognised as a share option charge over the vesting period the amount by which the fair value of the shares under options exceeded their respective exercise prices at the date of grant.

Bonus plans

The Group recognises a liability and expense for bonuses, taking into consideration the probability of certain performance criteria being achieved. A provision is recognised where a contractual obligation exists or where past practice indicates that there is a constructive obligation to make such payments.

Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet to reflect the fair value of holidays earned but not yet taken.

Pension costs

Pension costs for the Group's defined contribution schemes are charged to the income statement during the period in which the related services are performed. The assets of the schemes are held separately from those of the Group in independently administered funds.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(p) Employer's taxes on share options

Employer's National Insurance in the UK and equivalent taxes in other jurisdictions are payable on the exercise of certain share options. Provision is made calculated using the fair value of options at the balance sheet date and the charge is recognised over the vesting period of the options.

(q) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments at the inception of the agreements. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(r) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Standards, interpretations and amendments to published standards

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted. These are as follows:

— IFRS 7 'Financial Instruments: Disclosures' (effective from 1 January 2007). IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.

— A complementary amendment to IAS 1 ‘Presentation of Financial Statements — Capital Disclosures’ (effective from 1 January 2007). The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital; and

— IFRS 8 ‘Operating segments’ (effective from 1 January 2009). This standard replaces IAS 14 and aligns the segmental reporting requirements with those of the equivalent US standard. The new standard adopts a ‘management approach’ under which segmental information is to be disclosed on the same basis as that used for internal reporting purposes.

Management is currently assessing the impact of IFRS 7, complementary amendment to IAS 1 and IFRS 8 ‘Operating segments’ on the Group’s financial statements.

— IFRIC 11 ‘IFRS 2 — Group and treasury share transactions’ (effective 1 January 2008). This interpretation provides guidance on whether share-based transactions involving group entities should be accounted for as equity settled or cash settled transactions. Management is currently assessing the impact of the interpretation on the Group financial statements and does not expect it to be significant.

The following IFRS and IFRIC interpretations have been issued by the IASB and are not expected to be relevant to the Group:

IFRIC 9 ‘Reassessment of embedded derivatives’ (effective 1 January 2007). This interpretation clarifies that an embedded derivative should be assessed on its inception and only reassessed if there is a change in the terms of the relevant contract.

IFRIC 10 ‘Interim financial reporting and impairment’ (effective 1 January 2007). Under this interpretation any impairment losses on goodwill and equity investments recognised in a quarterly interim statement may not be reversed in subsequent interim or annual financial statements.

2 Segmental reporting

The Group is organised on a worldwide basis into three business segments: Protective security services, Security training and Weapons reduction and mine clearance. The Directors consider that due to the differing risks and rewards associated with each business segment and the different customer focus of each segment, the primary reporting format is by business segment and the secondary reporting format is by geographical segment. There are no sales between the business segments. Head office costs are allocated to business segments on the basis of revenues or an alternative appropriate basis depending on the nature of the cost.

Segment assets include property, plant and equipment, goodwill and other intangible assets, inventories, receivables and operating cash and exclude shared assets of current and deferred tax. Segment liabilities comprise operating liabilities and exclude shared liabilities of group borrowings and current and deferred tax. Capital expenditure comprises additions to property, plant and equipment, goodwill and other intangible assets, including additions resulting from acquisitions through business combinations. Geographical analysis is based on the region in which the services are performed.

a. Primary reporting format — business segment analysis

	2006 US\$’000	2005 US\$’000
Turnover		
Protective security services	244,510	200,484
Security training	18,329	24,221
Weapons reduction and mine clearance	10,614	8,445
Turnover	<u>273,453</u>	<u>233,150</u>

Turnover in respect of protective security services includes recharges to third party customers at cost or cost plus a handling fee of certain contract expenses, including insurance, equipment, travel and out of pocket expenses of US\$3,476,000 for the year ended 31 December 2006 (2005: US\$8,317,000).

	<u>2006</u> US\$'000	<u>2005</u> US\$'000
Profit for the year from continuing operations		
Protective security services before head office costs	20,345	13,467
Security training before head office costs	(803)	6,967
Weapons reduction and mine clearance before head office costs	835	536
Head office costs	<u>(9,770)</u>	<u>(8,565)</u>
Segment result		
Protective security services including head office costs	11,610	6,102
Security training including head office costs	(1,458)	6,077
Weapons reduction and mine clearance including head office costs	<u>455</u>	<u>226</u>
Operating profit	<u>10,607</u>	<u>12,405</u>
Interest receivable and similar income	157	168
Interest payable and similar charges	<u>(1,209)</u>	<u>(451)</u>
Profit before tax	9,555	12,122
Income tax expense	<u>(2,460)</u>	<u>(3,632)</u>
Profit for the year from continuing operations	<u>7,095</u>	<u>8,490</u>

<u>2006</u>	<u>Protective security services US\$'000</u>	<u>Security training US\$'000</u>	<u>Weapons reduction and mine clearance US\$'000</u>	<u>Shared assets US\$'000</u>	<u>2006 US\$'000</u>
Segment assets	105,717	11,211	6,278	—	123,206
Shared assets					
— Deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>	3,845	3,845
Total assets	<u>105,717</u>	<u>11,211</u>	<u>6,278</u>	<u>3,845</u>	<u>127,051</u>

<u>2006</u>	<u>Protective security services US\$'000</u>	<u>Security training US\$'000</u>	<u>Weapons reduction and mine clearance US\$'000</u>	<u>Shared liabilities US\$'000</u>	<u>2006 US\$'000</u>
Segment liabilities	(26,225)	(2,277)	(836)	—	(29,338)
Shared liabilities					
— Group borrowings	<u>—</u>	<u>—</u>	<u>—</u>	(10,290)	(10,290)
— Current income tax liabilities	<u>—</u>	<u>—</u>	<u>—</u>	(2,102)	(2,102)
— Deferred tax liabilities	<u>—</u>	<u>—</u>	<u>—</u>	(2,434)	(2,434)
Total liabilities	<u>(26,225)</u>	<u>(2,277)</u>	<u>(836)</u>	<u>(14,826)</u>	<u>(44,164)</u>

<u>2005</u>	<u>Protective security services US\$'000</u>	<u>Security training US\$'000</u>	<u>Weapons reduction and mine clearance US\$'000</u>	<u>Shared assets US\$'000</u>	<u>2005 US\$'000</u>
Segment assets	103,222	10,048	3,183	—	116,453
Shared assets					
— Deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>	2,938	2,938
Total assets	<u>103,222</u>	<u>10,048</u>	<u>3,183</u>	<u>2,938</u>	<u>119,391</u>

2005	Protective security services US\$'000	Security training US\$'000	Weapons reduction and mine clearance US\$'000	Shared liabilities US\$'000	2005 US\$'000
Segment liabilities	(24,441)	(3,833)	(249)	—	(28,523)
Shared liabilities					
— Group borrowings	—	—	—	(10,838)	(10,838)
— Current income tax liabilities	—	—	—	(2,489)	(2,489)
— Deferred tax liabilities	—	—	—	(1,058)	(1,058)
Total liabilities	(24,441)	(3,833)	(249)	(14,385)	(42,908)

2006	Protective security services US\$'000	Security training US\$'000	Weapons reduction and mine clearance US\$'000	Year ended 31 December 2006 US\$'000
Other segment items				
Capital expenditure				
— Property, plant and equipment	13,488	1,374	3,243	18,105
— Intangible assets	524	52	—	576
Depreciation	12,528	1,960	383	14,871
Amortisation of intangible assets	414	26	—	440

2005	Protective security services US\$'000	Security training US\$'000	Weapons reduction and mine clearance US\$'000	Year ended 31 December 2005 US\$'000
Other segment items				
Capital expenditure (including acquisitions)				
— Property, plant and equipment	24,639	3,085	33	27,757
— Intangible assets	533	6,534	—	7,067
Depreciation	8,519	1,993	142	10,654
Amortisation of intangible assets	261	3	—	264

Included in capital expenditure for the year ended 31 December 2005 within security training is an amount of US\$1,634,000 of property, plant and equipment, US\$6,457,000 of goodwill and US\$77,000 of other intangible assets which were purchased as part of the acquisition of Phoenix CP Limited.

b. Secondary format — geographical segment analysis

	Revenue		Segment assets		Capital expenditure	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Western Europe	10,174	3,100	25,738	14,938	1,451	9,050
Eastern Europe	13,939	10,805	5,864	4,616	394	89
South America	20,959	16,247	7,393	6,656	604	1,419
North America	14,914	16,062	19,302	23,008	1,054	998
Asia	36,636	18,471	11,751	8,472	2,674	3,102
Africa	35,413	25,552	14,605	7,040	4,230	845
Middle East	141,418	142,913	38,553	51,723	8,274	19,321
	273,453	233,150	123,206	116,453	18,681	34,824
Shared assets						
— deferred tax	—	—	3,845	2,938	—	—
	273,453	233,150	127,051	119,391	18,681	34,824

Included in capital expenditure for the year ended 31 December 2005 within Western Europe is an amount of US\$1,634,000 of property, plant and equipment, US\$6,457,000 of goodwill and US\$77,000 of other intangible assets which were purchased as part of the acquisition of Phoenix CP Limited.

3 Directors and employees

Group	2006 US\$'000	2005 US\$'000
Staff costs for the Group during the year comprise:		
Wages and salaries	159,524	138,940
Social security costs	7,848	5,804
Cost of share-based incentive plans	881	1,537
Pension costs	999	732
	<u>169,252</u>	<u>147,013</u>
	2006 Number	2005 Number
Average monthly number of persons employed (including executive directors)		
Protective security services	8,829	8,438
Security training	205	141
Weapons reduction and mine clearance	331	200
Management and administration	519	450
	<u>9,884</u>	<u>9,229</u>

The Directors are of the opinion that the key management of the group comprises the Executive and Non-Executive Directors of ArmorGroup International plc. These persons have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

	2006 US\$'000	2005 US\$'000
Directors emoluments and key management compensation		
Aggregate emoluments	1,817	1,613
Company contributions paid to money purchase pension scheme	136	108
Share based payment costs	381	438
	<u>2,334</u>	<u>2,159</u>

The number of Directors accruing benefits under money purchase pension schemes at 31 December 2006 was 4 (31 December 2005: 5).

Company

The Company had no employees during the year ended 31 December 2006 (2005: nil) and incurred no staff costs (2005: US\$nil).

4 Net interest payable and similar charges

	2006 US\$'000	2005 US\$'000
Interest payable on bank overdrafts and loans	1,201	450
Interest payable on finance leases	8	1
Total interest and similar charges payable	1,209	451
Interest receivable and other income	(157)	(168)
Net interest payable and similar charges	<u>1,052</u>	<u>283</u>

5 Profit before tax

Group	2006 US\$'000	2005 US\$'000
Profit before tax is stated after charging:		
Staff costs (note 3)	169,252	147,013
Depreciation of tangible fixed assets		
Owned assets	14,811	10,651
Held under finance leases	60	3
Amortisation of intangibles	440	264
Operating lease rentals		
Plant and machinery	1,161	1,226
Other	5,099	4,682
Loss on sale of fixed assets	1,141	455
Net foreign exchange losses	<u>573</u>	<u>507</u>

Amortisation of intangibles is included in the income statement in administrative expenses.

Service provided by Group auditors

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors with the amounts payable for those services being charged to the income statement as detailed below:

	2006 US\$'000	2005 US\$'000
Audit of the accounts of the Group pursuant to legislation		
Fees payable to the Company's auditor for the audit of the parent and consolidated accounts	<u>625</u>	<u>671</u>
	625	671
Fees payable to the Company's auditor and it's associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	204	191
Other services pursuant to legislation	121	111
Tax services	<u>394</u>	<u>268</u>
Total audit and non-audit services	<u><u>1,344</u></u>	<u><u>1,241</u></u>

6 Income tax expense

	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Analysis of expense for the year		
UK current tax		
Corporation tax charge at 30% (2005: 30%)	1,792	—
Adjustment in respect of prior periods	<u>(16)</u>	<u>105</u>
	1,776	105
Foreign current tax		
Corporation tax charge	670	3,824
Adjustment in respect of prior periods	<u>(455)</u>	<u>(127)</u>
	215	3,697
Total current tax	1,991	3,802
UK deferred tax		
Deferred tax charge	597	1,307
Adjustment in respect of prior periods	<u>62</u>	<u>(487)</u>
	659	820
Foreign deferred tax		
Deferred tax credit	(115)	(399)
Adjustments in respect of prior periods	<u>(75)</u>	<u>(591)</u>
	(190)	(990)
Total deferred tax	469	(170)
Income tax expense	<u>2,460</u>	<u>3,632</u>

The total income tax expense for the year is lower (2005: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Profit before income tax	<u>9,555</u>	<u>12,122</u>
Profit multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	2,867	3,637
Adjustments to tax in respect of prior periods	(484)	(1,100)
Effect of foreign tax rates	(1,946)	(989)
Expenses not deductible for tax purposes	266	247
Depreciation in excess of capital allowances	13	7
Other timing differences	(27)	132
Utilisation of losses	(257)	(47)
Unrelieved foreign tax credits	343	237
Unrelieved losses carried forward	262	524
Deferred tax on undistributed earnings	<u>1,423</u>	<u>984</u>
Total income tax expense	<u>2,460</u>	<u>3,632</u>

7 Dividends

A dividend of 1.50 pence per share will be recommended by the Board after the balance sheet date and will be paid on 2 July 2007 to shareholders on the register on 1 July 2007.

An interim dividend for 2006 of 1.25p per share, amounting to US\$1,263,000, was paid on 10 November 2006 to shareholders on the register on 29 September 2006.

A second interim dividend for 2005 of 1.5 pence per share, amounting to US\$1,491,000 was paid on 30 June 2006 to shareholders on the register on 2 June 2006.

An interim dividend for 2005 of 1.25 pence per share, amounting to US\$1,150,000 was paid on 4 November 2005 to shareholders on the register on 23 September 2005.

8 Profit for the financial year attributable to shareholders of ArmorGroup International plc

As permitted by Section 230 of the Companies Act, the income statement of the parent company is not presented as part of these financial statements. The profit for the year ended 31 December 2006 was US\$4,386,000 (2005: US\$2,741,000).

9 Earnings per share

Basic

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>2006</u>	<u>2005</u>
Profit attributable to equity holders of the Company (US\$'000)	7,095	8,490
Weighted average number of ordinary shares	53,145,172	52,278,472
Basic earnings per share (US cents)	<u>13.35</u>	<u>16.24</u>

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	<u>2006</u>	<u>2005</u>
Profit attributable to equity holders of the Company (US\$'000)	7,095	8,490
Weighted average number of ordinary shares	53,145,172	52,278,472
Adjustment for dilutive potential of ordinary shares	<u>1,202,826</u>	<u>1,582,655</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>54,347,998</u>	<u>53,861,127</u>
Diluted earnings per share (US cents)	<u>13.05</u>	<u>15.76</u>

10 Intangible assets

2006	Other intangible assets				
	Goodwill US\$'000	Patents & trade marks US\$'000	Software US\$'000	Other acquired intangibles US'000	Total US\$'000
Group					
Cost					
At 1 January 2006	20,355	78	968	77	1,123
Exchange adjustments	910	—	—	—	—
Additions	52	90	434	—	524
At 31 December 2006	21,317	168	1,402	77	1,647
Accumulated amortisation					
At 1 January 2006	—	21	373	3	397
Charge for the year	—	36	378	26	440
At 31 December 2006	—	57	751	29	837
Net book value					
At 31 December 2006	21,317	111	651	48	810
At 31 December 2005	20,355	57	595	74	726
2005					
Other intangible assets					
	Goodwill US\$'000	Patents & trade marks US\$'000	Software US\$'000	Other acquired intangibles US\$'000	Total US\$'000
Group					
Cost					
At 1 January 2005	13,898	51	462	—	513
Additions	—	27	506	—	533
Acquired through business combination	6,457	—	—	77	77
At 31 December 2005	20,355	78	968	77	1,123
Accumulated amortisation					
At 1 January 2005	—	2	131	—	133
Charge for the year	—	19	242	3	264
At 31 December 2005	—	21	373	3	397
Net book value					
At 31 December 2005	20,355	57	595	74	726
At 31 December 2004	13,898	49	331	—	380

Intangible assets acquired through business combination

On 17 November 2005 the Group purchased 100% of the share capital of Phoenix CP Ltd together with the property used by the business for a consideration of US\$7,634,000, resulting in goodwill of US\$6,457,000. The fair value of intangible assets, other than goodwill, acquired as a result of this business combination which represented know how amounted to US\$77,000. This amount is being amortised over three years. Further details of the acquisition can be found in Note 26.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) which reflect how it is monitored for internal management purposes. Goodwill has been allocated by business segments as follows:

	2006	2005
	US\$'000	US\$'000
ArmorGroup Services Protective security business	5,155	5,155
ArmorGroup North America Protective security business	3,311	3,311
US Defence Systems business	1,195	1,195
ArmorGroup Services Jersey business	1,270	1,270
Protective security services Venezuela	<u>777</u>	<u>777</u>
Total Protective security services	11,708	11,708
Security training UK	7,419	6,457
Security training US	<u>2,190</u>	<u>2,190</u>
Total security training	<u>9,609</u>	<u>8,647</u>
	<u>21,317</u>	<u>20,355</u>

Goodwill is tested for impairment at least annually. The recoverable amount of each CGU is based on value in use calculations. No impairment charge was required for the years ended 31 December 2006 and 2005 as a result of the impairment tests performed.

The key assumptions used in the value in use calculations were as follows:

Period over which the directors have projected cash flows

The value in use calculations use cash flow projections based on financial budgets approved by the Board covering a one year period. The cash flows subsequent to the approved budget period are based upon long term historic growth rates of the underlying territories in which the cash generating unit operates and reflect the long-term growth prospects of the sectors in which the cash generating unit operates. The perpetuity growth rates used vary between 1.5% to 2.5%. The growth rates do not exceed the long term historic growth rate for the underlying territories in which the cash generating unit operates.

Discount rate

The discount rate is based on the Group's weighted average cost of capital pre-tax adjusted for risks relating to each specific cash generating unit. The pre-tax discount rates used are in the range of 10% to 15% for Protective Security Services and Security Training.

The Directors are of the opinion that the assumptions used in the value in use calculations are appropriate. Whilst it is conceivable that a key assumption in the calculations could change, the Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts to exceed their recoverable amounts.

11 Property, plant and equipment

2006

Group	Land and Buildings US\$'000	Plant and Equipment US\$'000	Motor Vehicles US\$'000	Office Equipment US\$'000	Fixtures and Fittings US\$'000	Asset under construction US\$'000	Total US\$'000
Cost							
At 1 January 2006	8,111	9,411	23,066	2,167	1,112	2,832	46,699
Exchange adjustments	16	41	59	34	39	—	189
Additions	1,144	1,875	12,355	1,462	255	1,014	18,105
Disposals	—	(90)	(2,543)	(184)	(33)	—	(2,850)
Reclassification	3,846	—	—	—	—	(3,846)	—
At 31 December 2006	13,117	11,237	32,937	3,479	1,373	—	62,143
Accumulated depreciation							
At 1 January 2006	1,789	6,686	7,940	922	578	—	17,915
Exchange adjustments	1	26	17	26	4	—	74
Charge for the year	1,497	2,576	9,482	1,113	203	—	14,871
Disposals	—	(76)	(1,317)	(163)	(31)	—	(1,587)
At 31 December 2006	3,287	9,212	16,122	1,898	754	—	31,273
Net book value							
At 31 December 2006	9,830	2,025	16,815	1,581	619	—	30,870
At 31 December 2005	6,322	2,725	15,126	1,245	534	2,832	28,784

2005

Group	Land and Buildings US\$'000	Plant and Equipment US\$'000	Motor Vehicles US\$'000	Office Equipment US\$'000	Fixtures and Fittings US\$'000	Asset under construction US\$'000	Total US\$'000
Cost							
At 1 January 2005	5,657	6,155	6,960	1,539	701	—	21,012
Exchange adjustments	2	24	(18)	9	(2)	—	15
Additions	1,370	3,566	17,556	632	167	2,832	26,123
Acquired through business combination	1,087	67	194	31	255	—	1,634
Disposals	(5)	(401)	(1,626)	(44)	(9)	—	(2,085)
At 31 December 2005	8,111	9,411	23,066	2,167	1,112	2,832	46,699
Accumulated depreciation							
At 1 January 2005	713	3,556	3,802	367	329	—	8,767
Exchange adjustments	1	11	(10)	9	(2)	—	9
Charge for the year	1,076	3,506	5,240	577	255	—	10,654
Disposals	(1)	(387)	(1,092)	(31)	(4)	—	(1,515)
At 31 December 2005	1,789	6,686	7,940	922	578	—	17,915
Net book value							
At 31 December 2005	6,322	2,725	15,126	1,245	534	2,832	28,784
At 31 December 2004	4,944	2,599	3,158	1,172	372	—	12,245

At 31 December 2006, motor vehicles with a net book value of US\$57,000 (2005: US\$89,000) were held under hire purchase agreements.

Land and buildings comprises freehold land and buildings with a net book value of US\$2,611,000 (2005: US\$2,392,000) and short-term leasehold land and buildings with a net book value of US\$7,219,000 (2005: US\$3,930,000)

12 Investment in group companies

	<u>US\$'000</u>
Company — subsidiary undertakings	
Cost and net book value	
At 1 January 2005	3,584
Acquisition of Phoenix CP Ltd	7,634
Investment in ArmorGroup (UK) Limited	1,288
Disposal of subsidiary to fellow group company	(7,634)
Capital contribution in respect of share options	<u>1,537</u>
At 31 December 2005	6,409
Capital contribution in respect of share options	881
At 31 December 2006	<u>7,290</u>

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

During the year ended 31 December 2005, the Company acquired 100% of the share capital of Phoenix CP Limited for a total consideration of US\$7,634,000. Further details of the acquisition can be found in Note 26. Following the acquisition, the Company sold 100% of the share capital of Phoenix CP Ltd to a fellow group company, ArmorGroup (UK) Limited, for a total consideration of US\$7,634,000. The consideration was satisfied by ArmorGroup (UK) Limited issuing US\$1,288,000 of shares and US\$6,346,000 by way of an inter-company loan.

At 31 December 2006, the Company had an interest in the following companies, all of which are wholly owned except where stated:

<u>Company</u>	<u>Nature of operations</u>	<u>Country of incorporation</u>
ArmorGroup Services Limited	Security Services and Security Training	England and Wales
ArmorGroup (UK) Limited	Holding Company	England and Wales
ArmorGroup (Worldwide) Limited	Holding Company	England and Wales
ArmorGroup Iraq Limited	Security Services and Security Training	England and Wales
Defence Systems Eurasia Limited	Security Services	England and Wales
ArmorGroup International Inc.	Holding Company	USA
US Defense Systems LLC	Security Services	USA
ArmorGroup North America Inc.	Security Services and Security Training	USA
International Training Inc.	Security Training	USA
ITI Limited Partnership	Security Training	USA
ArmorGroup Services (Jersey) Limited	Security Services	Jersey
ArmorGroup Venezuela SA	Security Services	Venezuela
ArmorGroup Inversiones Venezuela SA	Security Services	Venezuela
Defence Systems Colombia SA	Security Services	Colombia
Defence Systems Ecuador DSE Limited	Security Services	Ecuador
ArmorGroup Site Logistics Sprl	Security Services	Democratic Republic of Congo
Alarm Protection Services Limited	Security Services	Uganda
ArmorGroup Tanzania Limited	Security Services	Tanzania
ArmorGroup Kenya Limited	Security Services	Kenya
ArmorGroup (Nigeria) Limited	Security Services	Nigeria
ArmorGroup Gabon SA	Security Services	Gabon
ArmorGroup Mozambique Ltda	Security Services	Mozambique
MMA Limitada (90%)	Security Services	Mozambique
Defence Systems Eurasia Limited (Ukraine)	Security Services	Ukraine

<u>Company</u>	<u>Nature of operations</u>	<u>Country of incorporation</u>
OOO DSL Eurasia (Moscow)	Security Services	Russia
ArmorGroup Humanitarian Operations LLC	Security Services	Russia
ArmorGroup Sever LLC	Security Services	Russia
ArmorGroup Vostok	Security Services	Russia
OOO Chop ArmorGroup Eurasia ZAO	Security Services	Russia
ArmorGroup Eurasia LLC	Security Services	Azerbaijan
Mine Action Services Limited DOO	Security Services	Bosnia Herzegovina
ArmorGroup (Special Clearance Services) Limited	Security Services	British Virgin Islands
ArmorGroup (Asia Pacific) Limited	Security Services	British Virgin Islands
ArmorGroup (Asia Pacific) Co Limited	Security Services	Thailand
ArmorGroup (Asia Pacific) Co Limited	Security Services	Hong Kong
ArmorGroup Philippines Inc	Security Services	Philippines
Phoenix CP Ltd	Security Training	England and Wales
ArmorGroup (Rwanda) SARL	Security Services	Rwanda
ArmorGroup Cote D'Ivoire SARL	Security Services	Cote D'Ivoire
ArmorGroup Khabarovsk LLC PSC	Security Services	Russia

The above subsidiary undertakings are all held indirectly by the Company except for ArmorGroup (UK) Limited. The percentage of the issued share capital held by the Group is equivalent to the percentage of voting rights held. The companies listed above include only those which contribute significantly to profit and net assets of the Group. A full list of subsidiary undertakings will be annexed to the next annual return of the Company to be filed with the Registrar of Companies.

13 Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Consumables	<u>1,530</u>	<u>1,170</u>	<u>—</u>	<u>—</u>
	<u>1,530</u>	<u>1,170</u>	<u>—</u>	<u>—</u>

The group consumed US\$2,547,000 of inventories during the year ended 31 December 2006 (2005: US\$683,000) which is included in the income statement in cost of sales.

14 Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Trade receivables	42,223	43,696	—	—
Less: Provision for impairment of receivables	<u>(608)</u>	<u>(756)</u>	<u>—</u>	<u>—</u>
Trade receivables — net	41,615	42,940	—	—
Other debtors	3,585	2,982	—	—
Prepayments and accrued income	8,833	7,192	—	88
Amounts owed by group undertakings	<u>—</u>	<u>—</u>	<u>79,060</u>	<u>76,308</u>
	<u>54,033</u>	<u>53,114</u>	<u>79,060</u>	<u>76,396</u>

There is limited concentration of credit risk with respect to trade receivables, as the group has a large number of internationally dispersed customers. Therefore, management believe that no further credit risk provision is required in excess of normal provision for doubtful receivables.

Amounts owed by group undertakings earn interest at LIBOR plus 1.5% and have no fixed repayment terms.

15 Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Cash at bank and in hand	14,646	12,304	—	—
	<u>14,646</u>	<u>12,304</u>	<u>—</u>	<u>—</u>

16 Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Trade payables	5,483	3,655	—	—
Amounts due to group undertakings	—	—	6,533	5,848
Other tax and social security payable	417	854	—	—
Other creditors	2,989	1,939	22	—
Accruals	11,357	10,447	4	52
Deferred income	911	517	—	—
	<u>21,157</u>	<u>17,412</u>	<u>6,559</u>	<u>5,900</u>

Amounts due to group undertakings bear interest at LIBOR plus 1.5% and have no fixed repayment terms.

17 Current income tax liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>	<u>2006</u> <u>US\$'000</u>	<u>2005</u> <u>US\$'000</u>
Current income tax liabilities	<u>2,102</u>	<u>2,489</u>	<u>607</u>	<u>—</u>

18 Financial instruments**Financial risk management**

The Group's multi-national operations expose it to a variety of financial risks that include interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's treasury policy which is determined by the Board of Directors governs the management of financial risks within the Group. In accordance with the treasury policy, the Group actively monitors and manages its financial risk exposures. The policy permits the use of financial instruments such as derivatives, where appropriate. However, under the policy speculative transactions are not permitted. The Group had no derivative instruments outstanding at 31 December 2006 and 2005.

Interest rate risk

The Group borrows principally in US Dollars at both fixed and floating rates of interest. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. In order to hedge specific exposures, the Group will from time to time use interest rate derivatives to generate the desired profile and to manage the Group's exposure to interest rate fluctuations.

Currency risk

The Group, in general, does not consider it necessary to enter into foreign currency or forward contracts since it primarily deals with stable currencies. The Group's strategy to minimise foreign exchange risk is to invoice wherever possible in the Group's functional currency, US Dollars, draw all significant borrowings in US Dollars and hold bank accounts in US Dollars within operations with a different local currency. Furthermore, the Group is a net purchaser of soft currencies due to the natural hedge achieved through the structuring of its contracts.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group's client base principally comprises first world national governments, major international inter-governmental organisations and multinational corporations. As a result, the Group has good visibility as to the standing and reputation of its clients.

The Group has no significant concentrations of credit risk with the exception of trade receivables due from its three largest clients (two international corporations and the UK Government) totalling US\$14,867,000 at 31 December 2006 (2005: from two US multinational corporations totalling US\$13,408,000).

Liquidity risk

The Group ensures availability of funding through an appropriate amount of committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

Financial liabilities — Borrowings

The Group's current and non-current borrowings are as follows:

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Current				
Borrowings due within one year or on demand				
Bank loans and overdrafts	14,561	14,915	13,045	13,322
Finance lease liabilities	53	38	—	—
	<u>14,614</u>	<u>14,953</u>	<u>13,045</u>	<u>13,322</u>
Non-current				
Bank loans due between one and two years	3,138	4,036	—	—
Bank loans due between two and five years	450	2,696	—	—
Finance lease liabilities due between one and two years	4	51	—	—
	<u>3,592</u>	<u>6,783</u>	<u>—</u>	<u>—</u>

At 31 December 2006 the Group had a multi-currency revolving credit facility of up to US\$18,000,000 (2005: US\$15,000,000) for general corporate and working capital purposes and an asset finance facility of US\$12,000,000 (2005: US\$12,000,000). The facility, which expired on 8 December 2006, has been renewed by the bank on a rolling basis pending the final agreement of a new financing arrangement. The facility is secured by a fixed charge over all fixed assets and a floating charge over all other assets of the Group. The interest rate payable under the multi-currency revolving credit facility is LIBOR plus 1.5%. At 31 December 2006 the amount drawn down by the Group and Company under the multi-currency revolving credit facility was US\$10,290,000 (2005: US\$10,838,000).

As at 31 December 2006, US\$7,807,000 (2005: US\$10,784,000) of the asset financing facility had been drawn down of which US\$4,219,000 (2005: US\$4,052,000) falls due within one year and the remaining US\$3,588,000 (2005: US\$6,732,000) after one year. Interest is charged at a fixed rate determined at the time of draw down. The weighted average interest rate was 4.03% at 31 December 2006 (2005: 3.75%). The loan term of each drawn down amount is either two or three years, dependent upon the nature of the relevant fixed asset. The loans are included within the security arrangements for the multi-currency revolving credit facility.

Financial assets and liabilities — currency and interest rate disclosures

The financial assets and liabilities of the Group and their associated currency and interest rate risk profiles at 31 December 2006 and 2005 are set out below:

Financial assets

Group	Cash at bank and in hand US\$'000	Trade receivables less provision US\$'000	Other receivables and accrued income US\$'000	Total US\$'000
Currency				
US dollars				
— floating	6,808	—	—	6,808
— non interest earning	1,541	32,319	4,954	38,814
UK sterling				
— floating	3,122	—	—	3,122
— non interest earning	20	6,427	2,344	8,791
Rouble				
— floating	1,125	—	—	1,125
— non interest earning	9	—	—	9
Other currencies				
— floating	1,765	—	—	1,765
— non interest earning	256	2,869	925	4,050
At 31 December 2006	14,646	41,615	8,223	64,484
Group	Cash at bank and in hand US\$'000	Trade receivables less provision US\$'000	Other receivables and accrued income US\$'000	Total US\$'000
Currency				
US dollars				
— floating	6,684	—	—	6,684
— non interest earning	540	34,800	7,141	42,481
UK sterling				
—floating	732	—	—	732
— non interest earning	27	5,692	11	5,730
Rouble				
— floating	2,970	—	—	2,970
Other currencies				
— floating	1,166	—	—	1,166
— non interest earning	185	2,448	510	3,143
At 31 December 2005	12,304	42,940	7,662	62,906

Financial liabilities

Group	Bank overdrafts US\$'000	Bank loans US\$'000	Trade payables US\$'000	Finance leases US\$'000	Accruals US\$'000	Provisions US\$'000	Total US\$'000
Currency							
US dollars							
— fixed	—	7,807	—	—	—	—	7,807
— floating	—	10,290	—	—	—	—	10,290
— no interest paid	—	—	2,324	—	9,330	59	11,713
UK sterling							
— fixed	—	—	—	57	—	—	57
— no interest paid	—	—	2,615	—	287	—	2,902
Other currencies							
— floating	52	—	—	—	—	—	52
— no interest paid	—	—	544	—	1,740	—	2,284
At 31 December 2006	52	18,097	5,483	57	11,357	59	35,105

Group	Bank overdrafts US\$'000	Bank loans US\$'000	Trade payables US\$'000	Finance leases US\$'000	Accruals US\$'000	Provisions US\$'000	Total US\$'000
Currency							
US dollars							
— fixed	—	10,784	—	—	—	—	10,784
— floating	—	10,838	—	—	—	—	10,838
— no interest paid	—	—	2,550	—	9,205	102	11,857
UK sterling							
— fixed	—	—	—	89	—	—	89
— no interest paid	—	—	672	—	4	—	676
Other currencies							
— floating	25	—	—	—	—	—	25
— no interest paid	—	—	433	—	1,238	—	1,671
At 31 December 2005	25	21,622	3,655	89	10,447	102	35,940

Currency exposures

The table below shows the extent to which the companies in the Group have monetary assets and liabilities in currencies other than the functional currency of the local operation. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

Group	Net foreign currency monetary assets/(liabilities)						Total US\$'000
	Sterling US\$'000	US Dollars US\$'000	Naira US\$'000	Rouble US\$'000	Kenyan Shilling US\$'000	Other currencies US\$'000	
Functional currency of Group operation:							
US dollars	7,216	—	3,037	1,134	2,031	1,731	15,149
Colombian Peso	—	(3)	—	—	—	—	(3)
Venezuelan Bolivar	—	(99)	—	—	—	(91)	(190)
UK Sterling	—	313	—	—	—	—	313
Kenyan shilling	10	105	—	—	—	—	115
Ugandan Shilling	—	338	—	—	(5)	(4)	329
Nigerian Naira	140	1,274	—	—	—	207	1,621
Other currencies	—	111	—	—	(5)	(4)	102
At 31 December 2006	7,366	2,039	3,037	1,134	2,021	1,839	17,436

Net foreign currency monetary assets/(liabilities)							
Group	Sterling US\$'000	US Dollars US\$'000	Naira US\$'000	Rouble US\$'000	Kenyan Shilling US\$'000	Other currencies US\$'000	Total US\$'000
Functional currency of Group operation:							
US dollars	4,041	—	2,298	2,970	1,780	1,206	12,295
Colombian Peso	—	124	—	—	—	—	124
Venezuelan Bolivar	—	304	—	—	—	—	304
UK Sterling	—	(841)	—	—	—	—	(841)
Ugandan Shilling	—	129	—	—	—	—	129
Nigerian Naira	134	450	—	—	—	—	584
At 31 December 2005	4,175	166	2,298	2,970	1,780	1,206	12,595

Company

The Company holds financial assets which comprise intercompany balances only that are denominated in US\$ and are interest bearing (Note 14). The Company's bank overdraft and loans which at 31 December 2006 total US\$13,045,000 (2005: US\$13,322,000) are denominated in US dollars and bear interest at a floating rate based on LIBOR.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's borrowings and other non-current financial liabilities at 31 December 2006 and 31 December 2005 was as follows:

Group	Bank overdrafts US\$'000	Bank borrowings US\$'000	Asset financing US\$'000	Assets held under hire purchase US\$'000	2006 Total US\$'000
Within one year, or on demand	52	10,290	4,219	53	14,614
Between one and two years	—	—	3,138	4	3,142
Between two and five years	—	—	450	—	450
	52	10,290	7,807	57	18,206

Company	Bank overdrafts US\$'000	Bank borrowings US\$'000	2006 Total US\$'000
Within one year, or on demand	2,755	10,290	13,045
	2,755	10,290	13,045

Group	Bank overdrafts US\$'000	Bank borrowings US\$'000	Asset financing US\$'000	Assets held under hire purchase US\$'000	2005 Total US\$'000
Within one year, or on demand	25	10,838	4,052	38	14,953
Between one and two years	—	—	4,036	51	4,087
Between two and five years	—	—	2,696	—	2,696
	25	10,838	10,784	89	21,736

Company	Bank overdrafts US\$'000	Bank borrowings US\$'000	2005 Total US\$'000
Within one year, or on demand	2,484	10,838	13,322
	2,484	10,838	13,322

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 December 2006 and 2005 in respect of which all conditions precedent had been met:

	2006 US\$'000	2005 US\$'000
Expiring in less than one year	11,852	5,377
	<u>11,852</u>	<u>5,377</u>

The facilities at 31 December 2006 and 2005 comprised facilities under the multi-currency revolving facility agreement and the asset financing agreement. All these facilities incurred commitment fees at market rates.

The minimum lease payments under finance leases fall due as follows:

	2006 US\$'000	2005 US\$'000
Within one year	55	45
After one year but not more than five	4	53
	59	98
Future finance charges on finance leases	(2)	(9)
Present value of finance lease liabilities	<u>57</u>	<u>89</u>

Fair value of financial assets and financial liabilities

The fair values of the Group and Company's financial assets and financial liabilities at 31 December 2006 and 2005 were not materially different from their book values.

19 Provisions and other liabilities

Group	Onerous lease provision US \$'000	Employers national insurance on share options US \$'000	Total US \$'000
At 1 January 2006	102	111	213
Utilised in the year	(43)	(4)	(47)
Unused amounts released to the income statement	—	(9)	(9)
Charge for the year	—	108	108
At 31 December 2006	<u>59</u>	<u>206</u>	<u>265</u>

Provisions and other liabilities have been analysed between current and non-current as follows:

	2006 US\$'000	2005 US\$'000
Current	134	124
Non-current	131	89
	<u>265</u>	<u>213</u>

Onerous lease provision

The Group has provided for lease payments on a property identified as surplus to requirements and which is sub-let at a shortfall. The provision reflects the shortfall of sub-let rental income over the remaining term of the lease which at 31 December 2006 is approximately two years.

Employers National Insurance on share options

The Group has provided for the expected employers National Insurance liability arising on options over shares in ArmorGroup International plc. granted to employees of the Group. The provision has been calculated using the fair value of ArmorGroup International plc. shares as of 31 December 2006 of £0.77 (2005: £0.69) and is expected to be utilised between 2007 and 2009.

20 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate relevant to each tax jurisdiction.

The movement in deferred tax assets is as follows:

	Depreciation in excess of capital allowances US\$'000	Tax losses US\$'000	Other timing differences US\$'000	Total US\$'000
At 1 January 2005	701	—	1,052	1,753
Credit/(charge) to the income statement	1,580	156	(551)	1,185
At 31 December 2005	2,281	156	501	2,938
Credit/(charge) to the income statement	1,105	(119)	(79)	907
At 31 December 2006	<u>3,386</u>	<u>37</u>	<u>422</u>	<u>3,845</u>

The movement in deferred tax liabilities is as follows:

	Accelerated capital allowances US\$'000	Undistributed earnings US\$'000	Other timing differences US\$'000	Total US\$'000
At 1 January 2005	—	—	—	—
Credit/(charge) to the income statement	7	(984)	(38)	(1,015)
Acquired through business combination	(43)	—	—	(43)
At 31 December 2005	(36)	(984)	(38)	(1,058)
Credit/(charge) to the income statement	18	(1,423)	29	(1,376)
At 31 December 2006	<u>(18)</u>	<u>(2,407)</u>	<u>(9)</u>	<u>(2,434)</u>

Deferred income tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

The deferred tax asset due after more than one year is US\$3,540,000 (2005: US\$2,414,000) and the deferred tax liability due after more than one year is US\$1,441,000 (2005: US\$1,020,000).

The Group has the following balances in respect of which no deferred tax asset has been recognised:

	2006 US\$'000	2005 US\$'000
Taxation losses carried forward	1,216	1,787
Depreciation in excess of capital allowances	99	158
Other timing differences	371	383
Unprovided deferred tax asset	<u>1,686</u>	<u>2,328</u>

The above unprovided deferred tax asset can be carried forward indefinitely, except for unrecognised tax losses of US\$43,000 (2005: US\$143,000) that will expire within one year, US\$256,000 (2005: US\$447,000) that will expire between one to five years and US\$251,000 (2005: US\$361,000) that will expire after five years.

No liability has been recognised on the undistributed earnings of overseas subsidiaries to the extent 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. If the earnings were distributed, tax of US\$3,577,000 (2005: US\$6,350,000) would be payable.

In 2007, the UK government announced its intention to reduce the UK corporate income tax rate from 30% to 28%. As of December 31, 2006, the tax rate change was not substantively enacted. The deferred tax expense for 2006 would have increased by approximately US\$56,000 and the effective tax rate by approximately 0.6%, had the change of nominal tax rate been substantively enacted as of the said date.

21 Called up share capital

		2006 US\$'000	2005 US\$'000
Authorised equity shares:			
90,000,000 Ordinary Shares of £0.01 each		1,748	1,748
360,000 Dollar Deferred Shares of \$0.10 each		36	36
1 deferred share of £1		—	—
		<u>1,784</u>	<u>1,784</u>
	Number ordinary shares £0.01p	Number deferred shares	US\$'000
Share capital allotted, called up and fully paid equity shares:			
At 1 January 2005			
Ordinary shares of £0.01 each	52,056,699	—	991
Deferred shares of \$0.10 each	—	360,000	36
Deferred shares of £1 each	—	1	—
	<u>52,056,699</u>	<u>360,001</u>	<u>1,027</u>
Allotted under share options schemes	185,915	—	4
Allotted to satisfy loan arrangement fees	22,143	—	—
Allotted on acquisition of Phoenix CP Ltd	<u>810,000</u>	<u>—</u>	<u>15</u>
At 1 January 2006			
Ordinary shares of £0.01 each	53,074,757	—	1,046
Deferred shares of \$0.10 each	—	360,000	—
Deferred shares of £1 each	—	1	—
	<u>53,074,757</u>	<u>360,001</u>	<u>1,046</u>
Allotted under share options schemes	<u>160,130</u>	<u>—</u>	<u>3</u>
At 31 December 2006	<u>53,234,887</u>	<u>360,001</u>	<u>1,049</u>

Movement in share capital from 1 January 2005 to 31 December 2005:

- (i) During the period from 1 January 2005 to 31 December 2005, 185,915 ordinary shares of £0.01p each were issued by the Company at par value to satisfy the exercise of pre-IPO options.
- (ii) On 8 February 2005, 22,143 ordinary shares of £0.01p each were issued to satisfy an arrangement fee of \$80,000 in connection with convertible unsecured loan notes that were both issued and converted during the year ended 31 December 2004.
- (iii) On 17 November 2005, 810,000 ordinary shares of £0.01p were issued to satisfy part of the consideration for the purchase of Phoenix CP Ltd.

Movement in share capital from 1 January 2006 to 31 December 2006:

- (i) During the period from 1 January 2006 to 31 December 2006, 160,130 ordinary shares of £0.01p each were issued by the Company at par value to satisfy the exercise of pre-IPO options.

Deferred Shares

The holders of Dollar Deferred Shares are not entitled to receive notice of any general meeting and are not entitled to receive any dividend or other distribution. Furthermore, the holders of Dollar Deferred Shares have no right to participate in the assets of the Company save to receive on a return of assets after payment of the Company's liabilities the amount paid up on such shares after the holders of the ordinary shares have been repaid in full the capital paid up on such shares and received an amount equal to £10,000,000 per Ordinary Share. The Sterling Deferred Share bears the same rights and privileges as the Dollar Deferred Shares.

Potential issue of ordinary shares of £0.01p is described in Note 22.

22 Share based payments

ArmorGroup International plc operates three share option schemes as discussed below.

The ArmorGroup International Unapproved Share Option Scheme was set up in 2004 prior to the Admission of the Company to the London Stock Exchange. On 27 September 2004 and 16 November 2004 a total of 19,800 options over Dollar Ordinary shares of \$0.10 each were granted to certain directors, senior management and other key employees with an exercise price of \$18.52 per share. On Admission on 14 December 2004, the options were rebased so as to be in respect of 1,276,634 ordinary shares of £0.01 each and the exercise price was adjusted to 14.8 pence per share. There are no performance criteria attached to the exercise of these options. These options vest in three tranches, with the earliest date for each tranche occurring annually on 31 December 2004 or 31 March 2005 until 31 December 2006 or 31 March 2007. The options expire in September or November 2014.

On 15 March 2006, a total of 822,319 options over ordinary shares of £0.01p, each with an exercise price of £0.995 per share were granted to certain directors, senior management and other key employees, which represented the second share option awards under the ArmorGroup Executive Share Option Plan. The earliest exercise date of these options is 15 March 2009, subject to certain performance criteria being met, and the options expire on 15 March 2016. On 17 March 2005, a total of 643,370 options over ordinary shares of £0.01p, each with an exercise price of £2.216 per share, were granted which represented the first share option awards under this Plan. The earliest exercise date of these options is 17 March 2008, subject to certain performance criteria being met and the options expire on 17 March 2015. The performance conditions are based on the growth in the Company's earnings per share (EPS) in excess of inflation over a three year period. If average growth over the performance period equals or exceeds inflation by an average of between 8-11% per annum, the options will vest on a straight line basis between 25%-100%.

In addition, on 15 March 2006, a total of 1,030,813 nil-cost options over ordinary shares of £0.01p each were granted to certain directors, senior management and other key employees, which represented the second share option awards under the ArmorGroup Performance Share Plan. The earliest exercise date of these options is 15 March 2009, subject to certain performance criteria being met, and the options expire on 15 September 2009. On 17 March 2005, a total of 591,260 nil-cost options over ordinary shares of £0.01p each were granted representing the first share option awards under this Plan. The earliest exercise date of these options is 17 March 2008, subject to certain performance criteria being met and the options expire on 17 September 2008. Awards are subject to the Company's total shareholder return performance over three years compared to that of a comparator group composed of the constituents of the FTSE Small Cap Index. Vesting will occur on a straight-line basis between 25% for median performance and 100% for upper quartile performance.

Exercise of options under each of the three share option schemes is subject to continued employment.

Options were valued using the Monte Carlo option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

	<u>Pre-IPO options</u>	<u>Executive share option plan</u>		<u>Performance share plan</u>	
	27/09/04/ 16/11/04	17/03/05	15/03/06	17/03/05	15/03/06
Grant date	16/11/04	17/03/05	15/03/06	17/03/05	15/03/06
Share price at grant date	N/A	222.5p	99.75p	222.5p	99.75p
Exercise price	14.8p	221.6p	99.5p	—	—
Number of employees	92	39	67	21	38
Shares under option	1,276,634	643,370	822,319	591,260	1,030,813
Vesting period (years)	1-3	3	3	3	3
Expected volatility	28.9%	28.9%	42.2%	28.9%	33.9%
Option life (years)	10	10	10	3.5	3.5
Expected life (years)	3	4	4	3	3
Risk free rate	4.86%	4.77%	4.39%	4.77%	4.39%
Expected dividends expressed as a dividend yield	0.89%	0.89%	0.89%	0.89%	0.89%
Possibility of ceasing employment before vesting	7.5%	7.5%	7.5%	7.5%	7.5%
Fair value per option	US\$2.26	US\$1.28	US\$0.48	US\$2.68	US\$0.88

Market related performance conditions which are used to determine the vesting pattern of options under the ArmorGroup performance share plan were reflected in the determination of the fair value of an option under this scheme.

The assumption on expected volatility was based on the volatility of comparable companies within the FTSE SmallCap Index, of which ArmorGroup International plc is a part, due to the short historical trading period of the Company as a listed company.

A reconciliation of option movements is shown below:

	<u>Pre-IPO option scheme Number</u>	<u>Executive share option plan Number</u>	<u>Performance share plan Number</u>	<u>Total Number</u>
Outstanding at 1 January 2005	1,276,634	—	—	1,276,634
Granted	—	643,370	591,260	1,234,630
Forfeited	(136,621)	(7,560)	—	(144,181)
Exercised	(185,915)	—	—	(185,915)
Outstanding at 1 January 2006	954,098	635,810	591,260	2,181,168
Granted	—	822,319	1,030,813	1,853,132
Forfeited	(27,938)	(71,060)	(188,430)	(287,428)
Exercised	(160,130)	—	—	(160,130)
Outstanding at 31 December 2006	766,030	1,387,069	1,433,643	3,586,742
Exercisable at 31 December 2006	263,079	—	—	263,079
Exercisable at 31 December 2005	185,472	—	—	185,472

The weighted average share price during the year was £0.74 (2005: £1.82).

The total share based payment charge for the year was US\$881,000 (2005: US\$1,537,000) all of which related to equity-settled share based payment transactions.

23 Reconciliation of profit after tax to net cash inflow/(outflow) from operating activities

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Profit after tax	7,095	8,490	4,386	2,741
Adjustments for:				
Interest receivable	(157)	(168)	(4,360)	(13)
Interest payable	1,209	451	625	189
Taxation	2,460	3,632	607	—
Depreciation	14,871	10,654	—	—
Loss on disposal of property, plant and equipment	1,141	455	—	—
Amortisation of intangible assets	440	264	—	—
Compensation charge in respect of share based payments	881	1,537	—	—
	<u>27,940</u>	<u>25,315</u>	<u>1,258</u>	<u>2,917</u>
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)				
Increase in inventories	(360)	(991)	—	—
Increase in trade and other receivables	(768)	(9,386)	(2,664)	(11,781)
Increase in payables	3,786	845	729	503
Increase in provisions	52	28	—	—
Cash inflow/(outflow) from operations	<u>30,650</u>	<u>15,811</u>	<u>(677)</u>	<u>(8,361)</u>

Cash and cash equivalents for the purposes of the cash flow statement are analysed as follows:

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Cash and cash equivalents per balance sheet	14,646	12,304	—	—
Bank overdrafts (Note 18)	(52)	(25)	(2,755)	(2,484)
Net cash and cash equivalents per cash flow statement	<u>14,594</u>	<u>12,279</u>	<u>(2,755)</u>	<u>(2,484)</u>

24 Reconciliation of net cash flow to movement in net debt

	Group		Company	
	2006 US\$'000	2005 US\$'000	2006 US\$'000	2005 US\$'000
Increase/(decrease) in cash in the year	2,279	(2,293)	(271)	(4,989)
Borrowings acquired with subsidiaries	—	(93)	—	—
Decrease/(increase) in other borrowings	<u>3,569</u>	<u>(20,087)</u>	<u>548</u>	<u>(10,838)</u>
Changes in net debt resulting from cash flows	5,848	(22,473)	277	(15,827)
Foreign exchange translation adjustments	24	6	—	—
Movement in net debt in the year	5,872	(22,467)	277	(15,827)
Net (debt)/cash at the beginning of the year	<u>(9,432)</u>	<u>13,035</u>	<u>(13,322)</u>	<u>2,505</u>
Net (debt)/cash at the end of the year	<u>(3,560)</u>	<u>(9,432)</u>	<u>(13,045)</u>	<u>(13,322)</u>

25 Reconciliation of movements in net debt

Group	At 1 January 2006 US\$'000	Cash flow US\$'000	Non-cash movements US\$'000	Exchange movement US\$'000	At 31 December 2006 US\$'000
Cash at bank and in hand	12,304	2,305	—	37	14,646
Overdrafts	(25)	(26)	—	(1)	(52)
	12,279	2,279	—	36	14,594
Bank and other borrowings due within one year	(14,890)	4,384	(4,003)	—	(14,509)
Bank and other borrowings due in more than one year	(6,733)	(858)	4,003	—	(3,588)
Finance leases	(88)	43	—	(12)	(57)
	(9,432)	5,848	—	24	(3,560)

Company	At 1 January 2006 US\$'000	Cash flow US\$'000	At 31 December 2006 US\$'000
Overdrafts	(2,484)	(271)	(2,755)
	(2,484)	(271)	(2,755)
Bank and other borrowings due within one year	(10,838)	548	(10,290)
	(13,322)	277	(13,045)

26 Acquisitions and disposals

Acquisitions

On 17 November 2005 the Group purchased 100% of the share capital of Phoenix CP Ltd together with the property used by the business for a total consideration of US\$7,634,000. Phoenix CP Ltd provides resettlement training to UK military personnel seeking a career in the private security sector, and provides specialist training to the US Department of Defense and NATO personnel. The acquisition was satisfied by US\$6,346,000 in cash (inclusive of US\$334,000 of acquisition costs) and US\$1,288,000 in shares resulting in provisional goodwill of US\$6,457,000. Goodwill arising on the acquisition is attributable to the profitability of the acquired business and the synergies expected to arise.

The fair value of the net assets acquired on the acquisition of Phoenix CP Ltd as at 31 December 2005 were as follows:

	<u>Carrying values pre acquisition US\$'000</u>	<u>Provisional fair value US\$'000</u>
Intangible assets	—	77
Property, plant and equipment	1,634	1,634
Inventories	1	1
Receivables	211	211
Payables	(854)	(854)
Finance leases	(93)	(93)
Taxation		
— current	(212)	(212)
— deferred	(20)	(43)
Cash and cash equivalents	456	456
Net assets acquired	1,123	1,177
Goodwill		6,457
Consideration		7,634
Consideration satisfied by:		
Shares issued (net of issue costs of US\$1,000)		1,288
Cash		6,012
Transaction fees		334
		<u>7,634</u>

From the date of acquisition to 31 December 2005 Phoenix CP Ltd contributed US\$222,000 to turnover, decreased profit before interest by US\$49,000 and decreased profit before taxation by US\$55,000. Phoenix CP Ltd contributed US\$358,000 to the Group's net operating cash inflows, paid US\$6,000 in respect of interest, US\$ nil in respect of taxation and utilised US\$7,000 for capital expenditure.

The goodwill arising on the acquisition of Phoenix CP Ltd is denominated in sterling, and a gain of US\$910,000 arose on retranslation of this asset at 31 December 2006. Additionally, further costs of acquisition of US\$52,000 were incurred and capitalised during the year. No other changes to the provisional fair values as set out above have arisen. At 31 December 2006 the goodwill attributable to the acquisition of Phoenix CP Ltd was US\$7,419,000.

Other than the issue of shares in connection with this prior year acquisition, there were no other major non-cash transactions during the year ended 31 December 2005 or 31 December 2006.

The outflow of cash and cash equivalents on the acquisition of Phoenix CP Ltd by the Group is calculated as follows:

	<u>US\$'000</u>
Cash consideration (including transaction fees)	6,346
Cash acquired	(456)
	<u>5,890</u>

The intangible assets acquired as part of the acquisition of Phoenix CP Ltd of US\$77,000 represents know-how. The related deferred tax fair value adjustment was US\$23,000. Know-how is being amortised over its estimated useful life of three years.

27 Contingent liabilities and other commitments

- (i) In 1998 the Group ceased trading in Angola as a result of the Angolan government's decision to deport all of the Group's expatriate managers and supervisors. As a result of the events in Angola members of the Group are involved in various disputes with SHRM SA, a former joint venture partner, relating to the previous Angolan business. These include SHRM SA suing members of the Group for consequential losses.

Furthermore the Company has received a warranty from Armor Holdings Inc., the Group's former ultimate parent company, under the terms of the 2003 MBO agreement, in relation to any future liability relating to this litigation, subject to a number of conditions on the Company. This warranty expires on 23 November 2008.

The Directors, having taken legal advice, believe that the claim for US\$20,000,000 will not result in a material loss to the Group.

(ii) During the latter part of the year ended 31 December 2006, the Group received a claim for \$11.6m from a sub-contractor in Kuwait which includes the recovery of cost for lost assets and consequential losses for future lost profits while the Group was providing security services in Iraq. The directors, having taken legal advice, believe that the claim will not result in a loss to the Group.

(iii) At 31 December 2006 the Company and certain subsidiaries were party to a multicurrency revolving facility bank agreement totaling US\$18,000,000 (2005: US\$15,000,000). Under this agreement, the Company has guaranteed the amounts drawn down by certain subsidiaries. The maximum contingent liability of the Company under this agreement at 31 December 2006 was US\$1,585,000 (2005: US\$524,000) representing guarantees provided by the bank.

At 31 December 2006 and 2005 the Company had guaranteed the borrowings of a subsidiary under an asset financing agreement. At 31 December 2006 the maximum contingent liability of the Company under this guarantee was US\$7,807,000 (2005: US\$10,784,000).

At 31 December 2006 and 2005 the Company was party to a composite accounting agreement such that the bank has a right of offset between credit balances and all overdrawn balances of those Group undertakings with similar arrangements. In addition, the Company has guaranteed the bank overdrafts of certain Group companies. At 31 December 2006, the maximum contingent liability of the Company under this guarantee was US\$121,000 (2005: US\$913,000).

(iv) On 10 January 2007 the Group purchased 100% of the ordinary share capital of Neil Young Associates for a consideration of £250,000 in cash and a further £750,000 of deferred consideration to be paid in three annual tranches, dependent on the annual profits of Neil Young Associates.

28 Pension commitments

During the year the Group contributed to the ArmorGroup Pension Scheme, a defined contribution scheme and to the personal defined contribution pension schemes of certain Group employees. In addition, certain US resident employees are enrolled in an appropriate 401K defined contribution pension scheme.

The total pension charge for the year represents contributions paid by the Group during the financial year and amounted to US\$999,000 (31 December 2005: US\$732,000). There were no outstanding or prepaid contributions at 31 December 2006 (2005: US\$ nil).

29 Operating lease commitments

The Group has the following total commitments in respect of non-cancellable operating leases:

Group	2006		31 December 2005	
	Land and buildings US\$'000	Other US\$'000	Land and buildings US\$'000	Other US\$'000
Within one year	4,836	46	3,035	54
Between one and five years	6,994	97	5,074	119
After five years	2,785	—	1,767	—
	<u>14,615</u>	<u>143</u>	<u>9,876</u>	<u>173</u>

Company

The Company has no commitments under non-cancellable operating leases.

30 Post balance sheet events

On 10 January 2007 the Group purchased 100% of the ordinary share capital of Neil Young Associates for a consideration of £250,000 in cash, and a further £750,000 of deferred consideration to be paid in three annual tranches, dependent on the annual profits of Neil Young Associates.

31 Related party transactions

Transactions with Directors and senior management

Directors Lock Up Agreement Under an agreement dated 8 December 2004 each of the Directors had undertaken to the Company not to dispose of any shares in the Company before the date of the Company's announcement containing a trading update for the year ending 31 December 2005 made before the commencement of the close period on 17 January 2006 preceding the preliminary announcement of the Company's annual results on 16 March 2006.

Key management compensation Key management compensation is disclosed in Note 3.

Transactions with Baird Capital Partners Europe Limited and the Baird Funds

Controlling Shareholders' Relationship Agreement At 31 December 2006 certain funds ("the Baird Funds") managed by Baird Capital Partners Europe Limited ("BCPE"), previously Granville Baird Capital Partners Limited ("GBCP"), had an equity interest in the Company of 32% (2005: 32%). Under an agreement dated 8 December 2004 between the Company, GBCP and the Baird Funds, BCPE and the Baird Funds have undertaken not to exercise any of their powers in a manner which would prevent the Company from at all times carrying out its business independently. This extends to the use of any power to control the operations or decisions or policy of the Board, the exercise of any power to modify the articles of association so as to give themselves the right to appoint a majority of the directors to the Board or to vote in respect of any contract or arrangement in which they have any material interest.

Lock Up Agreement Under an agreement dated 8 December 2004 GBCP and the Baird Funds had undertaken to the Company not to dispose of any shares in the Company before the date of the Company's announcement containing a trading update for the year ending 31 December 2005 made before the commencement of the close period on 17 January 2006 preceding the preliminary announcement of the Company's annual results on 16 March 2006. This lock up agreement expired in 2006.

Transactions with other related parties

In 2004, the Group signed an agency agreement with Kais Kubba which was amended in August 2005 and March 2006, for the provision of certain services in Iraq for a term of five years. The services include procuring bona fide business leads and contacts for the Group in Iraq, where reasonably practicable, providing access to government departments in Iraq involved in the reconstruction of the country and sourcing and screening staff for the Group in accordance with prescribed methodologies and standards.

In April 2005 the Group entered into a shareholder agreement with Kais Kubba in respect of a newly incorporated company in Iraq, Kubba Security Services Limited, which is yet to commence trading.

During the year ended 31 December 2006 the Group made commission payments under the agency agreement totalling US\$772,000 (2005: US\$1,800,000).

In addition to the agency agreement, the Group has a lease agreement with Kais Kubba in relation to the training facility at Camp Ghassan that is provided rent free for the term of the Agency Agreement. The lease expires on 31 December 2008. In addition the Kubba Group provided catering at Camp Ghassan during the year ended 31 December 2006 at a cost of US\$206,000 (2005: US\$542,000).

There were no amounts outstanding to Kais Kubba and the Kubba Group at 31 December 2006 (2005: US\$nil).

Appendix III

Additional Information

1 Responsibility

- 1.1 The Bidco Directors, whose names are set out in paragraph 2.1 below, and the G4S Directors, whose names are set out in paragraph 2.2 below, accept responsibility for the information contained in this document other than (i) information relating to the ArmorGroup Group, the ArmorGroup Directors and their immediate families, related trusts and controlled companies, and (ii) the recommendations and opinions of the ArmorGroup Directors set out in Part 1 of this document for which only the ArmorGroup Directors accept responsibility as set out below. To the best of the knowledge and belief of the Bidco Directors and the G4S Directors (who, in each case, have taken all reasonable care to ensure that such is the case), the information contained herein for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The ArmorGroup Directors, whose names are set out in paragraph 2.3 below, accept responsibility for (i) the information contained in this document relating to the ArmorGroup Group and themselves, their immediate families, related trusts and controlled companies and (ii) the recommendations and opinions of the ArmorGroup Directors set out in Part 1 of this document. To the best of the knowledge and belief of the ArmorGroup Directors (who have taken all reasonable care to ensure that such is the case), the information contained herein for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Directors

2.1 Bidco

Bidco is a private limited company incorporated under the laws of England and Wales with registered number 6534559. Bidco is a wholly-owned subsidiary of G4S. Bidco was incorporated in England and Wales on 14 March 2008. Bidco, which was specifically formed for the purpose of making the Offer and whose main purpose is to act as an investment holding company, has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Offer and no accounts for Bidco have been prepared.

The names of the Bidco Directors and their respective functions are as follows:

<u>Name</u>	<u>Position</u>
Nick Buckles	Director
Trevor Dighton	Director
Søren Lundsberg-Nielsen	Director
Peter David	Director

The business address of each of the of Bidco Directors is The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN which is also the registered office and principal place of business of Bidco.

2.2 **G4S**

G4S is a public limited company incorporated under the laws of England and Wales with registered number 4992207.

The names of the G4S Directors and their respective functions are as follows:

<u>Name</u>	<u>Position</u>
Alf Duch-Pedersen	Non-Executive Chairman
Lord Condon	Non-Executive Deputy Chairman
Thorleif Krarup	Non-Executive Director
Bo Lerenius	Non-Executive Director
Mark Seligman	Non-Executive Director
Sir Malcolm Williamson	Non-Executive Director
Mark Elliott	Non-Executive Director
Nick Buckles	Chief Executive Officer
Trevor Dighton	Chief Financial Officer
Grahame Gibson	Chief Operating Officer

The business address of each of the G4S Directors is The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN which is also the registered office and principal place of business of G4S.

2.3 **ArmorGroup**

ArmorGroup is a public limited company incorporated under the laws of England and Wales with registered number 4931893.

The names of the ArmorGroup Directors and their respective functions are as follows:

<u>Name</u>	<u>Position</u>
Sir Malcolm Rifkind KCMG, QC	Non-Executive Chairman
John Biles	Non-Executive Director
Simon Havers	Non-Executive Director
Iain Paterson	Non-Executive Director
David Barrass	Chief Executive Officer
Matthew Brabin	Chief Financial Officer
Noel Philp	Chief Operating Officer
Christopher Beese MBE	Chief Administrative Officer

The business address of each of the ArmorGroup Directors is 25 Buckingham Gate, London, SW1E 6LD which is also the registered office and principal place of business of ArmorGroup.

3 **Market quotations**

The following table shows the Closing Price of an ArmorGroup Share for the first business day in each of the six months immediately prior to the date of this document, for 26 February 2008 (the last Business Day before the commencement of the Offer Period) and for 28 March 2008 (the latest available date before the posting of this document):

<u>Date</u>	<u>Price (pence)</u>
1 October 2007	54.50
1 November 2007	55.75
3 December 2007	27.00
2 January 2008	31.50
1 February 2008	27.25
26 February 2008	35.25
3 March 2008	49.75
28 March 2008	75.75

4 Shareholdings and dealings

4.1 Definitions

For the purposes of this paragraph 4:

- (a) **acting in concert** has the meaning attributed to it in the Code;
- (b) **arrangement** includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing but excludes an irrevocable commitment or letter of intent;
- (c) **associate** of a company means:
 - (i) its parent, subsidiaries, fellow subsidiaries and associated companies and companies of which any such companies are associated companies (a **paragraph 1 associate**);
 - (ii) connected advisers, and persons controlling, controlled by or under the same control as such connected advisers;
 - (iii) the directors (together in each case with their close relatives and related trusts) of the company and of any paragraph 1 associate;
 - (iv) the pension funds of the company or of any paragraph 1 associate;
 - (v) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
 - (vi) an employee benefit trust of the company or any paragraph 1 associate; and
 - (vii) a company having a material trading arrangement with the company;
- (d) **connected adviser** has the meaning attributed to it in the Code;
- (e) **connected person** means any person whose interests in shares the relevant director is taken to be interested in pursuant to Part 22 of the Companies Act 2006 and related regulations;
- (f) **control** means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control;
- (g) **dealing** or **dealt** includes:
 - (i) acquiring or disposing of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities, or of general control of relevant securities;
 - (ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising or varying an option (including a traded option contract) in respect of any relevant securities;
 - (iii) subscribing or agreeing to subscribe for relevant securities;
 - (iv) exercising or converting (whether in respect of new or existing relevant securities) any relevant securities carrying conversion or subscription rights;
 - (v) acquiring, disposing of, entering into, closing out, exercise (by either party) of any rights under, or varying, a derivative referenced, directly or indirectly, to relevant securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (h) **derivative** includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

- (i) **disclosure date** means 28 March 2008 being the latest practicable date prior to the posting of this document;
- (j) **disclosure period** means the period commencing on 27 February 2007 (being the date 12 months prior to the commencement of the Offer Period) and ending on the disclosure date;
- (k) **exempt principal trader** or **exempt fund manager** have the meanings attributed to them in the Code;
- (l) being **interested** in relevant securities includes where a person:
 - (i) owns relevant securities;
 - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
 - (iv) is a party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
 - (v) has long economic exposure, whether absolute or conditional, to changes in the price of those relevant securities (but a person who only has a short position in relevant securities is not treated as interested in those relevant securities);
- (m) **relevant securities** means:
 - (i) ArmorGroup Shares and any other securities of ArmorGroup carrying voting rights;
 - (ii) equity share capital of ArmorGroup or (as the context requires) G4S and/or Bidco;
 - (iii) securities carrying conversion or subscription rights into the securities listed in (i) or (ii) above;
- (n) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as a test of associated company status and “control” means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control; and
- (o) **short position** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

4.2 Interests in relevant securities of ArmorGroup

- (a) As at the close of business on the disclosure date, the ArmorGroup Directors and their connected persons were interested in the following relevant securities of ArmorGroup (excluding options granted and awards made under the ArmorGroup Share Schemes which are disclosed in paragraphs (b) and (c) below):

<u>Name</u>	<u>Number of ArmorGroup Shares</u>
Christopher Beese MBE	287,731
John Biles	7,500
Simon Havers*	80,000*
Iain Paterson	10,000
Noel Philp	768,448
Sir Malcolm Rifkind KCMG, QC	77,370

* These shares are held by Mr Havers' wife

- (b) As at the close of business on the disclosure date, the following options over ArmorGroup Shares have been granted to the following ArmorGroup Directors under the ArmorGroup Share Schemes and remain outstanding:

<u>Name</u>	<u>Scheme</u>	<u>Number of ArmorGroup Shares</u>	<u>Date of Grant</u>	<u>Exercise price per ArmorGroup Shares (pence)</u>	<u>Exercise period</u>
Noel Philp	A	2,407	27/9/04	14.8	01/01/05 – 27/09/14
	A	2,407	27/9/04	14.8	01/01/06 – 27/09/14
	A	2,407	27/9/04	14.8	01/01/07 – 27/09/14
	C	67,680	17/3/05	221.6	17/03/08 – 17/03/15
Christopher Beese MBE	A	644	27/9/04	14.8	01/01/05 – 27/09/14
	A	645	27/9/04	14.8	01/01/06 – 27/09/14
	A	645	27/9/04	14.8	01/01/07 – 27/09/14
	C	58,660	17/3/05	221.6	17/03/08 – 17/03/15
Matthew Brabin	C	30,000	15/3/06	99.5	15/03/09 – 15/03/16
Sir Malcolm Rifkind KCMG, QC	B	38,686	27/9/04	14.8	01/03/07 – 27/09/14

A — ArmorGroup Unapproved Share Option Scheme

B — ArmorGroup Unapproved Share Option Scheme for Non-Executive Directors

C — ArmorGroup Executive Share Option Plan

- (c) As at the close of business on the disclosure date, the following ArmorGroup Directors are interested in the following ArmorGroup Shares as a result of awards made under the ArmorGroup Performance Share Plan:

<u>Name</u>	<u>Number of ArmorGroup Shares</u>	<u>Date of grant</u>	<u>Market value per ArmorGroup Share at date of grant (pence)</u>	<u>Exercise period</u>
Noel Philp	68,150	16/3/05	220.1	16/03/08 – 16/09/08
	75,000	15/3/06	99.8	15/03/09 – 15/09/09
	90,000	21/3/07	87.3	21/03/10 – 20/09/10
Christopher Beese MBE	59,060	16/3/05	220.1	16/03/08 – 16/09/08
	65,000	15/3/06	99.8	15/03/09 – 15/09/09
	85,000	21/3/07	87.3	21/03/10 – 20/09/10
Matthew Brabin	160,000	15/3/07	99.8	15/03/09 – 15/09/09
	100,000	21/3/07	87.3	21/03/10 – 20/09/10

Awards are subject to ArmorGroup's total shareholder return performance over the three years following grant compared to that of a comparator group composed of the constituents of the FTSE SmallCap index. Awards will vest in full for upper quartile performance and 25 per cent. for median performance. Vesting will occur on a straight line basis between these two points for performance between the median and the upper quartile.

4.3 General

Save as disclosed in this paragraph 4, as at the close of business on the disclosure date:

- (a) neither G4S nor Bidco nor any person acting in concert with G4S and/or Bidco had any interest in or right to subscribe for, or any short position in relation to, any relevant securities of ArmorGroup, nor had it dealt in any relevant securities of ArmorGroup during the disclosure period;
- (b) none of the G4S Directors or Bidco Directors had any interest in or right to subscribe for, or any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the disclosure period;
- (c) no person with whom G4S or Bidco or any person acting in concert with G4S and/or Bidco has any arrangement, had an interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the disclosure period;

- (d) ArmorGroup did not have any interest in or right to subscribe for, or any short position in relation to, any relevant securities of G4S and/or Bidco nor had it dealt in any relevant securities of G4S and/or Bidco during the period between the start of the Offer Period and the disclosure date;
- (e) none of the ArmorGroup Directors, members of such Directors' immediate families or any related trusts or companies had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities of G4S and/or Bidco, nor had any such person dealt in any relevant securities of G4S and/or Bidco during the period between the start of the Offer Period and the disclosure date;
- (f) none of the ArmorGroup Directors, members of such Directors' immediate families or any related trusts or companies had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (g) no paragraph 1 associate of ArmorGroup had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (h) no pension fund of ArmorGroup or of a paragraph 1 associate of ArmorGroup had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (i) no employee benefit trust of ArmorGroup or of a paragraph 1 associate of ArmorGroup had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (j) no connected adviser to ArmorGroup or to a paragraph 1 associate or to a person acting in concert with ArmorGroup, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (k) no person who has an arrangement with ArmorGroup or with an associate of ArmorGroup (which for these purposes is an associate of ArmorGroup by virtue of paragraphs (i), (ii), (iii) and (iv) of the definition of associate) had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities of ArmorGroup, nor had any such person dealt in any relevant securities of ArmorGroup during the period between the start of the Offer Period and the disclosure date;
- (l) neither ArmorGroup nor any person acting in concert with ArmorGroup had borrowed or lent any relevant securities of ArmorGroup, save for any borrowed shares which have either been on-lent or sold;
- (m) neither G4S nor Bidco nor any person acting in concert with G4S and/or Bidco had borrowed or lent any relevant securities of ArmorGroup, save for any borrowed shares which have either been on-lent or sold;
- (n) there were no arrangements which existed between ArmorGroup or any associate of ArmorGroup and any other person relating to any relevant securities of ArmorGroup;
- (o) there were no arrangements which existed between G4S or Bidco, or any person acting in concert with G4S and/or Bidco, and any other person relating to any relevant securities of ArmorGroup; and
- (p) ArmorGroup has not redeemed or purchased any relevant securities of ArmorGroup during the disclosure period.

5 Irrevocable undertakings

5.1 Irrevocable undertakings of ArmorGroup Directors

The following ArmorGroup Directors have given irrevocable undertakings to accept or procure the acceptance of the Offer not later than five Business Days after the date this document is posted in respect of the number of ArmorGroup Shares set out below:

<u>Name</u>	<u>Number of ArmorGroup Shares</u>	<u>Percentage of the existing issued share capital</u>
Christopher Beese MBE	287,731	0.54
John Biles	7,500	0.01
Simon Havers	80,000	0.15
Iain Paterson	10,000	0.02
Noel Philp	768,448	1.44
Sir Malcolm Rifkind KCMG, QC	77,370	0.14

These undertakings will continue to apply in the event that the Offer is implemented by way of scheme of arrangement. These undertakings remain binding in the event of a competing offer being made in relation to ArmorGroup unless the Offer lapses or is withdrawn.

5.2 Irrevocable undertakings of ArmorGroup Shareholders

The following ArmorGroup Shareholders have given irrevocable undertakings to accept the Offer in respect of the number of ArmorGroup Shares set out below:

<u>Name</u>	<u>Number of ArmorGroup Shares</u>	<u>Percentage of the existing issued share capital</u>
Baird Capital Partners Europe Limited	16,996,392	31.81
Industrial & Financial Investments Co.	3,671,266	6.87
JH Whitney Investment Management LLC	2,961,803	5.54
Lansdowne Partners Limited	6,429,184	12.03

These undertakings will continue to apply in the event that the Offer is implemented by way of scheme of arrangement.

In the case of Baird Capital Partners Europe Limited and Industrial & Financial Investments Co., these undertakings remain binding in the event of a competing offer being made in relation to ArmorGroup unless the Offer lapses or is withdrawn.

In the case of JH Whitney Investment Management LLC and Lansdowne Partners Limited, these undertakings remain binding in the event of a competing offer being made in relation to ArmorGroup unless the value of such competing offer represents an improvement of, in the case of Lansdowne Partners Limited, 15 per cent. or more and, in the case of JH Whitney Investment Management LLC, 10 per cent. or more on the value of the consideration offered under the Offer and where such competing offer has been announced as a firm intention to make an offer in accordance with Rule 2.5 of the City Code and is not met with a higher revised offer by Bidco within seven days of such offer being made.

6 Material contracts of ArmorGroup

The following contracts, not being entered into in the ordinary course of business, which are or may be material, have been entered into by members of the ArmorGroup Group since 26 February 2006 (being the date two years before the commencement of the Offer Period):

- (a) the Inducement Fee Agreement;
- (b) the Non-Solicitation Agreement;
- (c) facilities agreement with Barclays Bank PLC (**Barclays**):
 - (i) a multi-currency term and revolving facilities agreement dated 26 November 2003 between (1) ArmorGroup, (2) ArmorGroup International Inc., (3) certain of ArmorGroup's subsidiaries, (4) Barclays and (5) other financial institutions under the terms of which \$25 million was made available to ArmorGroup and certain of its subsidiaries for the purpose of enabling it to satisfy its obligations under a sale and purchase agreement relating to the acquisition of certain companies now within the ArmorGroup Group (the **Acquisitions**). The facilities provided under the agreement were a multi-currency term loan facility of up to \$16 million (**Facility A**), a multi-currency term loan facility of up to \$4 million (**Facility C**) to finance the Acquisitions and a multi-currency revolving credit facility of up to \$5 million (**Facility B**) for general corporate and working capital purposes; and various ancillary facilities.

Interest under Facility A and Facility B is payable at the earlier of the end of each interest period and 6 month intervals. Interest under Facility C is payable in a combination of the earlier of the end of each interest period and 6 month intervals and 20 November 2008. Interest under Facility A and Facility C is fixed for one year. Facility A is repayable in 10 instalments between 31 May 2004 and 20 November 2008. Facility B is repayable on the last day of its interest period and on 20 November 2008. Facility C is repayable on 20 November 2008. The agreement contains certain mandatory prepayment provisions, including full and immediate repayment on the listing of any member of ArmorGroup's Group on, inter alia, the London Stock Exchange.

The agreement also contains a number of negative undertakings given by ArmorGroup including a prohibition on any member of the ArmorGroup Group issuing any further shares or altering any rights of the ArmorGroup Group. Various members of the ArmorGroup Group guaranteed the obligations of the ArmorGroup Group under the Facilities agreement and various ancillary finance agreements;

- (ii) the above multi-currency term and revolving facilities agreement was amended and restated by an agreement dated 8 December 2004 (as amended, the **Facilities Agreement**). As amended and restated, the facilities provided under the Facilities Agreement are a multi-currency revolving credit facility of up to \$15 million (**Facility A1**) for general corporate and working capital purposes; and various ancillary facilities. Interest under Facility A1 is payable at the earlier of the end of each applicable interest period and six month intervals. Facility A1 is repayable on the last day of its interest period and two years after the date the Amendment and Restatement Agreement became effective. The agreement also provides the consent of Barclays to the listing by ArmorGroup of its ordinary shares on the London Stock Exchange. The agreement also contains certain mandatory prepayment provisions, including full and immediate repayment in the event of a sale (which will apply in the event of a change of control upon the Offer becoming or being declared unconditional), change of control or further listing on any exchange other than the London Stock Exchange of ArmorGroup;
- (iii) the Facilities Agreement, as amended, was further amended by an amendment letter dated March 2006. As amended, the facilities provided under the agreement are a multi-currency revolving credit facility of up to \$30 million for general corporate and working capital purposes and various ancillary facilities. The agreement provides Barclays' consent to ArmorGroup's acquisition of Phoenix CP Limited;

- (iv) the Facilities Agreement, as amended, was further amended by a letter dated August 2007. As amended, the facilities provided under the agreement are a multi-currency revolving credit facility of up to \$18 million for general corporate and working capital purposes; and various ancillary facilities. The agreement extends the termination date of the loan to 31 May 2008; and
 - (v) the Facilities Agreement, as amended, was further amended by a letter dated 18 March 2008. Pursuant to this amendment, the termination date for the loans made thereunder was extended to 31 December 2009 and a fee of \$250,000 was payable by ArmorGroup on the date of this amendment;
- (d) Pursuant to an agreement dated 1 October 2007 between Defence Systems Colombia S.A. (**Defence Systems**), a subsidiary of ArmorGroup, and BBVA Colombia S.A. (the **Colombian Bank**) and a letter of acceptance by the Colombian Bank of the same date, the Colombian Bank made available to Defence Systems a loan facility (the **Colombian Facility**) of a maximum aggregate amount of 7,824,000,000 Colombian pesos on a term of five years. Interest is payable on a fixed term deposit rate plus 5.5 per cent. annual effective rate. The Colombian Facility permits the making of partial repayments that do not exceed 20 per cent. of the total facility amount. Such repayments attract a one per cent early repayment charge. The Colombian Facility is repayable either on the expiry of the fixed term or an event of default or a change of control of the Defence Systems' substantial shareholder and, consequently, will become repayable upon the Offer becoming or being declared wholly unconditional. The Colombian Facility is supported by a guarantee, as set out below;
- (e) guarantee for Colombian Facility:
- in September 2007 ArmorGroup entered into a guarantee in favour of the Colombian Bank under the terms of which ArmorGroup guaranteed the punctual performance by Defense Systems of its obligations under the terms of the Colombian Facility referred to above; and
- as part of the security for the Colombian Facility, Defence Systems agreed to assign its economic rights under a contract made between (1) BP Exploration Company Colombia Limited (**BP**) and (2) Union Temporal Defence Systems Colombia S.A. Y Siemens (the **Union**) in July 2007 for the provision of security services for BP's operations in Casanare. Siemens Sociedad Anonima and Defence Systems had previously set up Union as a joint venture arrangement in order to tender for the contract. The assigned rights were transferred to a trust in an agreement dated 19 September 2007 made between (1) Defence Systems as the trust settlor, (2) BBVA Fiduciaria S.A. as the trustee and (3) the Colombian Bank. The Colombian Bank will be a beneficiary with priority until the Colombia Facility had been fully redeemed and then Defence Systems will become the beneficiary of the trust. The trust will exist until the Colombian Facility has been satisfied but there is a maximum duration of twenty years;
- (f) acquisition of NYA International Limited:
- on 9 January 2007 ArmorGroup entered into an agreement for the purchase and sale of the issued share capital of NYA International Limited (**NYA**) between (1) Neil Young (the **Seller**) and Jill Young and (2) ArmorGroup (Worldwide) Limited (the **NYA Share Agreement**) and a related agreement for the purchase and sale of the kidnap and ransom consultancy business of the Seller (the **Business**) between (1) the Seller, (2) NYA and (3) ArmorGroup (the **NYA Business Agreement**).
- Pursuant to the NYA Share Agreement, ArmorGroup (Worldwide) Limited acquired the issued share capital of NYA, a non-trading company registered in England and Wales, for £1 from the Seller and Jill Young. Pursuant to the NYA Business Agreement, NYA acquired the Business from the Seller. In consideration, the Seller was paid £250,000 at completion of the transaction.
- Under the NYA Business Agreement, warranties that are customary for an agreement of this nature were given by the Seller. No claim may be brought under these warranties unless written notice of such claim is given to the Seller before 1 January 2009. The maximum aggregate liability under the warranties is limited to the aggregate of the initial consideration and any Deferred Consideration (as defined below), and certain costs of ArmorGroup in bringing the claim.

Under the terms of an agreement supplemental to the NYA Business Agreement dated 1 July 2007 (the **Supplemental Agreement**) the Seller was entitled to deferred consideration (**Deferred Consideration**) of £125,000 on the date of the Supplemental Agreement, and a further £125,000 on each of the first and second anniversaries of the date of the Supplemental Agreement. Payment of the Deferred Consideration is conditional upon the Seller's continued employment with the ArmorGroup Group and will not be paid in the event that he ceases to be an employee under certain circumstances set out in the Supplemental Agreement;

(g) asset finance agreements

ArmorGroup Services Ltd and Barclays (including any member of the Barclays Group Plc) have, from time to time, entered into a number of asset finance agreements by way of mortgages and loan agreements, the terms of which are governed by a confirmation of terms between ArmorGroup and Barclays dated 20 July 2005 (the **Asset Finance Agreements**).

Under the terms of the Asset Finance Agreements, a number of facilities up to an aggregate amount of \$12,000,000 have been made available to ArmorGroup Services Ltd to assist with the acquisition of armoured vehicles, demountable buildings and computer software.

Each facility is repayable in twelve equal and consecutive quarterly instalments in arrears. Interest under the facility is fixed at the time of each drawdown, however, should the borrower under each agreement fail to make payment of on the relevant instalment date, then a default interest rate of the finance house base rate plus 5%.

An administration fee of 2.25% is payable on each drawdown. The facilities may be voluntarily repaid at any time by the borrower.

The agreements are subject to the usual event of default provisions. Barclays reserve their right to adjust the terms of the agreement should there be a change to the economic, monetary or taxation conditions prior to any drawdown.

7 Service contracts and letters of appointment

7.1 The key terms of the service contracts of the ArmorGroup Executive Directors are:

Director	Date of contract	Notice period from ArmorGroup (months)	Notice period to ArmorGroup (months)	Salary (£)	Benefits	Specific provision for compensation on early retirement
David Barrass	13 December 2007	1 ¹	1 ¹	2,500 (each day worked)	None ²	None
Noel Philp ³	26 November 2003 (amended 8 December 2004)	12	12	169,125 (annually)	Bonus in respect of each financial year calculated in accordance with ArmorGroup Group's earnings before interest and tax, not to exceed 50% of salary. Annual contribution into personal pension scheme. Medical health insurance for himself and his immediate family and life assurance and personal accident insurance for himself. 25 days' paid holiday. ²	Payment in lieu of notice.
Christopher Beese MBE ³	26 November 2003 (amended 8 December 2004)	12	12	155,000 (annually)	Bonus in respect of each financial year calculated in accordance with ArmorGroup Group's earnings before interest and tax, not to exceed 50% of salary. Annual contribution into personal pension scheme. Medical health insurance for himself and his immediate family and life assurance and personal accident insurance for himself. 25 days' paid holiday. ²	Payment in lieu of notice.

Director	Date of contract	Notice period from ArmorGroup (months)	Notice period to ArmorGroup (months)	Salary (£)	Benefits	Specific provision for compensation on early retirement
Matthew Brabin ³	28 March 2006	12	12	174,250 (annually)	Bonus in respect of each financial year calculated in accordance with ArmorGroup Group's earnings before interest and tax, not to exceed 50% of salary. Annual contribution into personal pension scheme. Medical health insurance for himself and his immediate family and life assurance and personal accident insurance for himself. 25 days' paid holiday. ²	Payment in lieu of notice.

1. The notice period referred to above will become effective after 9 April 2008. Notwithstanding such notice period the contract may be terminated immediately upon written notice by: ArmorGroup in the event of serious proven incompetence or misconduct on the part of Mr Barrass; and Executive Interim Management AG (**EIM**) (the other party to the assignment contract) if (i) due to facts or circumstances beyond its control and unknown to it at the time of entering into the assignment contract EIM cannot reasonably be expected to continue activities or be involved in behaviour contrary to morals and customs of society, or (ii) there is a serious breach by ArmorGroup.
2. Note: subject to notice period, the executive Directors of ArmorGroup are not entitled to any commission or profit sharing arrangements.
3. Note these contracts are indefinite so there is no unexpired fixed term.

The key terms of the letters of appointment of the ArmorGroup Non-Executive Directors are:

Director	Date of letter	Notice period from ArmorGroup (months)	Notice period to ArmorGroup (months)	Annual salary (£)	Specific provisions for compensation on early retirement
Sir Malcolm Rifkind KCMG, QC	1 April 2004 (revised 8 December 2004)	3	3	70,000	In the event that the non-executive director resigns voluntarily but solely because of his having a reasonable objection to, or reasonable disagreement with, a Board decision on a material matter of policy or a material commercial matter affecting ArmorGroup or the ArmorGroup Group, he is entitled to a payment of £5,000 or, if less, the total amount of fees that would have been paid under the terms of the letter had the non-executive director continued in office until the next date for renewal of his appointment. Payment in lieu of notice.
John Biles	17 September 2004 (revised 8 December 2004)	3	3	40,000	As above, except with payment entitlement of £15,000.
Iain Paterson	20 January 2005	3	3	40,000	As above, except with payment entitlement of £15,000.
Simon Havers	8 December 2004	3	3	See note 2 below	As above, except with payment entitlement of £15,000.

1. Under the terms of an agreement between ArmorGroup and Baird Capital Partners Europe Limited (**BCPE**), BCPE agreed to make Simon Havers available for provision of services to ArmorGroup. In consideration for provision of these services, ArmorGroup shall pay BCPE £40,000 per annum.

Save as set out in this paragraph 7, there are no service contracts between any member of the ArmorGroup Group and any director or proposed director of ArmorGroup and no ArmorGroup Directors' service contracts or letters of appointment have been entered into or amended within the six months preceding the date of this document.

8 Bases of calculations and sources of information

- (a) Unless otherwise stated, the financial information relating to G4S has been extracted or derived, without material adjustment, from the unaudited preliminary results of G4S for the year ended 31 December 2007 or the annual report and accounts of G4S for the year ended 31 December 2006.

- (b) Unless otherwise stated, the financial information relating to ArmorGroup has been extracted or derived, without material adjustment, from the unaudited preliminary results of ArmorGroup for the year ended 31 December 2007 or the annual report and accounts of ArmorGroup for the year ended 31 December 2006.
- (c) References to existing issued share capital are references to ArmorGroup Shares in issue on 28 March 2008 (being the last practicable date prior to the date of this document), being 53,426,996 ArmorGroup Shares. This is an increase of 10,487 ArmorGroup Shares from the total number of ArmorGroup Shares included in the Announcement which is due to the exercise of options under the ArmorGroup Share Schemes.
- (d) The value attributed to the existing issued and to be issued share capital of ArmorGroup is based upon the 53,426,996 ArmorGroup Shares being in issue on 28 March 2008 (being the latest practicable date prior to the date of this document) and on 1,070,864 options or awards under the ArmorGroup Share Schemes which have an exercise price lower than the Offer Price per ArmorGroup Share having been exercised. This number is different from that referred to in the Announcement because two participants in the Armor Share Schemes have exercised certain of their options: one participant has exercised 6,189 options under the ArmorGroup Share Schemes and the other participant (whose holding of 4,298 options was not counted when calculating the total number of share options contained in the Announcement) has also exercised his options.
- (e) Unless otherwise stated, all prices for ArmorGroup Shares have been derived from Bloomberg and represent the Closing Price on the relevant date.
- (f) The Offer premium of 156.8 per cent. to the average Closing Price of 31.15 pence over three month period up to and including 26 February 2008, as stated in this document, has been calculated using Closing Prices on each Business Day over the relevant period.

9 Arrangements in relation to dealings

9.1 G4S

There are no arrangements in place between G4S or Bidco or any associate of G4S and/or Bidco and any other person in relation to relevant securities where “arrangement” includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

9.2 ArmorGroup

There are no arrangements in place between ArmorGroup or any person acting in concert with ArmorGroup and any other person in relation to relevant securities where “arrangement” includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

10 Other information

- (a) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between G4S or Bidco or any party acting in concert with G4S and/or Bidco and any of the directors, recent directors, shareholders or recent shareholders of ArmorGroup having any connection with or dependence upon the Offer.
- (b) Bidco will finance the Offer from the G4S Group’s existing cash resources. Bidco does not intend that the payment of interest on, or the repayment of or the security for, any liability (contingent or otherwise) will depend to any significant extent on the business of ArmorGroup.
- (c) Greenhill is satisfied that resources are available to Bidco which are sufficient to satisfy full acceptance of the Offer. Full acceptance of the Offer, based on 53,426,996 ArmorGroup Shares in issue at the date of this document, a further 1,070,864 ArmorGroup Shares being issued, assuming the exercise of all outstanding options under the ArmorGroup Share Schemes which have an exercise price at or below the Offer Price would involve a maximum cash payment of approximately £43.6 million.

- (d) No agreement, arrangement or understanding exists whereby any ArmorGroup Shares acquired in pursuance of the Offer will be transferred to any other person, save that Bidco reserves the right to transfer any ArmorGroup Shares to any member of the G4S Group.
- (e) Greenhill has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which it appears.
- (f) Rothschild has given and not withdrawn its written consent to the issue of this document with the inclusion of its recommendation and the references to its name in the form and context in which they appear.
- (g) Deutsche Bank AG has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.
- (h) Hoare Govett Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which it appears.
- (i) Save as disclosed in this document, there has been no known material change in the financial or trading position of ArmorGroup since 31 December 2006, the date to which the latest audited accounts for ArmorGroup were published.
- (j) Save as disclosed in this document, there has been no known material change in the financial or trading position of G4S since 31 December 2006, the date to which the latest audited accounts for G4S were published or in the financial or trading position of Bidco since 14 March 2008 (the date on which it was incorporated).
- (k) Except with the consent of the Panel, settlement of the consideration to which any ArmorGroup Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco or G4S may otherwise be, or claim to be, entitled against such ArmorGroup Shareholder.
- (l) Save as disclosed in this document, there has been no material change in any information previously published by or on behalf of ArmorGroup, G4S or Bidco during the Offer Period.

11 Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during usual business hours on any week day (Saturdays, Sundays and public holidays excepted) while the Offer remains open for acceptance:

- (a) the Memorandum and Articles of Association of Bidco and G4S;
- (b) the Memorandum and Articles of Association of ArmorGroup;
- (c) the published audited consolidated accounts of G4S for the financial years ended 31 December 2005 and 31 December 2006 and the unaudited preliminary results of G4S for the financial year ended 31 December 2007;
- (d) the published audited consolidated accounts of ArmorGroup for the financial years ended 31 December 2005 and 31 December 2006 and the unaudited preliminary results of ArmorGroup for the financial year ended 31 December 2007;
- (e) the service contracts and letters of appointment of the ArmorGroup Directors referred to in paragraph 7 of this Appendix III;
- (f) the written consents referred to in paragraph 10 of this Appendix III;
- (g) the material contracts referred to in paragraph 6 of this Appendix III;
- (h) the irrevocable undertakings to accept the Offer referred to in paragraph 5 of this Appendix III; and
- (i) this document and the Form of Acceptance.

31 March 2008

Appendix IV

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

Act or Companies Act	the Companies Act 1985 (as amended) or, to the extent applicable and in force, the Companies Act 2006 and where any specific provision of the Companies Act 1985 is referred to, this will include (where relevant) any equivalent provision of the Companies Act 2006
Announcement	the announcement of the Offer made by G4S and ArmorGroup on 20 March 2008 under Rule 2.5 of the City Code
ArmorGroup	ArmorGroup International plc (registered in England and Wales with number 4931893)
ArmorGroup Board	the board of directors of ArmorGroup, comprising the ArmorGroup Directors
ArmorGroup Directors	the directors of ArmorGroup referred to in paragraph 2.3 of Appendix III to this document
ArmorGroup Group	ArmorGroup and its subsidiaries and subsidiary undertakings
ArmorGroup Share Schemes	the ArmorGroup International Limited 2004 Unapproved Share Option Scheme, the ArmorGroup International Limited 2004 Unapproved Share Option Scheme for Non-Executive Directors, the ArmorGroup Executive Share Option Plan, the ArmorGroup Performance Share Plan and the ArmorGroup Employee Trust
ArmorGroup Shareholders	the holders of ArmorGroup Shares
ArmorGroup Shares	the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 1p each in ArmorGroup (but excluding any Treasury Shares) and any further such shares which are unconditionally allotted or issued fully paid (or credited as fully paid) and any Treasury Shares unconditionally sold or transferred by ArmorGroup in each case prior to the time at which the Offer ceases to be open for acceptance (or such earlier time, as Bidco may, with the Panel's consent or in accordance with the Code, decide), including shares unconditionally allotted or issued pursuant to the exercise of options under the ArmorGroup Share Schemes or otherwise
Australia	the commonwealth of Australia, its states, territories and possessions
Bidco	G4S (March 2008) Limited (registered in England and Wales with number 6534559)
Bidco Directors	the directors of Bidco as at the date of this document as referred to in paragraph 2.1 of Appendix III to this document
Business Day	a day on which the London Stock Exchange is open for normal business

Canada	Canada, its possessions and territories and all areas subject to its jurisdiction and any political sub-division thereof
certificated or certificated form	in relation to a share or other security, a share or security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is not in CREST)
Closing Price	the closing middle market quotation of a share for the day to which such price relates, as derived from the Daily Official List of the London Stock Exchange for that day
Code or City Code	the City Code on Takeovers and Mergers
Companies Act 1985	the Companies Act 1985 (to the extent for the time being in force)
Companies Act 2006	the Companies Act 2006 (to the extent for the time being in force)
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the operator (as defined in the aforementioned regulations)
CREST Manual	the manual issued by Euroclear from time to time
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the Regulations)
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
CREST payment	has the meaning given to it in the CREST Manual
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor
CREST sponsored member	a CREST member admitted to CREST as a sponsored member
Dollar or \$	the lawful currency of the US (and reference to cent or ¢ shall be construed accordingly)
Electronic Acceptance	the input and settlement of a TTE Instruction in respect of ArmorGroup Shares held in uncertificated form which constitutes or is deemed to constitute acceptance of the Offer on the terms set out in this document
ESA Instruction	an escrow account adjustment input (AESN) transaction type “ESA” (as described in the CREST Manual)
Escrow Agent	Capita Registrars — a trading division of Capita Registrars Limited (in its capacity as Escrow Agent) as described in the CREST Manual
Euroclear	Euroclear UK & Ireland Limited
Exchange Act	the US Securities Exchange Act of 1934, as amended

Form of Acceptance	the form of acceptance, authority and election (in respect of certificated ArmorGroup Shares) relating to the Offer and accompanying this document
FSA	the Financial Services Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
G4S	G4S plc (registered in England and Wales with number 4992207)
G4S Board	the board of directors of G4S, comprising the G4S Directors
G4S Directors	the directors of G4S as at the date of this document as referred to in paragraph 2.2 of Appendix III to this document
G4S Group	G4S and its subsidiaries and subsidiary undertakings
Greenhill	Greenhill & Co. International LLP
IFRS	International Financial Reporting Standards as adopted by the European Union
Inducement Fee Agreement	the inducement fee agreement summarised in paragraph 6 of Part 1 of this document
Japan	Japan, its cities and prefectures, territories and possessions
Listing Rules	the listing rules and regulations of the UK Listing Authority (as amended)
London Stock Exchange	the London Stock Exchange plc, together with any successors thereto
member account ID	the identification code or number attached to any member account in CREST
Non-Solicitation Agreement	the non-solicitation agreement summarised in paragraph 6 of Part 1 of this document
Offer	the recommended cash offer made by Bidco to acquire the entire issued and to be issued share capital of ArmorGroup, on and subject to the terms and conditions set out in this document and (in respect of certificated ArmorGroup Shares) in the Form of Acceptance and (where the context permits) any subsequent revision, variation, extension or renewal thereof
Offer Period	the period beginning on and including 27 February 2008 and ending on the latest of (i) 1.00 p.m. (London time) on 21 April 2008, (ii) the time and date on which the Offer becomes or is declared unconditional as to acceptances and (iii) the time and date on which the Offer lapses or is withdrawn
Official List	the official list of the UK Listing Authority

Overseas Shareholders	ArmorGroup Shareholders who are resident in, or nationals or citizens of, jurisdictions outside the UK or who are nominees of, or custodians, or trustees for, citizens, residents or nationals of countries other than the UK
Panel	the Panel on Takeovers and Mergers
participant ID	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
Pounds sterling or £	the lawful currency of the UK (and reference to pence or p shall be construed accordingly)
Receiving Agent	Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
Regulatory Information Service	any of the services set out in Appendix 3 to the Listing Rules
Restricted Jurisdiction	any of Canada, Australia, or Japan or any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for Bidco, G4S or ArmorGroup if information or documentation concerning the Offer is sent or made available to ArmorGroup Shareholders in that jurisdiction
Rothschild	N M Rothschild & Sons Limited
Securities Act	the US Securities Act of 1933, (as amended) and the rules and regulations promulgated thereunder
subsidiary, subsidiary undertaking, associated undertaking and undertaking	have the meanings given by the Companies Act 1985 (but for these purposes ignoring paragraph 20(1)(b) of Schedule 4A of that Act)
substantial interest	in relation to an undertaking, an interest, direct or indirect, in 20 per cent. or more of the voting rights exercisable in relation to the undertaking or in the capital or any class of the capital of such undertaking
TFE Instruction	a Transfer from Escrow instruction (as described in the CREST Manual)
Treasury Shares	shares held as treasury shares as defined in section 162A(3) of the Companies Act 1985
TTE Instruction	a Transfer to Escrow instruction (as described in the CREST Manual) in relation to ArmorGroup Shares in uncertificated form meeting the requirements set out in paragraph 14.2(b) of the letter from the G4S Board contained in Part 2 of this document
UKLA or UK Listing Authority	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA

uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form and title to which, by virtue of the Regulations may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
US or United States	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all areas subject to its jurisdiction or any political sub-division thereof
US person or US persons	has the meaning ascribed to it by Regulation S under the Securities Act

Interpretation

All references to legislation in this document are to English legislation, unless the contrary is indicated. Any reference to any provision of any legislation should include any amendment, modification, re-enactment or extension thereof.

The singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

References to time are to London time.

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