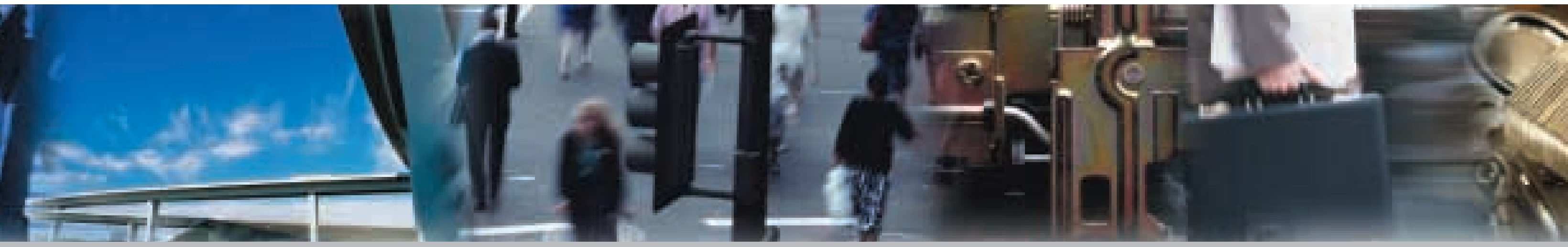
Listing Particulars



Admission to the Official List and to trading on the London Stock Exchange and the Copenhagen Stock Exchange in relation to the proposed merger of the security business of Group 4 Falck A/S with Securicor plc

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

See "Risk Factors" in Part 8 of this document for a discussion of the risks that might affect your holding of Group 4 Securicor Shares.

If you have sold or otherwise transferred all of your Group 4 Falck Shares or your Securicor Shares, you should immediately forward this document and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This document, which comprises listing particulars relating to Group 4 Securicor plc, has been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 83 of that act. This document has been prepared in connection with the Merger of Group 4 Falck's security business and Securicor as described in this document, and assumes that, unless the context requires otherwise, the Merger has become effective.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful. The Group 4 Securicor Shares have not been registered under the United States Securities Act 1933 and may not be offered or sold in the United States unless they are so registered or are exempt from such registration requirements. Persons receiving this document must not mail or otherwise forward, distribute or send such material in or into or from the United States.

Group 4 Securicor plc

(Incorporated and registered in England and Wales under the Companies Act 1985, Registered No. 4992207)

Introduction of Group 4 Securicor Shares to the Official List

Sponsored by

Cazenove & Co. Ltd, Morgan Stanley & Co. Limited and UBS Limited

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Application has been made to the UK Listing Authority for the entire ordinary share capital of Group 4 Securicor to be admitted to the Official List and to the London Stock Exchange for such ordinary share capital to be admitted to trading on the London Stock Exchange's market for listed securities. Application has also been made for the entire ordinary share capital of Group 4 Securicor to be admitted to listing and trading on the Copenhagen Stock Exchange. It is expected that, subject to the conditions to the Merger becoming effective being satisfied or, where appropriate waived, admission of the Group 4 Securicor Shares to the Official List and to trading on the London Stock Exchange's market for listed securities and to listing and trading on the Copenhagen Stock Exchange will become effective and that unconditional dealings will commence in the Group 4 Securicor Shares at 8 a.m. (BST) in London and 9 a.m. (CET) in Copenhagen on 20 July 2004.

Group 4 Securicor Shares will only be issued to Group 4 Falck Shareholders and Securicor Shareholders and will not be made generally available or marketed to the public in any jurisdiction.

Cazenove & Co. Ltd is acting exclusively for Securicor and Group 4 Securicor and no-one else in connection with the matters described herein and will not be responsible to anyone other than Securicor and Group 4 Securicor for providing the protections afforded to clients of Cazenove & Co. Ltd nor for providing advice in relation to the matters described herein.

Morgan Stanley & Co. Limited is acting exclusively for Securicor and Group 4 Securicor and no-one else in connection with the matters described herein and will not be responsible to anyone other than Securicor and Group 4 Securicor for providing the protections afforded to clients of Morgan Stanley & Co. Limited nor for providing advice in relation to the matters described herein.

UBS Limited is acting exclusively for Group 4 Falck and Group 4 Securicor and no-one else in connection with the matters described herein and will not be responsible to anyone other than Group 4 Falck and Group 4 Securicor for providing the protections afforded to clients of UBS Limited nor for providing advice in relation to the matters described herein.

The distribution of this document in certain jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of such jurisdictions.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any issue and allotment made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Group 4 Securicor after the date hereof or that the information in this document is correct as of any time after the date of this document.

Information regarding forward-looking statements

This document contains various forward-looking statements regarding trends and future events that are subject to risks and uncertainties that could cause the actual results and financial position of Group 4 Securicor to differ materially from the information presented herein. Such uncertainties include, but are not limited to, uncertainties regarding the integration of Group 4 Falck's security business and Securicor, changes in the use of physical currency, the Group's exposure in emerging markets and general economic slowdowns. For more details, see Part 8: "Risk Factors". Forward-looking statements include information concerning possible and assumed future results of Group 4 Securicor's operations, earnings, economic conditions affecting the markets in which Group 4 Securicor operates and demand for and other aspects of Group 4 Securicor's business. When used in this document, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should", and similar expressions, as they relate to Group 4 Securicor or its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Group 4 Securicor undertakes no obligation to update publicly or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under English statutory law, the Listing Rules or the requirements of the Copenhagen Stock Exchange.

In addition, the forward-looking information provided by Group 4 Falck in an announcement made to the Copenhagen Stock Exchange on 10 March 2004 in connection with the release of its annual results for the financial year 2003 and in an announcement made to the Copehagen Stock Exchange on 26 May 2004 in connection with the release of its quarterly results for the first quarter of 2004 should not, under any circumstances, be regarded as a profit forecast. This information was required to be published under Danish law and related to Group 4 Falck as a whole. Consequently, it should not be regarded as relating either to Group 4 Falck's security business or to Group 4 Securicor.

Legal information

You should rely only on the information contained in this document. None of Group 4 Securicor, Group 4 Falck, Securicor, Cazenove, Morgan Stanley or UBS has authorised anyone to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. If anyone provides you with different or inconsistent information, you should not rely on it. This document does not constitute an offer or invitation to any person to subscribe for or purchase any Group 4 Securicor Shares in any jurisdiction. The information contained in this document is accurate as of the date of this document, regardless of the time of delivery of this document or of any Group 4 Securicor Shares. Neither the delivery of this document nor any issue and allotment of Group 4 Securicor Shares made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Group 4 Securicor since the date hereof or that the information in this document is correct as of any time after the date of this document.

Exchange rates

The following exchange rates are provided for illustrative purposes:

	DKK:£	DKK:US$	US$:£
Rate at			
31 December 2001	12.186	8.409	1.449
28 April 2002	11.939	8.180	1.459
31 December 2002	11.399	7.082	1.610
31 December 2003	10.580	5.957	1.776
Average rate for the period			
Year ended 31 December 2001	12.020	8.319	1.445
4 months to 28 April 2002	11.874	8.467	1.402
Year ended 31 December 2002	11.825	7.892	1.498
Year ended 31 December 2003	10.746	6.584	1.632

	Time/Date 2004
Latest date and time for receipt of forms of proxy for the Group 4 Falck EGM	**2.00 p.m. (CET) 23 June**
Latest time and date for receipt of forms of proxy for the Court Meeting[1]	**11.00 a.m. (BST) 26 June**
Latest time and date for receipt of forms of proxy for the Securicor EGM	**11.10 a.m. (BST) 26 June**
Court Meeting	**11.00 a.m. (BST) 28 June**
Securicor EGM	**11.10 a.m. (BST) 28 June**
Group 4 Falck EGM[2]	**2.00 p.m. (CET) 28 June**
Court Hearing to sanction the Scheme	**15 July**
Last date for acceptances of the Recommended Offer[3]	**8.00 p.m. (CET) 15 July**
Scheme Effective Time and suspension of dealings in Securicor Shares on the London Stock Exchange and of Group 4 Falck Shares on the Copenhagen Stock Exchange	12.00 noon (BST) 19 July
Effective Date of the Merger	19 July
Listing of Group 4 Securicor Shares and commencement of dealings on the London Stock Exchange	8.00 a.m. (BST) 20 July
Listing of Group 4 Securicor Shares and commencement of dealings on the Copenhagen Stock Exchange	9.00 a.m. (CET) 20 July
Crediting of Group 4 Securicor Shares to CREST accounts[4]	20 July
Crediting of Group 4 Securicor Shares to VP accounts	22 July
Latest date for despatch of definitive certificates for Group 4 Securicor Shares in certificated form	2 August

1. The form of proxy for the Court Meeting (but not the Securicor EGM) may alternatively be handed to the Registrar on behalf of the Chairman of the Court Meeting at the start of the Court Meeting.
2. This timetable assumes that there will be a quorum representing at least 50% of the share capital at the Group 4 Falck EGM and that, consequently, Group 4 Falck will not be required to convene a second EGM. In the event that the Group 4 Falck EGM is inquorate, and a second EGM is required, an announcement will be made containing the date of that second EGM together with details of any subsequent revisions to the timetable, and the Recommended Offer may be extended accordingly.
3. The offer period for the Recommended Offer may be extended if, for example, it becomes apparent prior to the scheduled closing date that the requisite level of acceptances is unlikely to be received. In that case, all events scheduled to occur after the closing date for the Recommended Offer in the above timetable (including completion of the Merger) would be delayed.
4. There will be a delay in crediting the CREST accounts of those Group 4 Falck Shareholders who accept the Recommended Offer and elect to hold their new Group 4 Securicor Shares through CREST due to the time required to settle these transactions. The relevant CREST accounts will be credited as soon as possible after 23 July 2004 (or later if the Recommended Offer is extended). Please see paragraph 5 of Part 2 for further details.

TRANSLATION

A Danish translation of this document will be made available to Group 4 Falck Shareholders on request. In the event of any discrepancy between the English language and Danish language versions of this document, the English language version shall prevail.

NON-UK SHAREHOLDERS

Further details of the Merger for holders of Group 4 Falck Shares or Securicor Shares who are residents of countries other than the United Kingdom are set out in paragraph 7 of Part 2.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial information in this document is presented in accordance with UK GAAP.

In June 2002, the Council of Ministers of the European Union approved a regulation (the "Regulation") requiring all companies that are governed by the laws of a member state of the European Union and whose securities are admitted to trading on a regulated market of any member state to prepare their consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Regulation is effective for each financial year starting on or after 1 January 2005 with respect to companies with listed equity securities. Accordingly, the Company will be required to adopt IFRS in the preparation of its financial statements for the year ending 31 December 2005.

In March 2004, the International Accounting Standards Board issued the final accounting standards applicable for 2005, although some have still to be endorsed by the European Union. The Company has not yet determined the accounting policies it will adopt under IFRS, including the options available under the transitional arrangements. Consequently, the Company is unable to quantify the potential impact of the transition to IFRS on the financial information presented in this document.

Directors	Jørgen Philip-Sørensen	Chairman – Non-executive
	Alf Duch-Pedersen	Deputy Chairman – Non-executive
	Lord Sharman	Deputy Chairman – Non-executive
	Lars Nørby Johansen	Chief Executive
	Nick Buckles	Deputy Chief Executive
	Trevor Dighton	Chief Financial Officer
	Lord Condon	Non-executive
	Sir David Gore-Booth	Non-executive
	Thorleif Krarup	Non-executive
	Bo Lerenius	Non-executive
	Waldemar Schmidt	Non-executive
	Malcolm Williamson	Non-executive

The business address of each of the Directors is Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LD.

Company Secretary Nigel Griffiths

Registered and Head Office Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LD.

The Company will shortly be re-locating its registered and head office to new premises near Gatwick Airport in the UK.

ADVISERS

UK Sponsors	Cazenove & Co. Ltd 20 Moorgate London EC2R 6DA
	Morgan Stanley & Co. Limited 25 Cabot Square Canary Wharf London E14 4QA
	UBS Limited 1 Finsbury Avenue London EC2M 2PP
Danish Listing Agents	Morgan Stanley & Co. International Limited 25 Cabot Square Canary Wharf London E14 4QA
	UBS Limited 1 Finsbury Avenue London EC2M 2PP
Joint Reporting Accountants	Baker Tilly 2 Bloomsbury Street London WC1B 3ST
	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
English Legal Advisers to the Company	Freshfields Bruckhaus Deringer 65 Fleet Street London EC4Y 1HS
	Herbert Smith Exchange House Primrose Street London EC2A 2HS
Danish Legal Advisers to the Company	Gorrissen Federspiel Kierkegaard H.C. Andersens Boulevard 12 DK-1553 Copenhagen V
	Kromann Reumert Sundkrogsgade 5 DK-2100 Copenhagen Ø
Legal Advisers to the UK Sponsors	Linklaters 1 Silk Street London EC2Y 8HQ

Legal Advisers to the Danish Listing Agents	Plesner Svane Gønborg Amerika Plads 37 DK-2100 Copenhagen Ø
Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Paying Agent and Registrar in Denmark	Danske Bank A/S Holmens Kanal 2-12 DK-1092 Copenhagen K

Summary Key Information

The following information should be read in connection with the full text of this document from which it is derived.

Business Summary

The Group 4 Securicor Group is a leading international security services provider with operations in over 100 countries. The Group operates in the fields of manned security, security systems, cash services and justice services. The Group's pro forma turnover and EBITA from continuing operations and acquisitions before exceptional items (based on the financial year to 30 September 2003 in respect of Securicor and to 31 December 2003 in respect of Group 4 Falck's security business) were £3.8 billion and £199 million respectively on a UK GAAP basis*.

Risk Factors

See "Risk Factors" in Part 8 of this document for a discussion of the risks that might affect the value of your holding of Group 4 Securicor Shares.

Summary of the Merger

On 24 February 2004 Group 4 Falck and Securicor announced that they had agreed the terms upon which the security business of Group 4 Falck and Securicor would merge to become the Group 4 Securicor Group.

In connection with the Merger, Group 4 Falck will, subject to the approval of its shareholders, be demerged into two new companies: Group 4, which will own the security business of Group 4 Falck, and Falck, which will own the Rescue and Safety businesses of Group 4 Falck and will hold the net proceeds of the GSL sale announced on 26 May 2004. In addition, Securicor will, subject to the approval of its shareholders, undertake the Scheme, pursuant to which Securicor Shareholders will have their shares in Securicor exchanged for Group 4 Securicor Shares. Group 4 Securicor will make a Recommended Offer to acquire all the Group 4 Shares.

Assuming that the Merger becomes effective, and that Group 4 Falck Shareholders accept the Recommended Offer in respect of their Group 4 Shares to be issued pursuant to the Demerger:

- Group 4 Falck Shareholders will receive 8.2 Group 4 Securicor Shares and one Falck Share for each of their Group 4 Falck Shares; and
- Securicor Shareholders will receive one Group 4 Securicor Share for each of their Securicor Shares.

Any fractional entitlements to Group 4 Securicor Shares will be aggregated and sold in the market and the proceeds will be given to charity.

Strategy

The Group's objectives are to:

- strengthen further its position in each of the manned security, security systems, cash services and justice services markets;
- become the first choice provider for key users of integrated security services;
- continue to grow organically and through acquisitions; and
- maximise shareholder returns.

* These numbers do not take account of divestments required to be made in order to obtain competition clearance from the European Commission, details of which are set out in paragraph 4 of Part 2.

The Group will aim to achieve these objectives through the following strategies:

- delivery of cost synergy targets while maintaining focus on day-to-day business performance;
- use of best business practices;
- further development of the Group's integrated security capability;
- expansion in higher growth countries; and
- strategic, value-enhancing acquisitions.

The Group will target overall organic growth in turnover of at least 6% per annum, with a medium term EBITA margin target of at least 7%.

Current trading

Group 4 Falck

On 26 May 2004 Group 4 Falck released its first quarter results for the three months to 31 March 2004. Group 4 Falck has performed well since its financial year end, with organic turnover growth (including Rescue and Safety and GSL) currently running at a rate of 5.3% year on year.

Although the first quarter results announced on 26 May 2004 represent the results for Group 4 Falck as a whole, the security business has performed in line with Group 4 Falck's overall performance and management expectations during the period. Markets continue to experience positive organic growth profiles, with North America experiencing particularly strong organic turnover growth of 8.3% year on year.

Securicor

Securicor announced its interim results on 10 May 2004, which are included in Part 5B of this document. Securicor reported a good half year to 31 March 2004, focused on customer service, rigorous management of the cost base and new business development. Organic turnover growth was 5.0% year on year, underlying EBITA increased 10.5% year on year to £39.0 million and normalised earnings per share increased 48.3% year on year to 4.3p. Cash generation was very strong, with operating cash flow at 99% of operating profit.

Group 4 Securicor

The Board considers that the performance of both Group 4 Falck's security business and Securicor since 31 March 2004 has been satisfactory and remains confident in the prospects for the Group as a whole for the current financial year.

Dividends

The Board expects that Group 4 Securicor will, in the absence of unforeseen circumstances, pay dividends for the financial year ending 31 December 2004 equivalent to not less than 1.54 pence per Group 4 Securicor Share. Group 4 Securicor expects to grow dividends over time and will aim to strike a balance between income distribution and investing cash to grow its business.

Group 4 Securicor will declare dividends in pounds sterling, although shareholders may elect to receive dividends in Danish Kroner. Those shareholders who elect to hold their Group 4 Securicor Shares through VP will receive their dividends in Danish Kroner. For the purposes of calculating the exact amount payable in Danish Kroner, the Board will set the exchange rate at the time that the dividend is announced.

PART 1
INFORMATION ON GROUP 4 SECURICOR

Group 4 Falck and Securicor signed a Merger Agreement on 24 February 2004, pursuant to which the parties agreed to merge Group 4 Falck's security business with Securicor. Whilst the Merger is subject to a number of conditions (further details of which are set out in paragraph 2 of Part 2 of this document), this document has been drafted on the basis that the Merger has already become effective.

1. INTRODUCTION

Group 4 Securicor is a leading international security services company with operations in over 100 countries worldwide. The Company operates in four key sectors: manned security (including traditional guarding and aviation security), security systems (including alarms and monitoring), cash services (including the management and transportation of cash and valuables and cash processing) and justice services (including prison and other detention facilities and electronic monitoring of offenders).

The Group's pro forma turnover and EBITA from continuing operations and acquisitions before exceptional items (based on the financial year to 30 September 2003 in respect of Securicor and to 31 December 2003 in respect of Group 4 Falck's security business) were £3.8 billion and £199 million respectively on a UK GAAP basis*. Manned security accounted for approximately 70% of total pro forma turnover, security systems accounted for approximately 9% and cash services and justice services accounted for approximately 19% and 2% respectively.

2. MARKET PLACE

Introduction

The global security services industry is estimated by the Board to generate annual turnover of about US$90 billion (excluding manufacturing). The market is fragmented, with the top five companies by market capitalisation controlling less than 30% of the global market.

Group 4 Securicor believes that there are opportunities for growth for a market-leading security provider arising out of the increase in demand in mature markets for guarding and integrated security services and the increasing threats to business, individuals and property from terrorism and related issues.

Western Europe and North America

Western Europe and North America are the largest markets for security services by turnover, with approximately 31% and 46% respectively of the global market. Although GDP growth rates in these markets are below those currently experienced in emerging markets, the Board considers that there are a number of benefits that Group 4 Securicor can achieve.

The Board believes that in the public sector there is increasing pressure to outsource various aspects of security, including manned guarding and other security services, but that because public sector outsourcing in these areas is still at a low level, there is significant scope for growth.

Emerging Markets

Latin America, Africa, and Asia are enjoying GDP growth rates in excess of those in Western Europe and North America. Expanding across these emerging markets would allow the Group to capitalise on higher growth rates and increased market penetration. There is also demand to service established customers as they move into new markets and economies, allowing the Group to leverage its capabilities across its four main business areas.

* These numbers do not take account of divestments required to be made in order to obtain competition clearance from the European Commission, details of which are set out in paragraph 4 of Part 2.

3. HISTORY AND DEVELOPMENT

Group 4 Falck

Group 4 Falck's origins date back to the guarding company founded by Philip Sørensen and Marius Hogrefe in 1901 and the rescue and safety company founded by Sophus Falck in 1906 in Denmark.

The guarding business developed in the first half of the twentieth century, expanding into Sweden in 1934 and into the UK in 1950, and became known as Securitas International A/S. In 1981, this business was split: Jørgen Philip-Sørensen assumed responsibility for the European activities under the Group 4 name while his brother, Sven Philip-Sørensen, took charge of the Swedish activities under the name Securitas.

The rescue and safety businesses, known as Falck, became a nationwide operator in Denmark and in 1988 were sold to Baltica Insurance A/S before being listed on the Copenhagen Stock Exchange in 1995.

During the 1990s, Group 4 grew organically and Falck made significant acquisitions before the two companies merged in 2000 to form Group 4 Falck.

In 2002, Group 4 Falck acquired the Wackenhut Corporation Inc., one of the largest security services providers in the US.

Group 4 Falck's Rescue and Safety businesses, as well as the net proceeds from the sale of GSL announced on 26 May 2004, will not be included in the Group but will be held by Falck which will be listed separately in Denmark following the Demerger.

Securicor

Securicor's origins date back to 1935, when Edward Shortt set up Night Watch Services, a night-time patrol service in London. After the Second World War, the business moved into industrial security and by 1951, when it was rebranded Securicor, employed approximately 170 guards.

During the 1960s, Securicor acquired a cash-in-transit business and developed into a nationwide operator in the UK with numerous branches and a radio communications network. The company also began to operate a parcels distribution service.

In the 1970s, Securicor obtained two listings on the London Stock Exchange: Securicor Group Limited and Security Services Limited. During the 1980s, Securicor joined forces with British Telecommunications plc to form the Cellnet cellular network, and at the same time developed other communications businesses.

In 1996 the businesses of Securicor were reorganised under a single public company which became the new listed holding company of the group. In 1999 Securicor sold its stake in Cellnet for £3.15 billion. During the last decade, Securicor has made a number of acquisitions and also disposed of its distribution business to Deutsche Post.

4. DESCRIPTION OF BUSINESS

Introduction

Group 4 Securicor is a leading international security services company which, as at 31 December 2003, employed approximately 340,000 people in over 100 countries worldwide. The Group's new head office will be located near Gatwick Airport in the UK.

The business of Group 4 Securicor is split into four main divisions: manned security, security systems, cash services and justice services.

The breakdown of the Group's unaudited pro forma annual turnover for the continuing operations by business division is as follows:

Business Division	Group 4 Falck's security business	Securicor	Pro forma	%
	£m	£m	£m	
Manned Security	2,011	671	2,682	69.9
Security Systems	331	—	331	8.6
Cash Services	210	503	713	18.6
Justice Services	—	96	96	2.5
Other Services	17	—	17	0.4
	2,569	1,270	3,839	100.0

The above table has been extracted from, and should be read in conjunction with, the pro forma information contained in Part 7 of this document which has been prepared in accordance with UK GAAP. Furthermore, the above table takes no account of the divestments required to be made in order to obtain competition clearance, details of which are set out in paragraph 4 of Part 2. You should read the whole of this document and not rely solely on the key or summary information.

Manned Security

The Group provides manned security services to a range of customers including governments, public authorities, commercial companies and retailers. The Group has one of the leading market positions in the UK, Scandinavia, Canada, the Netherlands, Germany, France and Belgium. Group 4 Securicor is also one of the leading manned security services providers in the United States, Africa, Latin America, the Middle East and Asia. As at 31 December 2003, the manned security division employed approximately 300,000 staff worldwide.

Within the manned security sector, the Group's contracts are typically short term, rolling contracts which can be terminated by customers on less than six months' notice. Given the size of some of these contracts and the high numbers of employees required to staff them, employees are frequently transferred between providers when customers terminate a large contract with one provider and appoint another in its place.

Traditional guarding and reception services

Uniformed, on-site security teams provide protection across a wide range of sectors including retail, commercial, industrial, financial and public. The Group provides security guards to staff reception areas of offices, retail and industrial premises.

Traditional guarding services comprise the majority of the Group's manned security business. The Board believes that Group 4 Securicor has a reputation for quality in the guarding sector which is based both on its extensive employee screening processes and the high level of training provided to its guards. The Group's customers include a number of US embassies, as well as NATO.

Aviation security

Aviation security services are provided by the Group to a number of the world's leading airlines and at some of the world's busiest airports. These services include passenger screening, visa and document verification, baggage and cargo screening, aircraft guarding and patrols, and general airport security. The Group carries out operations at, amongst other places, Heathrow Airport in the UK, Schiphol Airport in the Netherlands and Arlanda Airport in Sweden. These services are carried out by guards trained specifically for the aviation security sector.

Mobile patrols

The Group provides a mobile security service offering visits to and patrols of customer sites. The Group 4 Securicor Group also offers key-holding services.

Other guarding services

The Group provides security services for a variety of sporting events, conferences and other major events, and is contracted to provide security at the Wimbledon Lawn Tennis Championships. The Group 4 Securicor Group also offers a range of personal security services, including bodyguard and protection services for diplomats, politicians, business persons and VIPs. In addition, the Group provides covert security services to help detect and prevent employee and external theft.

The Group also has a number of guarding contracts with the US Government which are carried out through one of the Group's US subsidiaries, Wackenhut Services Inc. The guarding contracts relate to locations occupied by various US Government agencies at which classified information is stored. The US Government has imposed a restriction on foreign ownership of any company providing services to these agencies. In accordance with US legal requirements, the Group has entered into a proxy agreement delegating day-to-day control of the business undertaken under those contracts to proxies based in the US.

Security Systems

The Group 4 Securicor Group provides to the private and public sectors a range of security systems, including the design, installation, maintenance and monitoring of intruder alarms, access control, CCTV and other security systems. The Group provides access control systems to the Pentagon in the US.

As at 31 December 2003, the security systems division employed more than 5,000 staff worldwide.

Intruder alarms

The Group provides an assessment of customer requirements and designs and installs the appropriate intruder alarm system, ranging from a single-site system to a fully integrated and networked alarm system covering multiple sites and systems.

Control room systems

The Group provides on-site or remote alarm and access control monitoring which requires manned operation of various guarding and alarm systems to detect a range of incidents such as unauthorised access or fire which may require notification to appropriate emergency services.

CCTV, access control and biometrics

The Group supplies a comprehensive range of digital CCTV systems, designs access control systems to prevent unauthorised access to secure or sensitive areas and offers leading biometric (recognition) technology which can be integrated with access control and CCTV systems.

Risk assessments

The Group 4 Securicor Group also offers a range of consultancy and risk audit services, including a survey of key risk areas for customers.

Integrated security

The manned security and security systems industries are becoming increasingly linked as the cost of electronic security has fallen compared to the generally rising costs of manned solutions. Whilst demand for electronic security systems is growing, in most cases these systems still require the presence, on site or remotely, of manned guards. The Board believes that there is scope to meet customers' demands for a complete security solution with varying combinations of manned and electronic guarding elements.

Cash Services

The expertise of the Group in cash services enables it to meet a wide range of customer needs, including coin and cash management, automated teller machine (ATM) replenishment and outsourced ATM management. The Group's customers are mainly financial institutions and retailers and include many of the high street banks in the UK as well as Deutsche Post in Germany and Toronto-Dominion in Canada.

The Group is a leading operator of cash services in Europe. The cash services operations of the Group 4 Securicor Group also extend to Latin America, Africa, Asia Pacific and the Middle East.

As at 31 December 2003, more than 30,000 employees worked in the Group's cash services division worldwide. In cash services, many of the Group's contracts are for periods of between one and three years. Many of the Group's contracts include provision for pricing changes to the extent that there is an increase in underlying costs (such as wage costs, attack losses, fuel, and insurance premiums).

Cash transportation

The principal cash-related service is cash transportation, which involves the physical movement of cash, whether in note or coin form, by armoured vehicles owned or leased by the Group on behalf of financial, retail and other customers. In the UK alone, the Group anticipates that it will transport more than £300 billion in cash and process cash worth more than £25 billion each year. Cash transportation services are becoming more flexible in the light of recent technological developments including time-locked electronic boxes which, if tampered with, will render unusable the cash inside.

Most cash transportation takes place between cash centres (where cash is stored, fitness-sorted and processed) and customer outlets (such as bank branches and retail stores) and involves either the collection of cash from cash-generative businesses and delivery to cash centres, or the delivery of cash from cash centres to cash-dispensing businesses.

The Group 4 Securicor Group uses its national distribution network in the UK to ensure delivery of cash and valuables. The Group has a number of secure cash centres at which cash is stored ready for distribution. The Group has also developed information systems which permit efficient planning of routes and services and track the movement of cash and valuables throughout the network.

The Group also transports cash and valuables (including precious metals and diamonds) internationally. The Board believes that continued growth in this area will lead to further international expansion.

Cash management

The Group provides a range of cash management services to customers which, in addition to the usual transportation services, includes the management of commercial and central bank cash stocks, the counting and reconciliation of bank and retailer cash and the make-up and delivery of cash to be dispensed by ATM machines. This involves the receipt, weighing, counting, validation (checking for counterfeits), sorting for fitness, secure storage, repackaging, supply and management of cash.

ATM outsourcing

The Group provides ATM outsourcing services to financial institutions, retailers and independent ATM network providers. These services include the forecasting of cash usage, ATM maintenance, cash replenishment and reconciliation services. The Board expects that the cash services operations of the Group will benefit from the significant projected growth in ATMs worldwide, particularly in Asia.

Justice Services

The Group's justice services include adult and youth custody facilities and the provision and installation of electronic monitoring equipment.

As at 31 December 2003, over 3,000 Group 4 Securicor employees worked in the justice services operations conducted in the UK, the Netherlands, Jersey and the US. In justice services, the Group's contracts are typically for a period of between 5 and 30 years.

Adult and youth custody and rehabilitation

In the UK, the Group operates one prison contract and will shortly begin operation of a secure training centre. The Group manages six juvenile facilities in the US and supplies staff to six prisons in the Netherlands. The Group is responsible for over 900 adult prisoner places at HM Prison Parc in South Wales, and provides residential and non-residential services to over 900 juvenile offenders in the US and the UK.

Electronic monitoring of offenders

The electronic monitoring operations of the Group are conducted primarily in the UK, the Channel Islands and the US, with more than 3,000 offenders being monitored daily in the UK alone.

Opportunities in the justice services market

In the justice services market, service providers are able to benefit from a trend towards government outsourcing which has arisen as a consequence of government policy and budget constraints on government justice departments.

5. GROUP STRATEGY

The Group's objectives are to:

- strengthen further its position in each of the manned security, security systems, cash services and justice services markets;
- become the first-choice provider for key users of integrated security services;
- continue to grow organically and through acquisitions; and
- maximise shareholder returns.

The Group will aim to achieve these objectives through the following strategies:

- *delivery of cost synergy targets while maintaining focus on day-to-day business performance:* the Group expects to achieve cost synergies of £30 million per annum as a result of the Merger. Approximately 55% of these cost synergies are expected to be achieved within one year of the Merger, and substantially all within two years. Of these cost synergies, £13 million are expected to be achieved in the manned security operations, £7 million in cash services, £7 million in corporate head office and the regions and £3 million in procurement cost savings across the Group. The cost of achieving these synergies is estimated to be approximately £45 million. The amount of the projected synergies and the estimated cost of achieving them has been affected by the outcome of the European Commission's investigation into the Merger and its compatibility within the Common Market, further details of which are set out in paragraph 4 of Part 2 of this document;
- *use of best business practices:* best business practices will be developed and shared across the Group;
- *further development of the Group's integrated security capability:* the security industry is evolving as customers seek integrated security services including risk assessment, manned security, electronic security and monitoring and response services. The Board believes that the Group will be in a position to respond positively to this trend through the range of services it offers, the depth of its expertise and its ability to manage relationships with its sophisticated customers;
- *expansion in higher growth countries:* the Board believes that customers in many emerging markets are increasingly demanding more sophisticated security services. The Board plans to take advantage of anticipated growth levels in these markets by entering new markets or expanding the scale of its operations in existing markets, where attractive opportunities are identified; and
- *strategic, value-enhancing acquisitions:* potential acquisitions will be considered where they are expected to create value for Group 4 Securicor Shareholders. In the short-term, however, large acquisitions are not expected, given the need for management to focus on the successful integration of the businesses following the Merger as well as on delivering identified cost synergies and other Merger benefits.

The Group will target overall organic growth in turnover of at least 6% per annum with a medium term EBITA margin target of at least 7%.

In manned security, turnover growth of at least 5% per annum in developed countries and at least 10% per annum in emerging markets will be targeted, and the Group aims to achieve a medium term EBITA margin for manned security of at least 6%.

Each of security systems and cash services has turnover growth targets of at least 8% per annum. In the case of justice services, the turnover growth target is at least 15% per annum. Each of security systems, cash services and justice services has a medium term EBITA margin target of at least 10%.

6. INTEGRATION

The potential benefits of the Merger will only be fully realised through a successful integration of the businesses. Integration planning has already been underway for some time to increase the likelihood that when the Merger is implemented the transition of two businesses into one will take place smoothly.

The transition will be co-ordinated by an integration office established with the objective of managing, alongside the management team, the integration planning and process. Lars Nørby Johansen is leading the integration process, and Nick Buckles is responsible for head office integration.

The key objectives are to safeguard current business, minimise any negative impact on growth, align and integrate functions and operations, and secure synergy cost savings, estimated to be in the order of £30 million per annum.

Prior to implementation of the Merger, information and consultation will have been carried out with the European and local works councils, trade unions and other employee representatives. Information and consultation with such bodies will also play a significant part in the integration process.

7. EMPLOYEES

The Board considers that the success of Group 4 Securicor depends in large measure upon the commitment and competence of its employees. The Group has an equal opportunities policy, and decisions relating to the recruitment, development and training of employees are based solely on the requirements of the job concerned.

The human resources strategies of the Group are designed to ensure that employees are suitably trained to perform their roles and are provided with the opportunity to develop their full potential. Communication and consultation with employees takes place using a variety of channels, including newsletters and team briefings, in addition to formal relationships with trade unions, employee representatives and European and local works councils.

At management level, the Group aims to put in place processes to help support the movement of managers within its various businesses as part of their career paths. This will enable managers to develop their range of experience and assist in the sharing of expertise across the businesses.

The average number of Group employees over the last three financial years (which in the case of Group 4 Falck's security business is for the three years to 31 December 2003 and in the case of Securicor is for the three years to 30 September 2003) was approximately:

2001	230,500
2002	323,500
2003	332,000

8. NEW GROUP 4 SECURICOR SHARE SCHEMES

The Board proposes to adopt the Group 4 Securicor Performance Share Plan and the Group 4 Securicor Share Incentive Plan after the Merger becomes effective. The adoption of these schemes is subject to the approval of Securicor Shareholders at the Securicor EGM.

The principal features of the Group 4 Securicor Performance Share Plan and the Group 4 Securicor Share Incentive Plan are summarised in paragraph 6 of Part 9 of this document and are available for inspection as described in paragraph 19 of Part 9 of this document.

The Board may also establish one or more further schemes for the benefit of non-UK employees based on the Group 4 Securicor Share Schemes but subject to such modifications as the Board may consider necessary or desirable to take account of overseas securities laws, exchange controls and tax legislation. Any awards made under any such further schemes will count against the limits on individual participation under each of the Group 4 Securicor Share Schemes and any shares issued under any such further schemes will count against any limits on the issue of new shares under the Group 4 Securicor Share Schemes.

9. PROPERTY

Group 4 Securicor's current head office is located at Sutton in the UK. Shortly after the Merger becomes effective, the Group will move to a new head office located near Gatwick Airport in the UK. The Group will also maintain its current office in Copenhagen, pending the successful completion of the integration process, after which it is anticipated that this office will be closed.

The Group operates a general policy of leasing rather than buying the properties required to carry out its business. The Board believes that the properties leased by the Group are adequate for its current needs. Details of the Group's principal establishments are set out in paragraph 12 of Part 9.

10. MANAGEMENT

Group 4 Securicor's management is highly experienced: senior executives have many years' experience in the security sector. The Group will be managed in operational and geographical units, supported by an executive committee.

Jørgen Philip-Sørensen has been appointed as non-executive Chairman of Group 4 Securicor. He will chair the Group during the period of integration and he will retire in September 2005 upon reaching the age of 67, by which time it is expected that the integration of the two businesses will have been substantially completed. His successor will be appointed on the recommendation of the Nomination Committee in line with normal corporate governance procedures. Lars Nørby Johansen has been appointed Chief Executive of Group 4 Securicor and Nick Buckles has been appointed Deputy Chief Executive and Chief Operating Officer. Nick Buckles will succeed Lars Nørby Johansen as Chief Executive at the appropriate time. Trevor Dighton has been appointed Chief Financial Officer of Group 4 Securicor.

The Board will be responsible for setting the Group's strategy, overseeing the long-term development of its business and reviewing performance.

An executive committee, consisting of Lars Nørby Johansen, Nick Buckles, Trevor Dighton, Søren Lundsberg-Nielsen, Irene Cowden and the three divisional presidents (Hans Bennetzen, Grahame Gibson and Ken Niven), will meet regularly. The executive committee will be responsible for overseeing the operational performance of the Group's businesses.

The Board

Jørgen Philip-Sørensen (65) has held the position of chairman of the board of directors of Group 4 Falck since 2000. He was chairman and chief executive of Group 4 Securitas (International) BV between 1964 and 2000. He holds a number of directorships for commercial and charitable entities including Skagen Food A/S, Danish Yacht A/S, Skagen Harbor and Harbour Quay plc, Sorven Holdings Ltd, Cotswold Conference Centre Ltd and the Foundation for Liver Research.

Lord Sharman (61) was appointed to the board of Securicor in 2003. An accountant, he spent 33 years with KPMG, many of which were in various senior roles within Continental Europe. Lord Sharman retired from KPMG as chairman of its worldwide operations in 1999. He is the non-executive chairman of Aegis Group plc, a non-executive director of BG Group plc and Reed Elsevier plc and a member of the supervisory board of ABN Amro Holding NV. He was created a life peer in 1999.

Alf Duch-Pedersen (57) has been a member of the board of Group 4 Falck since 2000, prior to which he was Chairman of Falck A/S. He is also CEO of Danisco A/S and a member of the board of directors of Danske Bank Aktieselskab (chairman), The Danisco Foundation, British Import Union and ICC Danmark. Mr Duch-Pedersen is also a member of the Executive Committee and the General Council of the Confederation of Danish Industries.

Lars Nørby Johansen (54) has been CEO of Falck Redningskorps A/S and Falck Holding A/S since 1988, and president and CEO of Group 4 Falck since June 2000. In 1985 Mr Johansen was appointed technical manager and vice president of the Danish Insurance Association, and in 1986 Claims Manager and Vice President of Baltica Insurance A/S. Mr Johansen's directorships include seats on the Boards of DONG A/S (Deputy Chairman), William Demant Holding A/S, Oticon A/S and the Rockwool Foundation. Mr Johansen will also be chairman of Falck following the Demerger.

Nick Buckles (43) joined Securicor in 1985 as a projects accountant. In 1996 he was appointed managing director of Securicor Cash Services, and he became chief executive of the Security Division in October 1999. Mr Buckles was appointed to the board of Securicor in May 2000 and became chief executive in January 2002.

Trevor Dighton (54) joined Securicor in 1995 after a previous career which included posts in both the accountancy profession and in industry, including five years in general management in Papua New Guinea, three years in Zambia and seven years with BET plc. He was appointed Finance Director of the Security Division in 1997 and Deputy Group Finance Director in October 2001. Mr Dighton was appointed to the board of Securicor in June 2002.

Lord Condon (57) was appointed to the board of Securicor in October 2000. He joined the Metropolitan Police in 1967 and, after holding various senior appointments in the police force, including a period as Chief Constable of Kent, served as Commissioner of the Metropolitan Police between 1993 and January 2000. He was created a life peer in 2001.

Sir David Gore-Booth (61) was appointed to the board of Group 4 Falck in 2000. He is also a member of the boards of directors of the British Arab Commercial Bank, the Saudi British Bank, Vedanta Resources plc, the Arab-British Chamber of Commerce, HSBC Bank Egypt and HSBC Bank Middle East. He has previously held the positions of Ambassador in Saudi Arabia and High Commissioner to India.

Thorleif Krarup (51) was appointed to the board of Group 4 Falck in 2003. He is a member of the board of directors of Bang & Olufsen A/S, Lundbeck A/S (Deputy Chairman), the Lundbeck Foundation LFI A/S (Deputy Chairman), the Denmark-America Foundation and Chr. Hansen Holding A/S (Observer). Mr Krarup is also Chairman of TDC (Tele Danmark Corporation).

Bo Lerenius (57) was appointed to the board of Securicor in April 2004. After a diverse early business career, he served as chief executive of Ernstromgruppen, a Swedish building materials operation, between 1985 and 1992. In 1992, Mr Lerenius joined Stena Line, where he was chief executive and vice chairman. Since 1999 he has been the chief executive of Associated British Ports Holdings plc.

Waldemar Schmidt (63) was appointed to the board of Group 4 Falck in 2000. He is a member of the board of directors of Alfa Laval International AB, Enodis plc and the Welzorg Group N.V. He is also chairman of the board of directors at Superfos A/S, Superfos Industries A/S, Thrane and Thrane A/S and Deputy Chairman of the F-Group A/S. He was formerly group Chief Executive of ISS, where he began his career in 1973.

Malcolm Williamson (65) was appointed to the board of Securicor in April 2004. He was for the last five years president and chief executive of Visa International, Inc., based in San Francisco. After a 28-year career with Barclays Bank plc, he became managing director of Girobank plc in 1985. In 1989 Mr Williamson joined Standard Chartered plc, being group chief executive from 1993 to 1998. He is also currently chairman of CDC Group plc, deputy chairman of Britannic plc and UK chairman of the British-Thai Business Group.

Senior Management

Hans Bennetzen (56) has held the position of Group COO at Group 4 Falck since 2000. Mr Bennetzen was finance director of Fona from 1987 to 1990, managing Director of Falck Securitas Denmark from 1990 to 1995, and COO of Falck Holding from 1995 to 1998. He was managing director of Group 4 Securitas (Ireland) in 1998, and managing director of Group 4 Securitas (Belgium) in 1999.

Irene Cowden (51) joined Securicor in 1977, and has held senior management appointments specialising in employee relations, compensation and benefits and organisation development. Mrs Cowden has been a director at both divisional and company level, and was appointed to the board of Securicor in August 2002.

Grahame Gibson (51) has been with the Group 4 Falck Group since March 1983 and has held the position of Group COO at Group 4 Falck since 2000. Formerly Mr Gibson was Group 4 Finance Director (UK) from 1983 to 1987, Deputy Managing Director of Group 4 (UK) from 1987 to 1989, Group Vice

President (Corporate Strategy) from 1989 to 1992, and Group Vice President (Finance and Administration) from 1992 to 1996.

Søren Lundsberg-Nielsen (52) was appointed General Counsel of Group 4 Falck in August 2001. Mr Lundsberg-Nielsen previously held various positions at J.M. Huber, Inc. (USA), Lhoist Group S.A. (Belgium), and Faxe Kalk A/S (Denmark), prior to which he was with the law firm Kromann Reumert in Copenhagen.

Ken Niven (51) joined Securicor in 1996 following a successful career within the logistics management industry, where he held senior roles at Express Foods, Exel Logistics and Coca Cola. He was appointed managing director of the UK cash services operation in 1998 and UK regional managing director of Securicor in 2001.

Company Secretary

Nigel Griffiths (57) has held the position of Company Secretary of Securicor since 1989. Mr Griffiths joined Securicor's French subsidiary in 1973. A solicitor, he was appointed Company Secretary of Securicor Group plc and Security Services plc in 1989 and to the boards of those companies in March 1990.

11. CORPORATE GOVERNANCE

The Board supports high standards of corporate governance and intends to comply with the Combined Code. However, for an interim period, the Company will not comply with the terms of the Combined Code in certain respects.

The Combined Code provides that the Chairman should be independent (and that, in assessing independence, major shareholdings should be taken into consideration). Jørgen Philip-Sørensen, a member of the founding family of Group 4 Falck and currently the company's largest shareholder, has been appointed the non-executive Chairman of Group 4 Securicor.

Mr Philip-Sørensen was appointed Chairman of Group 4 Falck in 2000, prior to which he had been Chairman of Group 4 Securitas (International) BV since 1964. Assuming full acceptance of the Recommended Offer, he will, after the Merger becomes effective, hold approximately 14% of the Group 4 Securicor Shares. The Board believes that the presence of Mr Philip-Sørensen on the Board will be of benefit to Group 4 Securicor given his knowledge of the business and his experience of overseeing transactions of this kind (such as the creation of Group 4 Falck in 2000 and, more recently, Group 4 Falck's acquisition of the Wackenhut Corporation, Inc). He will retire in September 2005, upon reaching the age of 67, by which time it is expected that the integration of the two businesses will be substantially completed. His successor will be appointed on the recommendation of the Nomination Committee in line with normal corporate governance procedures.

The Combined Code further recommends that notice or contract periods should be set at 12 months or less. Pursuant to the terms of new service contracts entered into to be effective from the completion of the Merger, Group 4 Securicor will be entitled to terminate the employment of Nick Buckles and Trevor Dighton on giving 12 months' notice. Mr Johansen was entitled to a notice period of 42 months under his contract of employment with Group 4 Falck. It has recently been agreed that this period be reduced to 24 months in consideration for a payment to Mr Johansen of DKK10,600,000. The Remuneration Committee of Group 4 Securicor has agreed that under the terms of his new service contract, Group 4 Securicor will be required to give Mr Johansen 24 months' notice of termination for a two year transitional period with effect from the Completion Date of the Merger. After this initial two year period, his employment may be terminated on 12 months' notice. All executive directors are required to give Group 4 Securicor 12 months' notice in the event of their resignation.

Mr Johansen will be non-executive chairman of Falck after completion of the Demerger of Group 4 and Falck. It was announced on 26 May 2004 that Group 4 Falck had agreed to the sale of GSL, and it is expected that completion of the sale will take place before the Merger becomes effective. Further details of the agreement relating to the sale of GSL are set out in paragraph 14 of Part 9 of this document. If completion of the sale does not take place before the Merger becomes effective, GSL will be held by Falck and will not be a member of the Group 4 Securicor Group. Group 4 Securicor has established procedures to address any potential conflicts arising between Mr Johansen in his capacity as Chief

Executive of the Company and as non-executive chairman of Falck due to the continued holding of GSL by Falck. Implementation and monitoring of these procedures will be carried out by the Senior Independent Director of Group 4 Securicor. In the event that completion of the sale does not take place before Admission, an announcement will be made detailing the full terms of these procedures.

The Board has established audit, remuneration and nomination committees, each of which has duties and responsibilities formally delegated to it by the Board.

Audit Committee

The Audit Committee comprises Lord Sharman (Chairman), Sir David Gore-Booth, Waldemar Schmidt and Malcolm Williamson. It will meet at least three times each year, and its main role and responsibilities will be to:

- review and monitor the integrity of the financial statements of the Company, including changes to its accounting policy;
- review the Company's financial reporting and control policies and procedures and risk management systems;
- approve the terms of reference of the Company's internal audit function, and to monitor and review its effectiveness;
- make recommendations to the Board in relation to the appointment of the external auditors, their remuneration and terms of engagement;
- monitor and review the external auditors' independence, objectivity and effectiveness;
- approve the nature and scope of external and internal audits; and
- develop and implement policy on the engagement of the external auditors for non-audit services.

Remuneration Committee

The Remuneration Committee comprises Alf Duch-Pedersen (Chairman), Lord Condon, Thorleif Krarup and Bo Lerenius. It will normally meet at least twice a year, and it will be responsible for advising the Board on the Company's executive remuneration policy and related costs, and for fixing the remuneration and benefits of the executive directors and certain senior executives.

The committee will recommend appropriate performance conditions for incentive plans, including share plans and will approve awards under those plans and monitor their operation. The committee will also advise on the form of the contract for executive directors, including contractual termination rights.

Nomination Committee

The Nomination Committee comprises Jørgen Philip-Sørensen (Chairman), Lord Condon, Alf Duch-Pedersen and Lord Sharman. It will meet when appropriate, and will be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise, and for making recommendations to the Board regarding succession plans for both executive and non-executive directors.

12. CURRENT TRADING AND PROSPECTS

Group 4 Falck

On 26 May 2004 Group 4 Falck released its first quarter results for the three months to 31 March 2004. Group 4 Falck has performed well since its financial year end, with organic growth in the business currently running at a rate of 5.3% year on year.

Although the first quarter results announced on 26 May 2004 represent the result for Group 4 Falck as a whole, the security business has performed in line with Group 4 Falck's overall performance and management expectations during the period. Security services markets continue to experience positive organic growth profiles, with North America experiencing particularly strong organic growth of 8.3% year on year.

Securicor

Securicor announced its interim results on 10 May 2004, which are included in Part 5B of this document. Securicor reported a good half year to 31 March 2004, focused on customer service, rigorous management of the cost base and new business development. Organic turnover growth was 5.0% year on year, underlying EBITA increased 10.5% year on year to £39.0 million and normalised earnings per share increased 48.3% year on year to 4.3p. Cash generation was very strong, with operating cash flow at 99% of operating profit.

Group 4 Securicor

The Board considers that the performance of both Group 4 Falck's security business and Securicor since 31 March 2004 has been satisfactory and remains confident of the prospects for the Group as a whole for the current financial year.

13. DIVIDENDS

The Board expects that Group 4 Securicor will, in the absence of unforeseen circumstances, pay dividends for the financial year ending 31 December 2004 equivalent to not less than 1.54 pence per Group 4 Securicor Share. Group 4 Securicor expects to grow dividends over time and will aim to strike a balance between income distribution and investing cash to grow its business.

Group 4 Securicor will declare dividends in pounds sterling although shareholders may elect to receive dividends in Danish Kroner. In addition, those shareholders who elect to hold their Group 4 Securicor Shares through VP will receive their dividends in Danish Kroner. For the purposes of calculating the exact amount payable in Danish Kroner, the Board will set the exchange rate at the time that the dividend is declared.

PART 2
INFORMATION RELATING TO THE MERGER

1. DESCRIPTION OF THE TRANSACTION

Group 4 Falck Re-Organisation and Demerger

Pursuant to the provisions of the Merger Agreement (a summary of which is set out in paragraph 14 of Part 9) Group 4 Falck has undertaken, subject to the approval of its shareholders, to implement the Re-Organisation and the Demerger to separate its security business from its Rescue and Safety businesses and to settle certain inter-company balances. As a result of the Demerger, Group 4 Falck will cease to exist and Group 4 Falck's existing businesses will be held by two new Danish listed companies:

(a) Group 4 (which will own the security business); and

(b) Falck (which will own the Rescue and Safety businesses and hold the net proceeds of the sale of GSL).

On 26 May 2004, Group 4 Falck announced that it had agreed to sell its GSL business. The net proceeds from the sale will be solely for the account of Falck (which will not become part of the Group). If the sale of the GSL business is not completed prior to the Effective Date, GSL will be held by Falck following the Merger. Securicor Shareholders will not receive any interest in Falck.

On 28 May 2004, Group 4 Falck published the Demerger Plan.

Securicor Scheme of Arrangement

The acquisition of Securicor by Group 4 Securicor will be effected by way of a scheme of arrangement. Group 4 Securicor will become the new ultimate parent company of the Securicor Group pursuant to the Scheme.

A scheme of arrangement is a legal process under section 425 of the Companies Act which requires the sanction of the High Court. Under the terms of the Scheme, Securicor Shares held by Securicor Shareholders at the Scheme Effective Time will be cancelled and new Securicor Shares will be issued to Group 4 Securicor Holdings Limited, a newly incorporated UK company. In turn, Group 4 Securicor Holdings Limited will issue shares to Group 4 Securicor, itself a newly incorporated UK holding company, and Group 4 Securicor will issue Group 4 Securicor Shares to former Securicor Shareholders.

In order for the Scheme to become effective, the following procedure, as set out in the Companies Act, must be adopted:

(a) the Court Meeting will be held, at which a majority in number of Securicor Shareholders, representing not less than 75% in value of the Securicor Shares present and voting whether in person or by proxy must vote to approve the Scheme;

(b) a special resolution approving the Scheme (requiring a majority of not less than 75% of the votes cast) must be passed at the Securicor EGM. This will be held on the same day as the Court Meeting;

(c) the High Court must sanction the Scheme and issue an Order approving the Scheme; and

(d) the Order must be delivered to the Registrar of Companies for registration.

If the Scheme becomes effective, all of the Securicor Shareholders will be bound by its terms, including any shareholders who did not vote to approve the Scheme or voted against the Scheme.

Transfer of Group 4 security business to Group 4 Securicor Holdings Limited

Group 4 Falck's security business will upon completion of the Merger be transferred by Group 4 to Group 4 Holding A/S. The shares held by Group 4 in Group 4 Holding A/S will be transferred to Group 4 Securicor Holdings Limited in consideration for the issue of shares in Group 4 Securicor Holdings Limited to Group 4 which, immediately following such issue, will represent 57.5% of the issued share capital of Group 4 Securicor Holdings Limited. The remainder of the shares in Group 4 Securicor Holdings Limited will be held by Group 4 Securicor.

Recommended Offer

Group 4 Securicor will acquire Group 4 by way of the Recommended Offer, which will be a share exchange offer under Danish law. Under the terms of the Recommended Offer, Group 4 Securicor will offer to acquire all of the shares of Group 4 in consideration for the issue to Group 4 Shareholders of 8.2 shares in Group 4 Securicor for each Group 4 Share.

The Recommended Offer will be conditional on, amongst other things, acceptances being received in respect of more than 90% of Group 4 Shares (which may be reduced to a level of not less than 67% at the option of either Group 4 Falck or Securicor).

If the Recommended Offer becomes unconditional, Group 4 Securicor will be subject to the obligation under Danish law to make a further offer to acquire the shares of Group 4 Shareholders who did not accept the Recommended Offer. Such a mandatory offer would need to be made within four weeks of the publication of the result of the Recommended Offer. Therefore those Group 4 Shareholders who do not accept the Recommended Offer will have a further opportunity to exchange their shares for shares in Group 4 Securicor if they do not wish to maintain an interest in a company which would, pursuant to the Recommended Offer, become a Group 4 Securicor subsidiary.

If acceptances under the Recommended Offer are received in excess of 90% of Group 4 Shares and the Recommended Offer becomes otherwise unconditional, or if Group 4 Securicor acquires more than 90% of the Group 4 Shares as a result of the Recommended Offer and the mandatory offer (or otherwise) after the Recommended Offer has become unconditional, Group 4 Securicor will be entitled to institute proceedings under Danish law to acquire compulsorily for cash the outstanding Group 4 Shares in respect of which acceptances have not been received for cash. In this event, Group 4 Securicor intends to exercise this right and, in connection with the compulsory acquisition of such outstanding Group 4 Shares, it is expected that Group 4 would be delisted.

If the Recommended Offer is declared unconditional at a level below or equal to 90% (but not less than 67% as described above), Group 4 Securicor will not be entitled to institute proceedings to acquire compulsorily all of the outstanding Group 4 Shares in respect of which acceptances have not been received, but Group 4 Securicor will nevertheless be able to exercise effective control of Group 4 which will be a subsidiary. In particular, it will be able to elect a majority of the board of directors of Group 4, determine the timing and the amount of dividend payments, require Group 4 to effect certain corporate resolutions, amend the articles of association, pass resolutions to increase or decrease the company's share capital, dissolve the company or dispose of the company's assets, in each case without the prior approval of minority shareholders.

Issue of Group 4 Securicor Shares

Under the terms of the Scheme, existing Securicor Shareholders will receive one Group 4 Securicor Share for each Securicor Share held at the Scheme Effective Time. Under the terms of the Recommended Offer, Group 4 Shareholders who accept the offer will receive 8.2 Group 4 Securicor Shares for each Group 4 Share.

The entitlement of Group 4 Shareholders to Group 4 Securicor Shares will be rounded down to the nearest whole number. Individual fractional entitlements will not be allotted but instead will be aggregated and sold in the market and the proceeds will be given to charity.

Assuming that the Recommended Offer is accepted in full, former Group 4 Falck Shareholders will, at the time that the Merger becomes effective, own 57.5% of the issued share capital of Group 4 Securicor. The remaining 42.5% will be held by former Securicor Shareholders. The 57.5% and 42.5% figures are calculated on a diluted basis using the treasury method, and excluding Group 4 Falck's treasury shares. The treasury method assumes that Securicor's options and Group 4 Falck's options and warrants in issue on 1 June 2004 (being the latest practicable date prior to the publication of this document) were fully exercised and proceeds received from the exercise of such options were used by Securicor and Group 4 Falck respectively to repurchase their shares at market prices.

It is currently intended that Group 4 Falck's treasury shares will be sold prior to completion of the Merger, with proceeds retained 70% by Group 4 and 30% by Falck following the Demerger. The sale of Group 4 Falck's treasury shares and any difference in treatment of Securicor's options and Group 4 Falck's options and warrants from the assumptions above are expected to have minimal impact on the financial terms of the Merger.

2. CONDITIONS

The Merger will be conditional on the following conditions having been satisfied or waived (where possible by both parties acting together) in accordance with the provisions of the Merger Agreement:

(a) the approval of the Securicor Shareholders of the resolutions to be proposed at the Securicor EGM by a majority representing not less than 75% in value of the Securicor Shares present and voting at such meeting (whether in person or by proxy);

(b) the approval of the Scheme at the Court Meeting by a majority in number of the Securicor Shareholders present and voting (whether in person or by proxy) representing 75% in value of the Securicor Shares present and voting at such meeting;

(c) the sanction by the High Court of the Scheme and the reduction of capital involved therein and the registration of the Order and the minute of reduction with the Registrar of Companies in the UK;

(d) the approval of the Merger and the Demerger at the Group 4 Falck Shareholder meeting(s) by, in each case, at least two thirds of the number of votes cast and the number of Group 4 Falck Shares represented at the relevant meeting;

(e) the valid acceptance of the Recommended Offer by holders of more than 90% of the Group 4 Shares for which the Recommended Offer is made, or such lower percentage as either Group 4 Falck or Securicor may in its sole discretion require, provided that such percentage shall not be less than 67%;

(f) the receipt from the relevant competition authorities of all clearances as specified in the Merger Agreement (including under Council Regulation (EEC) 4064/89 as amended by Council Regulation (EC) 1310/97) without (unless otherwise agreed by the parties) the imposition by such competition authorities of any conditions[1];

(g) the receipt from the relevant tax authorities of tax clearances for UK resident Securicor Shareholders in relation to the Scheme under section 707 of the Income and Corporation Taxes Act 1988 and section 138 of the Taxation of Chargeable Gains Act 1992[1];

(h) the receipt from the relevant tax authorities of the following tax clearances for the Group 4 Falck Shareholders (or Group 4 Falck Group companies) in respect of the Re-Organisation, the Demerger and reorganisation of Group 4, the Contribution, and the Recommended Offer from the Danish tax authorities for exemption of:

 (i) the Re-Organisation pursuant to paragraph 13 of the Capital Gains Tax Act (Aktieavancebeskatningsloven);

 (ii) the Demerger pursuant to paragraph 15a-15b of the Tax Act on Mergers (Fusionsskatteloven) in respect of Danish tax-resident Group 4 Falck Shareholders;

 (iii) the hive-down of the Group 4 security business pursuant to paragraphs 15c-15d of the Tax Act on Mergers (Fusionsskatteloven);

 (iv) the Contribution pursuant to paragraph 13 of the Capital Gains Tax Act (Aktieavancebeskatningsloven); and

 (v) the Recommended Offer pursuant to paragraph 13 of the Tax Act on Mergers (Aktieavancebeskatningsloven) in respect of Danish tax-resident Group 4 Falck Shareholders;[1]

(i) agreement having been reached with the US Government as to the terms on which the proxy agreement currently operated by Wackenhut Services Incorporated (a subsidiary of Group 4 Falck) and the related US Government security clearance will continue to apply following the Merger becoming effective;[2]

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1 These conditions were satisfied prior to the date of this document.

2 The U.S. Government is conducting an on-going review for the purpose of determining whether inclusion of Securicor in the ownership of Wackenhut Services Incorporated raises any security concerns in connection with Wackenhut Services Incorporated's proxy agreement. It is currently anticipated that, at the end of the review, the U.S. Government will approve an amended and restated proxy agreement which will acknowledge the change in ownership pursuant to the Merger and contain substantially the same terms and conditions as are in the current proxy agreement.

(j) confirmation from the Copenhagen Stock Exchange with respect to admission to trading on the Copenhagen Stock Exchange of all the shares of Group 4 and Falck to be issued in connection with the Demerger becoming effective by the decision of the Copenhagen Stock Exchange to admit such shares to listing in pursuance of section 22 of the Danish Securities Trading Act and to approve each of the prospectuses for Group 4 and Falck pursuant to the Danish Executive order No. 330 of 23 April 1996;

(k) the delivery to Securicor and Group 4 Securicor of a legal opinion in respect of the Argenbright litigation from each of Herbert Smith, Davis Polk & Wardwell, Simpson Thacher & Bartlett LLP and Troutman Sanders LLP covering matters contained in opinions previously provided by those parties and showing, in the reasonable opinion of Group 4 Falck, a position no less favourable to Securicor and Group 4 Securicor than as set out in those previously provided opinions;

(l) the delivery to Group 4 Securicor, Group 4 Falck, Group 4 and Falck of a legal opinion from Herbert Smith and Freshfields Bruckhaus Deringer in respect of the Scheme and the due issuance of shares pursuant to the Recommended Offer and by Group 4 Securicor Holdings Limited pursuant to the Contribution in a form reasonably satisfactory to Group 4 Falck;

(m) the delivery to Securicor and Group 4 Securicor of a legal opinion from Kromann Reumert and Gorrissen Federspiel Kierkegaard in respect of the Demerger in a form reasonably satisfactory to Securicor and Group 4 Securicor;

(n) all of the indebtedness made available to Group 4 Securicor, Falck and their subsidiaries pursuant to the new committed financing arrangements in respect of Group 4 Securicor being unconditionally available, subject only to the Merger having become effective (including any further new committed financing arrangements in respect of the refinancing of the USPP Notes if applicable);

(o) the delivery by each of Securicor and Group 4 Falck to the other of written certifications on the business day prior to the hearing of the petition for the Scheme, and on the date that the Scheme petition is made effective, that:

    (i) warranties given by it in the Merger Agreement in relation to financial information were, when given, true and accurate in all material respects;

    (ii) the Transaction Steps performed by it and its group companies have been or will be performed by it in all material respects in accordance with the Merger Agreement; and

    (iii) it has, in all material respects, complied with the provisions of the Merger Agreement relating to the conduct of its and its group's business prior to the Merger becoming effective;

(p) Falck having procured the execution and delivery as soon as reasonably practicable following the Demerger of (i) a deed of adherence to the agreement dated 25 May 2004 in respect of the sale by Falck Nederland Holding B.V. of all of its shares in GSL, the effect of which, pursuant to the sale and purchase agreement shall be fully to discharge and release Group 4 Falck and Group 4 from all obligations and liabilities (whether current, historic, prospective or contingent) expressed to be assumed by Falck in any such agreement; (ii) an agreement between Falck and Falck Nederland Holding B.V. which benefits and is enforceable by Group 4 Securicor and Group 4 whereby Falck Nederland Holding B.V. undertakes duly and punctually to perform its obligations and liabilities under or otherwise arising out of or in connection with Part E of the Transaction Steps, and (iii) a deed of adherence to the deed of indemnity between Falck Nederland Holding B.V., GSL UK Limited and Group 4 Falck whereby Group 4 Falck agrees to indemnify GSL UK Limited in respect of losses in connection with the contract dated 28 October 1999 (as amended) between Her Majesty's Principal Secretary of State for the Home Department and Wackenhut U.K. Limited;

(q) no termination notice having been served by either party in accordance with the provisions of the Merger Agreement; and

(r) in respect of all the new Group 4 Securicor Shares to be issued in connection with the Scheme and the Recommended Offer:

(i) admission to the Official List and admission to trading on the London Stock Exchange becoming effective by the decision of the UKLA to admit such shares to listing being announced in accordance with paragraph 7.1 of the Listing Rules and by the decision of the London Stock Exchange to admit such shares to trading being announced in accordance with the London Stock Exchange admission standards; and

(ii) admission to trading on the Copenhagen Stock Exchange becoming effective by the decision of the Copenhagen Stock Exchange to admit such shares to listing pursuant to Section 22 of the Danish Securities Trading Act on the basis of the Group 4 Securicor listing particulars and by the Copenhagen Stock Exchange pursuant to Section 25 of Executive Order No. 330 of 23 April 1996.

3. MERGER RESOLUTIONS AND TIMING

The Court Meeting and the Securicor EGM are scheduled to take place on 28 June 2004. The Group 4 Falck EGM(s) is scheduled to take place on 28 June 2004, (and, if necessary due to the first meeting being inquorate, on 14 July 2004).

Assuming that the resolutions needed to approve the Scheme are duly passed at the Court Meeting and the Securicor EGM, and that the Merger and the Demerger are approved at the Group 4 Falck EGM(s), Securicor will seek the sanction of the Scheme (and approval of the reduction of capital involved therein) by the High Court.

It is expected that the Scheme and the Demerger will become effective and that the Recommended Offer will be completed shortly thereafter following which Group 4 Securicor Shares will be issued to the former shareholders of Group 4 Falck and Securicor.

The Merger is expected to become effective on or about 19 July 2004.

4. EUROPEAN COMMISSION

The Merger is conditional on the receipt by Group 4 Falck and Securicor of the approval by the European Commission under Council Regulation (EEC) 4064/89 as amended by Council Regulation (EC) 1310/97. The approval was received on 28 May 2004. However, the European Commission concluded that the Merger raised certain concerns with respect to its compatibility with the common market and in particular in relation to:

- the provision of cash services, manned security and security systems in Luxembourg;
- the provision of cash services in Scotland; and
- the provision of manned security in the Netherlands.

Group 4 Falck and Securicor have therefore committed to the following undertakings:

- to divest the entire cash services, manned security and security systems business currently carried on by Securicor Luxembourg SA in Luxembourg. The business to be divested generated turnover and EBITA of £25.0 million and £1.7 million respectively in the financial year ended 30 September 2003;
- to divest the entire cash services business currently carried on by Group 4 Cash Services UK Limited in the UK. The business to be divested generated turnover and EBITA of £5.2 million and –£0.7 million respectively in the financial year ended 31 December 2003;
- to divest the entire manned security business currently carried on by Falck Security B.V. in the Netherlands. The business to be divested generated turnover and EBITA of £99.6 million and £4.3 million respectively in the financial year ended 31 December 2003.

It is expected that these divestments will reduce the anticipated cost synergies of £35 million per annum announced on 24 February 2004. However, since making the announcement, further evaluation of the synergies associated with the Merger has taken place particularly in the area of procurement synergies to which no value had previously been attributed. The net impact of these divestments and procurement synergies is to reduce the identified cost synergies from the Merger from £35 million per annum to £30 million per annum. The cost of achieving these synergies has fallen from an estimated £55 million (as announced on 24 February 2004) to an estimated £45 million, substantially all of which will be incurred in the first two years after the Merger becomes effective. It is currently anticipated that the proceeds of these divestments will be retained by Group 4 Securicor and used for general corporate purposes.

5. ADMISSION, DEALINGS, SHARE CERTIFICATES, CREST AND VP

Admission

Application has been made for the admission of the entire ordinary share capital of Group 4 Securicor to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective on or about 20 July 2004.

Application has also been made for the admission of the entire ordinary share capital of Group 4 Securicor to listing and trading on the Copenhagen Stock Exchange. It is expected that admission will become effective on or about 20 July 2004.

Dealings

Securicor

Assuming that the Scheme becomes effective, all registered holders of Securicor Shares as at the Scheme Effective Time will be bound by the Scheme.

It is expected that dealings in Securicor Shares on the London Stock Exchange will be suspended at 12.00 noon BST on the Effective Date and that dealings for normal settlement in Group 4 Securicor Shares on the London Stock Exchange and the Copenhagen Stock Exchange will commence at 8.00 a.m. BST time and 9.00 a.m. CET respectively on the Business Day following the Effective Date.

Group 4 Falck

To make a valid acceptance of the Recommended Offer, a transferee of Group 4 Falck Shares must have received their Group 4 Falck Shares into their VP accounts by the close of business on 15 July 2004 (or such later date to which the Recommended Offer is extended).

It is expected that dealings in the Group 4 Falck Shares on the Copenhagen Stock Exchange will be suspended at 1.00 p.m. CET on the Effective Date and that dealings in Group 4 Shares will commence on the Copenhagen Stock Exchange at 9.00 a.m. CET on the following day. It is expected that dealings in Group 4 Securicor Shares on the London Stock Exchange and the Copenhagen Stock Exchange will commence at 8.00 a.m. BST time and 9.00 a.m. CET respectively on the day following the Effective Date.

Form of Group 4 Securicor Shares

Group 4 Securicor Shares will be in registered form.

Group 4 Securicor Shares will be capable of being held either in certificated form or uncertificated form through CREST or (in the case of the shares issued pursuant to the Recommended Offer) VP.

Holders of Securicor Shares

Under the terms of the Scheme, shareholders in Securicor will receive their Group 4 Securicor Shares in the same form in which they currently hold their Securicor Shares.

Holders of Group 4 Falck Shares

Under the terms of the Recommended Offer, shareholders in Group 4 Falck who accept the Recommended Offer will:

(a) if they are resident in Denmark, receive their Group 4 Securicor Shares into their VP accounts, unless they elect to hold their shares through CREST or in certificated form; or

(b) if they are resident in any other country, receive their Group 4 Securicor Shares in certificated form, unless they elect to hold their shares through CREST or VP.

Share Certificates

Shares held in certificated form can be traded through a broker who should be provided with the relevant share certificate in order to settle trades. Group 4 Securicor Shareholders who hold their shares in certificated form will receive dividends, notices of shareholder meetings and other shareholder documents direct from Group 4 Securicor at their registered addresses.

Holders of Securicor Shares who are due to receive their Group 4 Securicor Shares in certificated form will receive their share certificates by post at their registered addresses by no later than fourteen days after the Effective Date.

Holders of Group 4 Falck Shares who are due to receive their Group 4 Securicor Shares in certificated form will receive their certificates by post at their registered addresses by no later than fourteen days after the Effective Date.

Temporary documents of title will not be issued. Pending despatch of the certificates, transfers will be certified against the Group 4 Securicor Share Register. Share certificates will be despatched to Group 4 Securicor Shareholders at their own risk.

CREST

CREST is a UK-based paperless settlement system enabling shares to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Shares can be traded through CREST accounts in the name of the underlying shareholder by notifying CREST. CREST is also responsible for the payment of dividends to account holders. Group 4 Securicor Shareholders who hold their Group 4 Securicor Shares through CREST will receive notices or any other shareholder documents direct from Group 4 Securicor at their registered addresses.

Holders of Securicor Shares who are due to receive their Group 4 Securicor Shares in uncertificated form through CREST will receive uncertificated Group 4 Securicor Shares into their CREST accounts the Business Day after the Effective Date.

In respect of holders of Group 4 Falck Shares who are due to receive their Group 4 Securicor Shares in uncertificated form through CREST, uncertificated Group 4 Securicor Shares will be available to be credited into their CREST account approximately five Business Days after the Effective Date.

VP

VP is a Danish-based paperless settlement system enabling shares to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Shares can be traded through VP by notifying the relevant account holding institution (kontoførende institutter). Account holding institutions are also generally responsible for the payment of dividends to shareholders as well as the despatch of any notices or documents.

Group 4 Securicor Shares held through VP will be registered in the name of HSBC Bank plc on behalf of Danske Bank (which in turn will hold on behalf of VP account holders) through a nominee holding arrangement in the UK. However, Group 4 Securicor Shareholders who hold through VP and who wish to attend, speak and vote at shareholder meetings will be able to do so.

Holders of Group 4 Falck Shares who are due to receive their Group 4 Securicor Shares in uncertificated form through VP will receive their share entitlement through their VP account holding institution approximately three Business Days after the Effective Date.

Dividend Mandates

Existing dividend mandates to bank or building society accounts given in relation to dividends paid by Securicor will be applied automatically to Group 4 Securicor Shares issued as a result of the Merger.

All Group 4 Securicor Shares will be subject to the provisions of the Companies Act (and particularly section 198 and section 212) irrespective of the form in which they are held.

6. ARRANGEMENTS BETWEEN GROUP 4 SECURICOR AND FALCK

Following the Demerger, Group 4 and Falck will be separate publicly listed companies in Denmark and neither Group 4 nor Falck will hold any shareholding in the other.

The relationship between Group 4 and Falck after the Demerger will be regulated by the Demerger Agreement and Danish company law.

Following the Demerger, Group 4 and Falck will each be liable under Danish company law for obligations attributable to the assets and liabilities transferred to them. Where a creditor of Group 4 or Falck does not receive full payment of its claims, the other company will be jointly and severally liable for such obligation to the extent that it existed at the time of publication of the Demerger Plan. However, Group 4 and Falck will only be jointly and severally liable for an amount corresponding to the net value of the assets and liabilities transferred to them respectively at the time of the Demerger. This does not apply to taxes as, according to generally applicable Danish tax rules, liability to the tax authorities is unlimited and comprises tax years up to and including 2004, the year of the Demerger.

In principle, joint and several liability may crystallise in relation to any claim, including creditor claims for payment, contractual claims (for example, contractual claims submitted after the Demerger Plan was published but which concern an agreement concluded prior to the publication date), product liability claims, environmental claims and claims from the authorities for direct and indirect taxes. The risk of joint and several liability crystallising will remain until a claim becomes statute-barred. Under Danish law, this could be up to 20 years, depending on the nature of the claim.

Under the Merger Agreement, Group 4, Group 4 Securicor and Group 4 Securicor Holdings Limited, on the one hand, and Falck, on the other hand, have a right of recourse against each other with respect to any liabilities they may incur regarding the other company's business activities. The recourse provision comprises potential obligations, including, amongst other things, tax and contractual obligations and liability in damages and in tort.

Furthermore, the Merger Agreement contains provisions in respect of the transfer of assets and rights which may be placed by mistake in either the Group 4 Securicor Group or the Falck Group, but which belong to the other group.

7. INFORMATION FOR NON-UK SHAREHOLDERS

Denmark

Group 4 Securicor Shares will be issued to (or on behalf of, as appropriate) holders of Group 4 Falck Shares who are resident, or have a registered address, in Denmark. The Danish Listing Particulars are being prepared in connection with the listing of Group 4 Securicor Shares on the Copenhagen Stock Exchange. The Danish Listing Particulars will consist of a translation into Danish of this document. They will be prepared pursuant to Danish laws relating to the mutual recognition of prospectuses. The Danish Listing Particulars were submitted to the Copenhagen Stock Exchange for approval immediately following the approval of this document by the UK Listing Authority.

Neither this document nor the Danish Listing Particulars may be distributed in Denmark prior to the Copenhagen Stock Exchange having approved the Danish Listing Particulars.

United States

The Group 4 Securicor Shares will not be registered under the US Securities Act. The distribution of the Group 4 Securicor Shares pursuant to the Scheme will be made in reliance on the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof. The Group 4 Securicor Shares issued to a Securicor Shareholder who is neither an affiliate, for the purpose of the US Securities Act, of Securicor prior to the Merger becoming effective nor an affiliate of Group 4 Securicor after the Merger becomes effective may be resold without restriction under the US Securities Act. Securicor Shareholders who are affiliates of Securicor prior to the Merger becoming effective or affiliates of Group 4 Securicor after the Merger becomes effective will be subject to certain restrictions under the US Securities Act on the resale of any Group 4 Securicor Shares received by them in the Scheme. For the purposes of the US Securities Act, an affiliate of either Securicor or Group 4 Securicor is any person who directly or indirectly controls through one or more intermediaries, or is controlled by, or is under common control with a Securicor or Group 4 Securicor entity. Whether a person is an affiliate of either Securicor or Group 4 Securicor for the purposes of the US Securities Act depends on the circumstances, but affiliates generally include officers, directors and significant shareholders. Persons who believe that they may be affiliates of either Securicor or, after the Scheme Effective Date, Group 4 Securicor, should consult their own legal advisers prior to any sale of the Group 4 Securicor Shares received upon the implementation of the Scheme.

For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof with respect to the Group 4 Securicor Shares issued pursuant to the Scheme, Securicor will advise the High Court that its sanctioning of the Scheme will be relied upon by Securicor as an approval of the Scheme following a hearing on its fairness to Securicor Shareholders at which hearing all such shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such shareholders.

Any securities to be issued pursuant to the Recommended Offer will only be issued to holders of Group 4 Shares outside the United States pursuant to Regulation S under the US Securities Act and in the United States only to "qualified institutional buyers" within the meaning of Rule 144A under the US Securities Act if Group 4 Securicor is satisfied that such transaction is exempt from the registration requirements of the US Securities Act and upon receipt of an appropriate investor letter. Any Group 4 Securicor Shares issued to qualified institutional buyers under the Recommended Offer will be "restricted securities" within the meaning of Rule 144(a)(3) of the US Securities Act and may only be offered, sold, pledged, or otherwise transferred (a) pursuant to an effective registration statement under the US Securities Act, (b) to a person whom the seller and any person on its behalf reasonably believe is a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act in a transaction that meets the requirements of Rule 144A, (c) in an offshore transaction in accordance with Rule 903 and 904 of Regulation S under the US Securities Act or (d) pursuant to an exemption from registration provided by Rule 144 under the US Securities Act or another available exemption from registration, and in each case in accordance with any applicable securities law of any state or other jurisdiction of the United States.

The Group 4 Securicor Shares are expected to be listed on the London Stock Exchange and the Copenhagen Stock Exchange. Group 4 Securicor does not intend to list the Group 4 Securicor Shares on a US securities exchange or to obtain a quotation on the National Association of Securities Dealers' Automated Quotation system or any other inter-dealer quotation system in the United States. Group 4 Securicor does not intend to take action to facilitate a market in Group 4 Securicor Shares in the United States. Consequently, Group 4 Securicor believes that it is unlikely that an active trading market in the United States will develop for Group 4 Securicor Shares.

Other Jurisdictions

Any person outside the United Kingdom or Denmark who is resident in, or who has a registered address in, or is a citizen of, an overseas territory and who is to receive Group 4 Securicor Shares pursuant to the Merger should consult his professional advisers and satisfy himself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite government or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

The implications of the Merger for overseas shareholders may be affected by the laws of their respective jurisdictions. Such overseas shareholders should inform themselves about and observe all applicable legal requirements.

In any case where Group 4 Securicor is advised that the allotment and issue of Group 4 Securicor Shares to a holder of Group 4 Falck Shares or Securicor Shares with a registered address outside the United Kingdom or Denmark would or may infringe the laws of the relevant jurisdiction, or necessitate compliance with any special requirement, the Board may determine that such Group 4 Securicor Shares shall not be issued to such overseas shareholder, and the overseas shareholder's entitlement to Group 4 Securicor Shares pursuant to the Merger shall be sold on behalf of such overseas shareholder as soon as reasonably practicable thereafter at the best price which can reasonably be obtained at the time of sale, with the proceeds of such sale, net of sale and currency conversion expenses, being remitted to the overseas shareholder. Group 4 Securicor shall be entitled to retain any such net proceeds which are less than £3 in respect of any shareholder.

This document has been prepared for the purposes of complying with English law, the Listing Rules and the relevant provisions of Danish law which relate to the mutual recognition of prospectuses, and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any jurisdictions outside the United Kingdom or Denmark.

PART 3

A. FINANCIAL INFORMATION ON GROUP 4 FALCK'S SECURITY BUSINESS

The following is the full text of a report on Group 4 Falck's Security Business from PricewaterhouseCoopers LLP, the Joint Reporting Accountants, to the Directors of Group 4 Securicor plc, Cazenove & Co. Ltd, Morgan Stanley & Co. Limited and UBS Limited.

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4 June 2004

Dear Sirs

Group 4 Falck's Security Business ("Group 4 Falck Security")

Introduction

We report on the combined financial information (the "Combined Financial Information") set out below. This Combined Financial Information has been prepared for inclusion in the listing particulars dated 4 June 2004 (the "Listing Particulars") of Group 4 Securicor plc (the "Company").

The companies which, following the proposed Demerger described in the Listing Particulars will form the Group 4 Falck security business, are collectively referred to throughout this report as "Group 4 Falck Security", or the "Group".

Group 4 Falck Security did not constitute a statutory sub-group within the Group 4 Falck Group of companies during the period under review. Accordingly, it has been necessary to compile combined financial information for the purposes of this report.

Basis of preparation

The Combined Financial Information set out below is based on the consolidation returns for the three years ended 31 December 2003, prepared for the Group 4 Falck Group for consolidation purposes (the "consolidation schedules") by the companies in Group 4 Falck Security and has been prepared on the basis set out in note 1 after making such adjustments as we consider necessary.

Responsibility

The consolidation schedules are included in the consolidated financial statements of Group 4 Falck A/S ("Group 4 Falck") which are the responsibility of the directors of Group 4 Falck, who approved their issue.

The directors of the Company are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the Combined Financial Information set out in our report from the consolidation schedules, to form an opinion on the Combined Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the Combined Financial Information. The evidence included that previously obtained by the auditors relating to the audit of the consolidation schedules underlying the Combined Financial Information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the consolidated financial statements of Group 4 Falck and the consolidation schedules underlying the Combined Financial Information and whether the accounting policies are appropriate to the circumstances of Group 4 Falck Security, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Combined Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Combined Financial Information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Group 4 Falck Security as at the dates stated and of its combined results, combined cash flows and combined recognised gains and losses for the periods then ended.

COMBINED PROFIT AND LOSS ACCOUNTS

		Year ended 31 December 2001			Year ended 31 December 2002			Year ended 31 December 2003		
	Notes	Before exceptional items and goodwill amortisation DKKm	Exceptional items and goodwill amortisation DKKm	Total DKKm	Before exceptional items and goodwill amortisation DKKm	Exceptional items and goodwill amortisation DKKm	Total DKKm	Before exceptional items and goodwill amortisation DKKm	Exceptional items and goodwill amortisation DKKm	Total DKKm
Continuing operations		13,390	–	13,390	15,998	–	15,998	27,553	–	27,553
Acquisitions		1,482	–	1,482	9,456	–	9,456	59	–	59
Turnover	**3a**	**14,872**	**–**	**14,872**	**25,454**	**–**	**25,454**	**27,612**	**–**	**27,612**
Cost of sales	3b	(11,376)	–	(11,376)	(20,137)	–	(20,137)	(22,118)	–	(22,118)
Gross profit		**3,496**	–	**3,496**	**5,317**	–	**5,317**	**5,494**	–	**5,494**
Administrative expenses		(2,811)	(93)	(2,904)	(4,229)	(201)	(4,430)	(4,239)	(164)	(4,403)
Goodwill amortisation		–	(146)	(146)	–	(292)	(292)	–	(372)	(372)
Total administrative expenses	3b	(2,811)	(239)	(3,050)	(4,229)	(493)	(4,722)	(4,239)	(536)	(4,775)
Continuing operations		590	(170)	420	584	(292)	292	1,255	(529)	726
Acquisitions		95	(69)	26	504	(201)	303	–	(7)	(7)
		685	(239)	446	1,088	(493)	595	1,255	(536)	719
Combined operating profit/(loss)	3a	**685**	**(239)**	**446**	**1,088**	**(493)**	**595**	**1,255**	**(536)**	**719**
Share of operating profit of associates		6	–	6	20	–	20	18	–	18
Total operating profit/(loss):		**691**	**(239)**	**452**	**1,108**	**(493)**	**615**	**1,273**	**(536)**	**737**
Profit on sale of operations	5	–	43	43	–	47	47	–	24	24
Net interest receivable/(payable)	6									
– Group		(110)	–	(110)	(226)	–	(226)	(219)	(78)	(297)
– Associates		–	–	–	–	–	–	2	–	2
Profit/(loss) on ordinary activities before taxation	4	**581**	**(196)**	**385**	**882**	**(446)**	**436**	**1,056**	**(590)**	**466**
Tax on profit/(loss) on ordinary activities	9	(164)	17	(147)	(302)	14	(288)	(329)	(170)	(499)
Profit/(loss) on ordinary activities after taxation		**417**	**(179)**	**238**	**580**	**(432)**	**148**	**727**	**(760)**	**(33)**
Equity minority interests		(28)	–	(28)	(58)	–	(58)	(70)	–	(70)
Profit/(loss) for the financial year		**389**	**(179)**	**210**	**522**	**(432)**	**90**	**657**	**(760)**	**(103)**

The results for the three years ended 31 December 2003 relate solely to continuing activities.

There is no material difference between the profit or loss on ordinary activities before taxation and its historical cost equivalent.

The financial information above may not be representative of future results; for example, the historical capital structure does not reflect the future capital structure. Future interest income and expense, certain operating costs, tax charges and dividends may be significantly different from those that resulted from being wholly owned by the Group 4 Falck Group.

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Profit/(loss) for the financial year	210	90	(103)
Exchange adjustments offset in reserves	17	(202)	(21)
Tax on exchange adjustments offset in reserves	8	28	(40)
Total recognised gains/(losses) for the year	235	(84)	(164)

COMBINED RECONCILIATION OF MOVEMENTS IN INVESTED CAPITAL

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Profit/(loss) for the financial year	210	90	(103)
Dividends due to Group 4 Falck Shareholders	(33)	(37)	(35)
Other recognised gains and losses relating to the year	25	(174)	(61)
Consideration paid for purchase of own shares	(17)	(1)	(4)
Consideration received on sale of own shares	36	9	6
Proceeds of ordinary shares of Group 4 Falck issued for cash	–	1,457	–
Dividends received from demerged Falck group	129	144	124
Movement in other demerger related balances with demerged Falck group	28	23	137
Net change in invested capital	378	1,511	64
Invested capital as at beginning of year	1,208	1,586	3,097
Invested capital as at end of year	1,586	3,097	3,161

The financial information above may not be representative of future results or financial position; for example the historical capital structure does not reflect the future capital structure, dividends paid may not be representative of dividends to be paid in the future.

COMBINED BALANCE SHEETS

	Notes	31 December 2001 DKKm	31 December 2002 DKKm	31 December 2003 DKKm
Fixed assets				
Intangible assets	10	2,283	5,938	5,655
Tangible assets	11	1,231	1,540	1,691
Interests in associated undertakings	12	24	28	28
		3,538	7,506	7,374
Current assets				
Stock	13	277	326	313
Debtors				
– due within one year	14	3,426	5,738	5,292
– due after more than one year	14	42	197	213
Investments	12	60	1,860	562
Cash at bank and in hand		769	851	663
		4,574	8,972	7,043
Creditors – Amounts falling due within one year				
Borrowings	15	(456)	(1,067)	(764)
Corporation tax		(71)	(126)	(127)
Proposed dividend		(33)	(38)	(38)
Other	17	(3,282)	(4,700)	(4,524)
		(3,842)	(5,931)	(5,453)
Net current assets		732	3,041	1,590
Total assets less current liabilities		4,270	10,547	8,964
Creditors – Amounts falling due after more than one year				
Borrowings	15	(2,109)	(5,387)	(4,014)
Other	18	(25)	(168)	(184)
		(2,134)	(5,555)	(4,198)
Provisions for liabilities and charges	19	(449)	(1,677)	(1,343)
Net assets		1,687	3,315	3,423
Represented by:				
Invested capital in Group 4 Falck Security	21	1,586	3,097	3,161
Minority interest		101	218	262
Total invested capital		1,687	3,315	3,423

The financial information above may not be representative of the future financial position; for example the historical capital structure does not reflect the future capital structure.

COMBINED CASH FLOW STATEMENTS

	Notes	2001 DKKm	2002 DKKm	2003 DKKm
		Year ended 31 December		
Net cash inflow from operating activities	27a	868	1,500	1,510
Dividends received from associates		30	3	–
Net cash outflow from returns on investments and servicing of finance	27b	(137)	(247)	(207)
Taxation paid		(98)	(98)	(480)
Net cash outflow from capital expenditure and financial investment	27b	(306)	(304)	(763)
Net cash (outflow)/inflow from acquisitions and disposals	27b	(753)	(5,431)	470
Equity dividends paid to Group 4 Falck shareholders		(33)	(35)	(35)
Net cash (outflow)/inflow before use of liquid resources and financing		(429)	(4,612)	495
Management of liquid resources		(1)	4	(24)
Financing				
Issue of ordinary share capital		–	1,487	–
Expenses of share issue		–	(30)	–
Net sale of own shares		26	8	2
Proceeds on closure of foreign exchange contract		–	–	241
Capital element of finance lease payments		(40)	(34)	(44)
Increase/(decrease) in borrowings	27c	273	2,847	(645)
Net movement in funding balances with demerged Falck group		636	95	241
Net cash inflow/(outflow) from financing		895	4,373	(205)
Increase/(decrease) in net cash		465	(235)	266
Reconciliation to net debt	27c			
Increase in cash in the year		465	(235)	266
Increase/(decrease) in liquid resources		1	(4)	24
(Decrease)/increase in debt and finance leases		(233)	(2,813)	689
Change in net debt resulting from cash flow		233	(3,052)	979
Borrowings acquired with subsidiaries		(60)	(746)	(3)
Other non-cash changes		(39)	(19)	(13)
Movement in net debt for the year		134	(3,817)	963
Exchange adjustments		(4)	2	549
Net debt at beginning of year		(1,866)	(1,736)	(5,551)
Net debt at end of year		(1,736)	(5,551)	(4,039)

Liquid resources are defined as current asset investments in equities available for resale. These total DKK76m (2002: DKK52m, 2001: DKK60m) and are shown in the balance sheet within current asset investments.

The financial information above may not be representative of the future cash flows; for example the historical capital structure does not reflect the future capital structure.

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

All of the companies which comprise Group 4 Falck Security are currently owned directly or indirectly by Group 4 Falck. On completion of the merger, ownership of these companies will be transferred to Group 4 Securicor Holdings Limited.

This financial information has been prepared by combining the historical financial information for each of the companies that comprise Group 4 Falck Security from applicable individual financial returns of the companies forming Group 4 Falck. The individual financial returns were prepared for Group 4 Falck consolidation purposes and have been adjusted for relevant items previously recorded only at a Group 4 Falck level and for differences between accounting under Danish GAAP and UK GAAP. The financial information contained in this report comprises the profit and loss accounts, cash flows, balance sheets, statement of total recognised gains and losses and related notes of the companies which form Group 4 Falck Security at the date of this report.

The principal companies included in Group 4 Falck Security are listed in note 31 to this Combined Financial Information.

As a member of the Group 4 Falck Group, some of the companies comprising Group 4 Falck Security have provided administration, management and other services to the demerged Falck group. Group 4 Falck Security has charged costs, recorded in the profit and loss account, to the demerged Falck group for these services. Although these charges are intended broadly to reflect the costs that would apply on an arm's length basis, it is possible that the terms of the relevant transactions would have been different if the transacting parties had not been connected with Group 4 Falck. Formalised arrangements will be put in place prior to completion of the Demerger regarding the ongoing provision, for a period, of these services. The impact on Group 4 Falck Security of formalising these arrangements is not expected to be material.

The tax charges in these financial statements have been determined based on the tax charges recorded by the companies comprising Group 4 Falck Security in their local statutory accounts as well as certain adjustments made for Group 4 Falck consolidation purposes. The tax charges recorded in the profit and loss account have been affected by the taxation arrangements within Group 4 Falck, and are not necessarily representative of the tax charges that would have been reported had Group 4 Falck Security been an independent group. Also, they are not necessarily representative of the tax charges that may arise in the future.

Interest income and expense recorded in the profit and loss account have been affected by the financing arrangements within Group 4 Falck, and are not necessarily representative of the interest income and expense that would have been reported had Group 4 Falck Security been independent; also they are not necessarily representative of the interest income and expense that may arise in the future. The rate of interest applying to funding balances within Group 4 Falck is determined by Group 4 Falck.

Group 4 Falck Security has not in the past formed a separate legal group, and therefore, it is not meaningful to show share capital or an analysis of reserves for Group 4 Falck Security. The net assets of Group 4 Falck Security are represented by the cumulative investment of Group 4 Falck in Group 4 Falck Security (invested capital).

The Combined Financial Information incorporates the assets, liabilities and results of Group 4 Falck Security. The results of undertakings acquired or disposed of during the period are included in the combined results from, or up to, the effective date of acquisition or disposal by Group 4 Falck. Internal transactions with the companies comprising Group 4 Falck Security are eliminated on combination.

2. ACCOUNTING POLICIES

2.1 Accounting convention

The Combined Financial Information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies applied is given below. These policies are consistent with the policies adopted by Group 4 Securicor.

2.2 Associated undertakings and joint ventures

Associated undertakings are entities in which a member of Group 4 Falck Security holds a long-term minority equity interest, but over which it is in a position to exert a significant influence. The Combined Financial Information includes the relevant proportion of the results of associated undertakings based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

Joint ventures are entities in which a member of Group 4 Falck Security holds a long-term interest and shares control under a contractual agreement. The Combined Financial Information includes Group 4 Falck Security's share of results based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

Associates and joint ventures are accounted for using the equity and gross equity methods respectively.

Entities in which Group 4 Falck Security holds a long term minority equity interest, but over which it exercises dominant influence through management control of the business, are fully consolidated.

2.3 Quasi-subsidiaries

Entities which do not meet the legal definition of a subsidiary, but in which Group 4 Falck Security has 100 per cent of the economic interest and exposure to substantially all of the risk and rewards of ownership, are treated as quasi-subsidiaries in accordance with FRS 5 "Reporting the substance of transactions". Accordingly, 100 per cent of the assets, liabilities and results of such companies are included in the Combined Financial Information.

2.4 Revenue recognition

Group 4 Falck Security's revenue arises from the provision of security services and the sale of alarm products. Revenue is stated net of discounts, value added tax and various other sales related tax and excludes intra-group transactions.

Cash and manned security

Revenue from security services is accounted for in the period in which the performance of the service takes place. It represents the value of services delivered and invoiced subscriptions by companies to external customers and, where part of an overall contract, is recognised on the basis of the percentage delivered out of the total service.

Security systems

Alarm installations are recognised in revenue as they are completed. The revenue from the related services is recognised in accordance with the percentage of completion method. According to this method, revenue, expenses and income are accounted for in the period in which the service is provided.

2.5 Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of expenditure specifically incurred on the development of certain projects to establish new services and products for Group 4 Falck Security. The development expenditure on such projects is capitalised where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is amortised over the period that the product or service produces revenue streams but not longer than 10 years, commencing when the sales of the product are first made. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

2.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their expected economic life. No depreciation is provided on freehold or long leasehold land. Details of depreciation rates are summarised as follows:

Freehold and long leasehold buildings	up to 2%
Short leaseholds (under 50 years)	over the life of the lease
Equipment	10-33.33%
Motor vehicles	10-33.33%
Leasehold improvements	over the life of the lease up to a maximum of 10 years

2.7 Goodwill and amortisation

Goodwill represents the excess of the cost of an acquisition over the fair value attributed to the net assets at acquisition after any adjustments required to bring accounting policies into line with those adopted by Group 4 Falck Security. Goodwill arising on the acquisition of subsidiary undertakings, joint ventures and associated undertakings prior to 31 December 1997 has been written off immediately against reserves. On disposal of a previously acquired subsidiary undertaking any attributable goodwill previously set off against reserves is written back to reserves brought forward and charged through the profit and loss account. Goodwill arising after 1 January 1998 is capitalised and amortised on a straight-line basis over its estimated useful economic life, which is expected not to exceed 20 years. Capitalised goodwill is reviewed for impairment at the end of the first full financial year following the initial date of recognition. Any subsequent impairment in the value of goodwill, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period in which it arises.

2.8 Current assets

Stocks are valued at the lower of cost and net realisable value and are measured on a first-in first-out basis. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present condition and location and includes appropriate overheads. Costs incurred on long-term contracts, net of amounts transferred to cost of sales and after deducting foreseeable losses and payments on account, are included in stocks as work-in-progress.

Debtors are stated after deducting adequate provision for doubtful debts. The amount by which recognised turnover is in excess of payments on account is included in debtors as amounts recoverable on long-term contracts.

Current asset investments are listed securities and are stated at the lower of cost and their net realisable value. Any write down from cost to net realisable value is recorded in the profit and loss account.

2.9 Deferred taxation

Deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, except that a net deferred tax asset is recognised only when it is more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from foreign subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group.

2.10 Foreign currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into Danish Kroner at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments arising on consolidation and on borrowings arranged to finance foreign investments have been transferred to reserves in accordance with SSAP20, as disclosed in note 21 to the Combined Financial Information. All other exchange adjustments are taken to the profit and loss account.

2.11 Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Property provisions represent the costs of meeting lease requirements on unoccupied properties and are discounted to present value. Interest is calculated at an applicable interest rate and charged to the profit and loss account within external interest payable. Expenditure incurred in the year is charged to the provision.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Other provisions primarily represent insurance reserves within the two captive insurance companies to cover anticipated claims incurred as at the balance sheet date based on actuarial assessments of these liabilities.

2.12 Leases

Assets held under finance leases are included as tangible fixed assets at their capital value and depreciated over the shorter of the lease term and their useful economic life on a straight-line basis. The capital element of future rentals is included within creditors and finance charges are allocated to accounting periods over the period of the lease.

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred and future rental obligations are disclosed in note 25 to the Combined Financial Information.

2.13 Retirement benefits

Group 4 Falck Security operates various funded and unfunded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal scheme with a defined benefit structure operates in the UK. The regular cost of providing defined benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members. Differences between the amount charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Group 4 Falck Security has continued to account for retirement benefit costs in accordance with SSAP 24. The Combined Financial Information also sets out the transitional disclosures required by FRS 17 "Retirement Benefits."

2.14 Financial instruments

The financial instruments utilised by Group 4 Falck Security are interest rate swaps and forward exchange contracts. These instruments are held to manage the interest rate exposure of borrowings and currency exposures arising from operational transactions. Interest differentials arising from derivatives are recognised by adjusting net interest payable. Gains or losses on forward contracts taken out to hedge certain transactions are recognised in the profit and loss account at the same time as the transactions to which they relate.

2.15 Share awards

The cost of awarding shares to employees is accounted for by recording a charge in the profit and loss account equivalent to the fair value of the benefit awarded. The charge is recognised in the profit and loss account over the performance period of the award. No charge is recognised for share options where the exercise price was at market value at the time of grant.

2.16 Own shares

In accordance with UITF 38 "Accounting for ESOP Trusts", shares purchased through Employee Share Option Trusts (ESOPs) are treated as Treasury Shares and are taken as a deduction from invested capital. Any proceeds from the sale of Treasury shares are also recognised within invested capital.

3(a) SEGMENTAL REPORTING

Geographical analysis is based on the country in which the services are provided. It would not be materially different if based on the country in which the customer is located.

Analysis by business is based on the management structure. Turnover between segments is immaterial.

Business analysis consists primarily of three business areas:

Manned security services comprise traditional static guarding, mobile patrols, service guards in shopping centres, airport security services, nuclear power plant protection, VIP guards and reception services.

Security systems comprise design, installation, maintenance and monitoring of intruder alarms, access control, CCTV systems and other security systems to the private and public sector.

Cash services comprise secure transport of cash, securities and confidential documents, cash counting for department stores, supermarkets and banks, and ATM services such as cash replenishment and maintenance.

Other services comprise non-core activities, i.e. cleaning, uniform production and rescue and safety services.

Turnover

	Year ended 31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Geographical analysis			
North America	399	7,724	9,810
Latin America & Caribbean	–	427	560
Western & Southern Europe	11,994	13,179	13,052
Central & Eastern Europe	1,545	1,752	1,771
Africa	123	422	517
Middle East & Gulf States	177	1,196	1,094
Asia & Pacific	629	752	808
Head Office	5	2	–
Total	14,872	25,454	27,612
Business analysis			
Manned security	9,690	19,191	21,619
Security systems	3,029	3,685	3,561
Cash services	1,975	2,300	2,254
Other services	173	276	178
Head Office	5	2	–
Total	14,872	25,454	27,612

Profit

	Year ended 31 December					
	Before goodwill amortisation and exceptional items 2001 DKKm	**After goodwill amortisation and exceptional items 2001 DKKm**	**Before goodwill amortisation and exceptional items 2002 DKKm**	**After goodwill amortisation and exceptional items 2002 DKKm**	**Before goodwill amortisation and exceptional items 2003 DKKm**	**After goodwill amortisation and exceptional items 2003 DKKm**
Geographical analysis						
North America	14	12	407	133	555	391
Latin America & Caribbean	–	–	15	14	35	34
Western & Southern Europe	609	422	584	437	552	258
Central & Eastern Europe	140	108	132	93	115	69
Africa	11	2	59	48	86	73
Middle East & Gulf States	14	14	85	64	76	69
Asia & Pacific	64	64	82	82	89	89
Head office	(167)	(176)	(276)	(276)	(253)	(264)
Combined operating profit	685	446	1,088	595	1,255	719
Share of operating profit of associates						
– North America	–	–	18	18	15	15
– Western & Southern Europe	6	6	2	2	3	3
Profit on sale of operations	–	43	–	47	–	24
Net interest payable	(110)	(110)	(226)	(226)	(217)	(295)
Profit before taxation	581	385	882	436	1,056	466

The profit on sale of operations arose in Western & Southern Europe in 2001 and 2002 and in the Middle East & Gulf States in 2003.

Goodwill and related amortisation is not allocated across the relevant business segments because the acquisitions giving rise to the goodwill were of businesses operating in more than one segment. Management manages the business using operating profit before exceptional items and goodwill amortisation and consequently goodwill and related amortisation is not allocated across business segments for management reporting purposes.

	Year ended 31 December					
	Before exceptional items 2001 DKKm	**After exceptional items 2001 DKKm**	**Before exceptional items 2002 DKKm**	**After exceptional items 2002 DKKm**	**Before exceptional items 2003 DKKm**	**After exceptional items 2003 DKKm**
Business analysis						
Manned security	342	287	1,002	809	1,199	1,147
Security systems	274	252	236	232	229	188
Cash services	210	203	143	139	65	5
Other services	26	26	(17)	(17)	15	15
Head office	(167)	(176)	(276)	(276)	(253)	(264)
Operating profit before goodwill amortisation	685	592	1,088	887	1,255	1,091
Goodwill amortisation	–	(146)	–	(292)	–	(372)
Combined operating profit	685	446	1,088	595	1,255	719

Net assets	**31 December**					
	Excluding allocation of goodwill 2001 DKKm	**Including goodwill 2001 DKKm**	**Excluding allocation of goodwill 2002 DKKm**	**Including goodwill 2002 DKKm**	**Excluding allocation of goodwill 2003 DKKm**	**Including goodwill 2003 DKKm**
Geographical analysis						
North America	29	36	607	3,655	695	3,630
Latin America & Caribbean	–	–	41	43	14	16
Western & Southern Europe	1,065	2,857	1,186	3,173	1,109	3,116
Central & Eastern Europe	261	631	324	766	352	753
Africa	19	112	74	301	82	316
Middle East & Gulf States	24	29	185	385	184	222
Asia & Pacific	133	135	124	127	131	135
Head office and central (liabilities)/ assets	(377)	(377)	416	416	(726)	(726)
	1,154	3,423	2,957	8,866	1,841	7,462
Goodwill	2,269	–	5,909	–	5,621	–
Net debt (note 27(c))	(1,736)	(1,736)	(5,551)	(5,551)	(4,039)	(4,039)
Total net assets	1,687	1,687	3,315	3,315	3,423	3,423

Net assets	**31 December**		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Business analysis			
Manned security	261	978	969
Security systems	690	848	921
Cash services	269	446	649
Other services	311	269	28
Head office and central (liabilities)/assets	(377)	416	(726)
Net assets excluding goodwill and net debt	1,154	2,957	1,841
Goodwill	2,269	5,909	5,621
Net debt (note 27(c))	(1,736)	(5,551)	(4,039)
Total net assets	1,687	3,315	3,423

Head office and central assets and liabilities comprise assets and liabilities that cannot practicably be divided between the segments.

These head office and central assets and liabilities are:

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Deferred tax assets and liabilities and corporation tax	(224)	(98)	(187)
Fixed asset investments	24	28	28
Liabilities related to acquisitions	(19)	(221)	–
Payable to demerged Falck group	(251)	(167)	(522)
Dividends payable	(33)	(38)	(38)
Net operating assets/(liabilities) in head office	126	(896)	(493)
Current asset investments	–	1,808	486
	(377)	416	(726)

The above segmental analyses of turnover, profit before tax and net operating assets in 2002 includes contributions from Wackenhut as shown below. Wackenhut was acquired in May 2002 (See note 23a):

	Turnover 8 months ended 31 December 2002 DKKm	Profit before tax 8 months ended 31 December 2002 DKKm	Net operating assets 31 December 2002 DKKm
Wackenhut			
Geographical analysis			
North America	7,073	336	593
Latin America & Caribbean	427	15	45
Western & Southern Europe	75	7	(5)
Central & Eastern Europe	19	–	4
Africa	115	20	39
Asia & Pacific	17	2	5
		380	
Share of operating profit of associates		18	
Net interest payable		(6)	
Total	7,726	392	681

	Turnover 8 months ended 31 December 2002 DKKm	Profit before tax 8 months ended 31 December 2002 DKKm	Net operating assets 31 December 2002 DKKm
Wackenhut			
Business analysis			
Manned security	7,675	376	663
Security systems	16	4	10
Cash services	24	6	8
Other services	11	(6)	–
		380	
Share of operating profit of associates		18	
Net interest payable		(6)	
Total	7,726	392	681

3(b) COST OF SALES, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

The total figures for cost of sales, gross profit and administrative expenses in the year ended 31 December 2003 include the following amounts relating to acquisitions during the year; cost of sales DKK49m (2002: DKK7,858m, 2001: DKK1,174m), gross profit DKK10m (2002: DKK1,598m, 2001: DKK308m) and administrative expenses DKK10m (2002: DKK1,094m, 2001: DKK213m). Details of exceptional items are included in Note 5.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Profit before taxation is stated after charging/(crediting):			
Staff costs (note 7)	10,933	19,983	21,580
Depreciation of tangible fixed assets			
– owned assets	302	346	371
– held under finance leases	40	46	52
Amortisation of goodwill	146	292	372
Amortisation of development costs	1	4	8
Research and development expenditure	5	4	3
Profit on sale of fixed assets	(16)	(48)	(16)
Hire of machinery and equipment	239	296	329
Other operating lease rentals	177	252	265
Exceptional items (note 5)	50	154	218
Net foreign exchange differences	(4)	5	2

Services provided by Group 4 Falck Security's auditors and network firms

During the period Group 4 Falck Security (including its overseas subsidiaries) obtained the following services from Group 4 Falck's auditors at costs as detailed below:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Audit services			
– PricewaterhouseCoopers	9	7	11
– KPMG	4	7	9
– Other auditors	3	3	3
Other services including taxation			
– PricewaterhouseCoopers	4	32	13
– KPMG	3	11	36
– Other auditors	6	3	2
	29	63	74

5. EXCEPTIONAL ITEMS

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Within combined operating profit			
Restructuring costs incurred in connection with acquisitions	(69)	(201)	(7)
Restructuring of head office functions and regional offices	(9)	–	–
Restructuring of the German operations	(15)	–	–
Restructuring in connection with transition to an organisation organised by business area	–	–	(124)
Loss in connection with the euro conversion	–	–	(33)
Total exceptional items within group operating profit	(93)	(201)	(164)
After total operating profit			
Profit on sale of operations	43	47	24
Loss on interest rate swap	–	–	(78)
Taxation (note 9)			
Exceptional tax on sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc.	–	–	(236)
Tax on other exceptional items	17	14	66
Total exceptional tax	17	14	(170)

The loss in connection with the euro conversion relates to the provision for a difference detected in 2003 in connection with the collection of the former Belgian currency and the distribution of euros.

The loss on the interest rate swap arose on the repayment of the underlying loan that was being hedged, and represents the foreseeable loss over the period to maturity of the swap.

The exceptional tax arose on the sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc. and represents the tax payable on the taxable gain realised.

6. INTEREST AND SIMILAR ITEMS

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Interest payable on bank loans and overdrafts	(163)	(263)	(243)
Interest payable on other loans	(3)	(10)	(18)
Interest payable on finance leases	(8)	(12)	(18)
Total interest and similar charges payable	(174)	(285)	(279)
Group interest receivable	64	59	60
Share of associates interest receivable	–	–	2
Total interest receivable	64	59	62
Net interest payable and similar items	(110)	(226)	(217)
Loss on interest rate swap (note 5)	–	–	(78)
	(110)	(226)	(295)

7. STAFF COSTS AND EMPLOYEES

	Year ended 31 December		
Staff costs for Group 4 Falck Security during the year	2001 DKKm	2002 DKKm	2003 DKKm
Wages and salaries	8,464	15,532	17,011
Social security costs	1,605	2,531	2,836
Other pension costs	225	416	453
Other staff costs	639	1,504	1,280
	10,933	19,983	21,580

	Year ended 31 December		
Average monthly number of people (including executive directors) employed	2001 Number	2002 Number	2003 Number
By business			
Manned security	115,186	193,802	204,839
Security systems	5,138	6,301	6,232
Cash services	8,164	9,428	10,552
Other services including head office	7,593	8,747	8,849
	136,081	218,278	230,472

8. PENSION COMMITMENTS

Group 4 Falck Security contributes to pension schemes that cover employees in various companies of Group 4 Falck Security. The pension schemes are typically defined contribution plans. Group 4 Falck Security has material defined benefit schemes in the United Kingdom. In the United Kingdom, the defined benefit schemes were closed for new entrants in 2000, except for selected management groups. The impact of the separation of the UK Scheme following the Demerger and the sale of GSL has not yet been finalised and this may have a significant effect on the amounts as disclosed below.

The defined contribution schemes are paid and expensed as incurred and Group 4 Falck Security has no obligations to the employees thereafter.

The defined benefit schemes result in funded or unfunded pension obligations, which are not insured in an independent insurance company. The combined balance sheet includes unfunded pension obligations based on actuarial calculations.

The note disclosures below are divided into schemes in the "United Kingdom" and "US" as Group 4 Falck Security's other defined benefit schemes are not significant. These other defined benefit schemes are located in Austria, Ecuador, France, Germany, Ireland, Mexico and Norway.

Wackenhut Services Inc. ("WSI") was also the administrator of several defined benefit plans. WSI is responsible for making periodic cost-reimbursable deposits to the various defined benefit plans as determined by third-party actuaries hired on behalf of WSI. In each instance, the US Department of Energy ("DOE") acknowledged within the contract entered into between the DOE and WSI its responsibility for all unfunded pension and benefit liabilities. Therefore, these plans are treated as defined contribution plans.

In the Netherlands, employees are members of an industry wide defined benefit scheme. It is not possible to separately identify Group 4 Falck Security's share of the assets and liabilities of that scheme and, as permitted by FRS 17, the scheme is treated as a defined contribution scheme.

Group 4 Falck Security has accounted for pensions in accordance with UK Statement of Standard Accounting Practice 24 ("SSAP24") "Accounting for pension costs", with the disclosures required by the standard given below.

UK Scheme – SSAP 24

Defined benefit pension arrangements in the UK are primarily provided through the following schemes:

- The Group 4 Pension Scheme ("the Scheme")
- The Group 4 Supplementary Pension Scheme ("the Supplementary Scheme")

The two schemes merged in April 2002.

The most recent actuarial valuation of the schemes was at 31 March 2002. The valuation of the schemes used the projected unit method and was carried out by independent, professionally qualified actuaries. The main assumptions adopted in that valuation for the purposes of the UK Statement of Standard Accounting Practice SSAP 24, 'Accounting for Pension Costs', are listed below. On the basis of these assumptions the actuarial value of the scheme's liabilities exceeded the market value of the scheme's assets by DKK39m.

The principal assumptions underlying this valuation are set out below:

	% pa
Investment return	7.00%
Salary escalation	3.75%
Earnings limit escalation	2.75%
Pension escalation: Pensionable service up to April 2000	3.00%
Pension escalation: Pensionable service beyond April 2000	2.75%

The total employer contributions to the Scheme during the financial year were DKK40m (2002: DKK49m, 2001: DKK56m). The pension charge for the year was DKK48m (2002: DKK40m and 2001: DKK22m). A provision of DKK48m is included in the balance sheet (2002: a provision of DKK68m and 2001: a provision of DKK64m).

Non-UK schemes – SSAP 24

The pension charge for non-UK schemes was as follows:

	31 December		
	2001	**2002**	**2003**
	DKKm	**DKKm**	**DKKm**
US	–	115	137
Other	173	235	271
	173	350	408

FRS 17

In November 2000, the Accounting Standards Board published FRS 17 'Retirement Benefits' to replace the existing standard SSAP 24 'Accounting for Pension Costs'. Although the new standard does not become mandatory until accounting periods beginning on or after 1 January 2005, it sets down transitional arrangements which require footnote disclosures in the interim period up to full adoption.

UK and US schemes

FRS 17 valuations of both the UK and US Schemes have been carried out by qualified independent actuaries using the Projected Unit Method.

Main assumptions for FRS 17 purposes

31 December 2003	**UK**	**US**
	% pa	**% pa**
Rate of increase in salaries	3.8%	4.0%
Rate of increase in pensions in payment	2.7%	0.0%
Discount rate	5.6%	6.0%
Inflation	2.8%	6.0%

31 December 2002	**UK**	**US**
	% pa	**% pa**
Rate of increase in salaries	3.3%	4.0%
Rate of increase in pensions in payment	2.4%	0.0%
Discount rate	5.5%	6.5%
Inflation	2.3%	6.5%

31 December 2001	**UK**	**US**
	% pa	**% pa**
Rate of increase in salaries	3.5%	4.0%
Rate of increase in pensions in payment	2.5%	0.0%
Discount rate	6.0%	6.5%
Inflation	2.5%	6.5%

The market value of assets in the schemes at 31 December and the long term expected rates of return at that date were:

31 December 2003	**Equities**	**Bonds**	**Other**	**Total**
Long term rate of return expected at 31 December 2003 (% pa)				
UK	7.8%	4.8%	4.0%	–
US	–	–	–	–
Value at 31 December 2003 (DKKm)				
UK	843	123	60	1,026
US	–	–	–	–
Total	843	123	60	1,026

31 December 2002	**Equities**	**Bonds**	**Other**	**Total**
Long term rate of return expected at 31 December 2002 (% pa)				
UK	7.5%	4.5%	4.0%	–
US	–	–	–	–
Value at 31 December 2002 (DKKm)				
UK	709	165	42	916
US	–	–	–	–
Total	709	165	42	916

31 December 2001	**Equities**	**Bonds**	**Other**	**Total**
Long term rate of return expected at 31 December 2001 (% pa)				
UK	7.8%	5.5%	4.0%	–
US	–	–	–	–
Value at 31 December 2001 (DKKm)				
UK	878	195	76	1,149
US	–	–	–	–
Total	878	195	76	1,149

Reconciliation to the balance sheet

The following amounts at 31 December were measured in accordance with the requirements of FRS17:

31 December 2003	**UK DKKm**	**US DKKm**	**Total DKKm**
Total market value of assets	1,026	–	1,026
Present value of scheme liabilities	(1,526)	(30)	(1,556)
Deficit in the scheme	(500)	(30)	(530)
Value of balance sheet provision	–	16	16
Related deferred tax asset	150	10	160
Net pension liabilities	(350)	(4)	(354)

31 December 2002	**UK DKKm**	**US DKKm**	**Total DKKm**
Total market value of assets	916	–	916
Present value of scheme liabilities	(1,461)	(26)	(1,487)
Deficit in the scheme	(545)	(26)	(571)
Value of balance sheet provision	–	15	15
Related deferred tax asset	164	10	174
Net pension liabilities	(381)	(1)	(382)

31 December 2001	**UK DKKm**	**US DKKm**	**Total DKKm**
Total market value of assets	1,149	–	1,149
Present value of scheme liabilities	(1,304)	–	(1,304)
Deficit in the scheme	(155)	–	(155)
Related deferred tax asset	46	–	46
Net pension liabilities	(109)	–	(109)

If the above amounts had been recognised in the Combined Financial Information, Group 4 Falck Security's net assets would be as follows:

	31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Net assets			
Net assets	1,687	3,350	3,423
Add back SSAP 24 net pension liability and prepayments	58	239	186
Less FRS 17 net pension liability	(109)	(382)	(354)
Net assets including FRS 17 pension liability	1,636	3,207	3,255
Invested capital in Group 4 Falck Security			
Invested capital	1,586	3,097	3,161
Add back SSAP 24 net pension liability and prepayments	58	239	186
Less FRS 17 net pension liability	(109)	(382)	(354)
Invested capital including FRS 17 pension liability	1,535	2,954	2,993

The amounts charged to operating profit under FRS17 would have been:

31 December 2003	**UK DKKm**	**US DKKm**	**Total DKKm**
Current service cost	46	2	48
Past service cost	–	–	–
Total operating charge	46	2	48

31 December 2002	**UK DKKm**	**US DKKm**	**Total DKKm**
Current service cost	72	1	73
Past service cost	–	–	–
Total operating charge	72	1	73

31 December 2001	**UK DKKm**	**US DKKm**	**Total DKKm**
Current service cost	82	–	82
Past service cost	–	–	–
Total operating charge	82	–	82

The amounts charged to financing under FRS17 would have been:

31 December 2003	**UK DKKm**	**US DKKm**	**Total DKKm**
Expected return on pension scheme assets	58	–	58
Interest on pension scheme liabilities	(75)	–	(75)
Total financing charge	(17)	–	(17)

31 December 2002	**UK DKKm**	**US DKKm**	**Total DKKm**
Expected return on pension scheme assets	75	–	75
Interest on pension scheme liabilities	(74)	–	(74)
Total financing income	1	–	1

31 December 2001	**UK DKKm**	**US DKKm**	**Total DKKm**
Expected return on pension scheme assets	76	–	76
Interest on pension scheme liabilities	(70)	–	(70)
Total financing income	6	–	6

The analysis of the amount that would have been included within the statement of total recognised gains and losses under FRS17 is as follows:

31 December 2003	UK DKKm	US DKKm	Total DKKm
Actual return less expected return on pension scheme assets	109	–	109
Experience losses arising on the scheme liabilities	(33)	(6)	(39)
Changes in assumptions underlying the present value of scheme liabilities	(47)	–	(47)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	29	(6)	23

31 December 2002	UK DKKm	US DKKm	Total DKKm
Actual return less expected return on pension scheme assets	(233)	–	(233)
Experience losses arising on the scheme liabilities	(37)	(2)	(39)
Changes in assumptions underlying the present value of scheme liabilities	(108)	–	(108)
Actuarial loss recognised in statement of total recognised gains and losses	(378)	(2)	(380)

31 December 2001	UK DKKm	US DKKm	Total DKKm
Actual return less expected return on pension scheme assets	(97)	–	(97)
Experience losses arising on the scheme liabilities	(38)	–	(38)
Changes in assumptions underlying the present value of scheme liabilities	–	–	–
Actuarial loss recognised in statement of total recognised gains and losses	(135)	–	(135)

The analysis of experience gains and losses that would have been recognised in the statement of total recognised gains and losses under FRS17 is as follows:

31 December 2003	UK	US	Total
Actual return less expected return on pension scheme assets (DKKm)	109	–	109
Percentage of scheme assets at end of year	11%	–	11%
Experience losses arising on the scheme liabilities (DKKm)	(33)	(6)	(39)
Percentage of scheme liabilities at end of year	2%	20%	3%
Total actuarial gain/(loss) recognised in statement of total recognised gains and losses (DKKm)	29	(6)	23
Percentage of scheme liabilities at end of year	(2%)	20%	(1%)

31 December 2002	**UK**	**US**	**Total**
Actual return less expected return on pension scheme assets (DKKm)	(233)	–	(233)
Percentage of scheme assets at end of year	(25%)	–	(25%)
Experience losses arising on the scheme liabilities (DKKm)	(37)	(2)	(39)
Percentage of scheme liabilities at end of year	3%	8%	3%
Total actuarial loss recognised in statement of total recognised gains and losses (DKKm)	(378)	(2)	(380)
Percentage of scheme liabilities at end of year	26%	7%	26%

31 December 2001	**UK**	**US**	**Total**
Actual return less expected return on pension scheme assets (DKKm)	(97)	–	(97)
Percentage of scheme assets at end of year	(8%)	–	(8%)
Experience gains/(losses) arising on the scheme liabilities (DKKm)	(38)	–	(38)
Percentage of scheme liabilities at end of year	3%	–	3%
Total actuarial loss recognised in statement of total recognised gains and losses (DKKm)	(135)	–	(135)
Percentage of scheme liabilities at end of year	10%	–	10%

The movement in the deficit during the year under FRS 17 would have been:

31 December 2003	**UK DKKm**	**US DKKm**	**Total DKKm**
Deficit in the scheme at the beginning of the year	(545)	(26)	(571)
Movement in the year:			
Foreign currency translation	39	4	43
Current service cost	(46)	(2)	(48)
Past service (costs)/credit	–	–	–
Contributions	40	–	40
Other finance charge	(17)	–	(17)
Actuarial gain/(loss)	29	(6)	23
Deficit in the scheme at the end of the year	(500)	(30)	(530)

31 December 2002	UK DKKm	US DKKm	Total DKKm
Deficit in the scheme at the beginning of the year	(155)	–	(155)
Movement in the year:			
Acquired with subsidiaries	–	(27)	(27)
Foreign currency translation	10	4	14
Current service cost	(72)	(1)	(73)
Past service (costs)/credit	–	–	–
Contributions	49	–	49
Other finance income	1	–	1
Actuarial loss	(378)	(2)	(380)
Deficit in the scheme at the end of the year	(545)	(26)	(571)

31 December 2001	UK DKKm	US DKKm	Total DKKm
Deficit in the scheme at the beginning of the year	–	–	–
Movement in the year:			
Foreign currency translation	–	–	–
Current service cost	(82)	–	(82)
Past service (costs)/credit	–	–	–
Contributions	56	–	56
Other finance income	6	–	6
Actuarial loss	(135)	–	(135)
Deficit in the scheme at the end of the year	(155)	–	(155)

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Analysis of charge in year			
Denmark			
Corporation tax at 30%	–	(39)	(5)
Double tax relief	–	–	–
	–	(39)	(5)
Foreign tax			
Corporation taxes	140	322	448
Adjustments in respect of prior periods	3	10	43
Share of associates	–	3	–
Current tax charge for the year	143	296	486
Deferred tax			
Liabilities	1	79	6
Assets	10	(81)	(27)
Adjustments in respect of prior periods			
– Liabilities	(7)	2	(4)
– Assets	–	(8)	38
Total deferred tax	4	(8)	13
	147	288	499

Included in the above is tax related to exceptional items.

	2001	2002	2003
Exceptional tax on sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc.	–	–	236
Tax on other exceptional items	(17)	(14)	(66)
	(17)	(14)	170

Tax on recognised gains and losses not included in the profit and loss account:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Danish corporation tax at 30%			
Current tax (credit)/charge on exchange movements offset in reserves	(8)	(28)	40
	(8)	(28)	40

The corporation tax for 2002 and 2003 in Denmark is a credit due to joint taxation with other companies in the Group 4 Falck Group which will be part of Falck A/S following the Demerger. Future tax charges may be significantly different from those paid previously.

Foreign Corporation taxes in 2003 includes tax paid in connection with the sale of Wackenhut Corrections Corporation of DKK236m (note 5).

The tax for the periods presented varied from the standard rate of corporation tax in Denmark of 30 per cent for the years ended 31 December 2001, 2002 and 2003 as explained below:

	Year ended 31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Profit on ordinary activities before tax	385	436	466
Profit on ordinary activities multiplied by standard rate of corporation tax in Denmark of 30%	116	131	140
Effects of:			
(Income)/Expenses not (chargeable)/deductible for tax purposes	31	155	125
Tax relating to the sale of Wackenhut Corrections Corporation (note 5)	–	–	236
Timing differences in the recognition of profits and losses for tax purposes	(11)	2	21
Adjustment in respect of foreign tax rates	10	18	7
Adjustments to tax in respect of prior periods	(3)	(10)	(43)
Current tax charge for the year	143	296	486
The deferred tax charged/(credited) may be analysed as follows:			
Origination and reversal of timing differences	11	(2)	(21)
Adjustments in respect of previous years	(7)	(6)	34
Total deferred tax expensed	4	(8)	13
Total tax charge for the year	147	288	499
Included in the above is tax related to exceptional items (note 5)	(17)	(14)	170

10. INTANGIBLE FIXED ASSETS

	Goodwill DKKm	Development costs DKKm	Total DKKm
Cost			
At 1 January 2001	1,907	13	1,920
Exchange adjustments	3	–	3
Additions	788	11	799
Disposals	(39)	(6)	(45)
At 31 December 2001	2,659	18	2,677
Exchange adjustments	(229)	1	(228)
Additions	4,154	20	4,174
Disposals	(20)	(2)	(22)
At 31 December 2002	6,564	37	6,601
Exchange adjustments	(499)	(4)	(503)
Adjustment to fair values on Wackenhut acquisition (note 23a)	497	–	497
Additions	50	17	67
Disposals	(24)	(5)	(29)
At 31 December 2003	6,588	45	6,633
Aggregate Amortisation			
At 1 January 2001	(253)	(9)	(262)
Exchange adjustments	–	–	–
Charge for the year	(146)	(1)	(147)
Disposals	9	6	15
At 31 December 2001	(390)	(4)	(394)
Exchange adjustments	7	(2)	5
Charge for the year	(292)	(4)	(296)
Disposals	20	2	22
At 31 December 2002	(655)	(8)	(663)
Exchange adjustments	36	2	38
Charge for the year	(372)	(8)	(380)
Disposals	24	3	27
At 31 December 2003	(967)	(11)	(978)
Net book amount			
At 31 December 2001	2,269	14	2,283
At 31 December 2002	5,909	29	5,938
At 31 December 2003	5,621	34	5,655

The goodwill arising on the acquisition of subsidiaries is being amortised on a straight-line basis over the estimated useful life, not exceeding 20 years. The directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets, over these periods.

11. TANGIBLE FIXED ASSETS

	Land and buildings DKKm	Vehicles and operating equipment DKKm	Leasehold improvements DKKm	Total DKKm
Cost				
At 1 January 2001	216	2,307	196	2,719
Exchange adjustments	12	12	8	32
Additions at cost	61	483	69	613
Acquisitions	29	28	25	82
Disposals	(105)	(491)	(4)	(600)
At 31 December 2001	213	2,339	294	2,846
Exchange adjustments	(2)	(60)	(22)	(84)
Additions at cost	33	393	69	495
Acquisitions	56	242	28	326
Disposals	(31)	(197)	(18)	(246)
At 31 December 2002	269	2,717	351	3,337
Exchange adjustments	(12)	(118)	(14)	(144)
Additions at cost	74	714	45	833
Acquisitions	–	5	–	5
Disposals	(44)	(310)	(25)	(379)
At 31 December 2003	287	3,008	357	3,652
Aggregate depreciation				
At 1 January 2001	(66)	(1,403)	(110)	(1,579)
Exchange adjustments	–	(1)	–	(1)
Charge for the year	(12)	(307)	(23)	(342)
Disposals	2	303	2	307
At 31 December 2001	(76)	(1,408)	(131)	(1,615)
Exchange adjustments	(1)	13	2	14
Charge for the year	(10)	(349)	(33)	(392)
Disposals	4	180	12	196
At 31 December 2002	(83)	(1,564)	(150)	(1,797)
Exchange adjustments	3	77	4	84
Charge for the year	(11)	(379)	(33)	(423)
Disposals	21	135	19	175
At 31 December 2003	(70)	(1,731)	(160)	(1,961)
Net book amount				
At 31 December 2001	137	931	163	1,231
At 31 December 2002	186	1,153	201	1,540
At 31 December 2003	217	1,277	197	1,691

All land and buildings shown above are freehold.

Assets held under finance leases, capitalised and included in vehicles and operating equipment:

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Cost	228	271	294
Aggregate depreciation	(77)	(97)	(147)
Net book amount	151	174	147

12. INVESTMENTS

Interests in associated undertakings	Associates DKKm	Loans to associates DKKm	Total DKKm
Cost or valuation			
At 1 January 2001	31	–	31
Additions	1	–	1
Disposals	(10)	–	(10)
Share of profit	6	–	6
Other including dividends	(4)	–	(4)
At 31 December 2001	24	–	24
Foreign exchange	(11)	–	(11)
Additions	–	–	–
Acquisitions	69	11	80
Disposals	(68)	(11)	(79)
Share of profit	17	–	17
Other including dividends	(3)	–	(3)
At 31 December 2002	28	–	28
Foreign exchange	(6)	–	(6)
Additions	3	12	15
Disposals	(26)	–	(26)
Share of profit	18	–	18
Other including dividends	(1)	–	(1)
At 31 December 2003	16	12	28

	31 December		
Current asset investments	**2001 DKKm**	**2002 DKKm**	**2003 DKKm**
Investments in securities	60	457	562
Investments in business held for resale	–	1,403	–
Total	60	1,860	562

Investments in securities comprise primarily listed securities held by Group 4 Falck Security's wholly owned captive insurance subsidiaries.

The market value of the investments as at 31 December 2001, 2002 and 2003 was DKK126m, DKK504m and DKK596m respectively.

As part of the acquisition of The Wackenhut Corporation in 2002, two businesses were acquired, Wackenhut Resources Inc. and Wackenhut Corrections Corporation, which management intended to sell. As at 31 December 2002 the fair value of these businesses, which are included within current assets investments, were DKK1,403m (US$195m). These businesses were both sold in 2003.

13. STOCKS

	31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Stocks and work in progress			
Raw materials	22	74	66
Work in progress	1	7	12
Finished products (including equipment)	254	245	235
	277	326	313

14. DEBTORS

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Amounts falling due within one year			
Trade debtors	2,536	4,412	3,948
Amounts recoverable on contracts	116	101	93
Amounts owed by associates	9	–	9
Other debtors	281	400	541
Prepayments and accrued income	461	511	489
Deferred tax asset (see below)	23	314	212
	3,426	5,738	5,292

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Amounts falling due after more than one year			
Trade debtors	32	128	93
Other debtors	10	54	107
Prepayments and accrued income	–	15	13
	42	197	213

	31 December		
Deferred tax asset	2001 DKKm	2002 DKKm	2003 DKKm
Tax losses carried forward	30	82	75
Other timing differences	59	332	137
	89	414	212
Set off against deferred tax liabilities (note 19)	(66)	(100)	–
Deferred tax asset	23	314	212

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
At 1 January	37	23	314
Exchange adjustments	(1)	2	(10)
Charged to profit and loss	(10)	89	(11)
Additions on acquisition	–	204	–
Disposal	–	–	(71)
Transfer from deferred tax liability	(3)	(4)	(10)
At 31 December	23	314	212

15. BORROWINGS

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Total borrowings			
Secured	–	156	387
Unsecured	2,417	6,128	1,871
Finance leases	148	170	137
Less: repayable within one year	(456)	(1,067)	(764)
	2,109	5,387	1,631
US private placement notes (note 16)	–	–	2,383
Total long-term borrowings	2,109	5,387	4,014
Short-term borrowings			
Bank overdraft (unsecured)	357	676	267
Secured	–	156	387
Unsecured	65	190	62
Finance leases	34	45	48
Total short-term borrowings	456	1,067	764
Investments in securities	(60)	(52)	(76)
Bank and deposit balances	(769)	(851)	(663)
Net debt	1,736	5,551	4,039

The payment profile of long-term borrowings is disclosed in note 16.

Investments in securities of DKK405m in 2002 and DKK486m in 2003 are not deducted in arriving at net debt as the investments are held in trust by the US Captive Insurance Company and are not readily available for use by Group 4 Falck Security.

Securitisation of debtors
In accordance with a Securitisation agreement between The Wackenhut Corporation and a financial institution, the Wackenhut Group will, from time to time, sell undivided interests in its eligible accounts receivable to the financial institution. There is a maximum purchase limit of US$75m under this agreement.

16. FINANCIAL INSTRUMENTS

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Currency and interest rate risk profile of financial liabilities

The interest rate risk profile of Group 4 Falck Security's financial liabilities at 31 December 2001, 2002 and 2003, after taking account of the interest rate and currency swaps used to manage the interest and currency profile, was as follows:

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Fixed rate			
US Dollars	–	2,373	1,043
Euro	20	48	34
Other currencies	36	158	88
Total fixed rate	56	2,579	1,165
Floating rate			
DKK	111	352	158
US Dollars	–	1,258	1,742
Euro	1,493	1,378	875
Other currencies	905	887	838
Total floating rate	2,509	3,875	3,613
Non-interest bearing financial liabilities			
US Dollars	–	30	38
Euro	57	68	50
Other currencies	48	219	179
Total non-interest bearing	105	317	267
Total			
DKK	111	352	158
US Dollars	–	3,661	2,824
Euro	1,570	1,494	959
Other currencies	989	1,264	1,104
Total financial liabilities	2,670	6,771	5,045

Financial liabilities comprise bank loans and overdrafts, creditors due after more than one year and restructuring and other provisions. Deferred income of DKK37m in 2003 arising on interest rate swaps closed in 2003 is not included as a financial liability as it does not meet the definition of a financial liability.

All Group 4 Falck Security's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

Floating rate interest on bank loans and overdrafts is based on local bank base rates or inter bank offer rates.

Non-interest bearing liabilities comprise creditors falling due after more than 1 year, and restructuring and other provisions.

Group 4 Falck Security's principal fixed rate debt obligations as at 31 December 2003 are three series of US private placement unsecured loan notes issued in October 2003 with the following rates and maturities.

Series	Amount US$m	Interest Rate %	Maturity
A	86	4.79	October 2010
B	239	5.45	October 2013
C	75	5.55	October 2015

A pre hedge on $175m of the US private placement loan notes was taken out during 2003 which locked in to an average fixed rate of 4.67%.

Interest rate swaps have been taken out to convert $225m of the US private placement loan notes to floating rate.

The average interest rates for the fixed rate financial liabilities of Group 4 Falck Security at 31 December, together with the periods for which the rates were fixed, are set out in the table below:

	Fixed		Non-Interest Bearing
Currency	**Weighted average interest rate %**	**Weighted average period for which rate is fixed Years**	**Weighted average period until maturity Years**
DKK	–	–	–
US Dollars	–	–	–
Euro	5.2	2.0	3.2
Other	11.0	3.3	1.7
At 31 December 2001	8.9	2.8	2.5
DKK	–	–	–
US Dollars	4.1	2.4	1.5
Euro	5.0	1.6	2.5
Other	6.9	0.8	2.8
At 31 December 2002	4.3	2.3	2.6
DKK	–	–	–
US Dollars	4.7	9.8	0.2
Euro	5.0	2.1	2.3
Other	8.3	2.6	2.4
At 31 December 2003	5.0	9.0	2.1

Maturity of financial liabilities

The maturity profiles of Group 4 Falck Security's financial liabilities at each year end were as follows:

	31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Financial liabilities expiring within one year			
Bank overdraft	357	676	267
Secured borrowing	–	156	387
Unsecured borrowing	65	190	62
Finance leases	34	45	48
Non-interest bearing	51	76	59
	507	1,143	823
Financial liabilities expiring within one to two years			
Unsecured borrowing	58	963	1,509
Finance leases	31	52	43
Non-interest bearing	41	102	82
	130	1,117	1,634
Financial liabilities expiring within two to five years			
Unsecured borrowing	1,749	4,165	30
Finance leases	83	73	46
Non-interest bearing	13	113	97
	1,845	4,351	173
Financial liabilities expiring in more than five years			
Unsecured borrowing	188	134	2,386
Finance leases	–	–	–
Non-interest bearing	–	26	29
	188	160	2,415
Total	2,670	6,771	5,045

Currency and interest rate risk of financial assets

The currency and interest rate risk profile of Group 4 Falck Security's financial assets at 31 December was:

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Floating rate			
DKK	161	155	173
US Dollars	–	11	24
Euro	485	216	177
Other currencies	123	469	289
Total floating rate	769	851	663
Non-interest bearing financial assets			
DKK	33	18	19
US Dollars	–	44	81
Euro	20	19	18
Other currencies	30	149	160
Total non-interest bearing	83	230	278
Total			
DKK	194	173	192
US Dollars	–	55	105
Euro	505	235	195
Other currencies	153	618	449
Total financial assets	852	1,081	941

All Group 4 Falck Security's debtors falling due within one year are excluded from the above tables either due to the exclusion of short term items or because they do not meet the definition of a financial asset, such as tax balances.

Floating rate financial assets comprise cash at bank and in hand which bears interest at nominal rates based on local bank base rates. Non-interest bearing financial assets comprise securities and long term receivables. Investments held by the two captive insurance companies of DKK19m in 2001, DKK424m in 2002 and DKK497m in 2003 are not included as financial assets, as assets held by insurance companies are specifically excluded from financial assets under the definition given in FRS 13 "Derivatives and other financial instruments disclosures".

Group 4 Falck Security does not hold any financial assets that bear interest at fixed rates.

Within financial assets of DKK941m (2002 – DKK1,081m; 2001 – DKK852m), DKK728m (2002 – DKK884m; 2001 – DKK810m) is included within net debt and DKK213m (2002 – DKK197m; 2001 – DKK42m) represents other financial assets.

Group 4 Falck Security has undrawn committed borrowing facilities available to it at 31 December as follows:

	31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Undrawn committed facilities			
Expiring within one year	–	–	–
Expiring within one to two years	–	–	761
Expiring within two to five years	480	1,871	100
Expiring in more than five years	–	–	–
	480	1,871	861

Commitment fees are paid on undrawn amounts based on standard rates.

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of Group 4 Falck Security's financial assets and financial liabilities at 31 December 2001, 2002 and 2003. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out in the table below is a summary of the methods and assumptions used for each category of financial instrument.

Interest rate swap, currency swaps and forward foreign currency contracts	Fair value is based on market price of comparable instruments at the balance sheet date.
Short-term deposits and borrowings	The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximate to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to market rates at intervals of less than one year.

	31 December 2001		31 December 2002		31 December 2003	
	Book value DKKm	Fair value DKKm	Book value DKKm	Fair value DKKm	Book value DKKm	Fair value DKKm
Primary financial instruments held or issued to finance Group 4 Falck Security's operations:						
Cash at bank and in hand	769	769	851	851	663	663
Investments	41	89	33	62	65	91
Other financial assets	42	42	197	197	213	213
Financial assets	852	900	1,081	1,110	941	967
Short-term borrowings	(456)	(456)	(1,067)	(1,067)	(764)	(764)
Long-term borrowings	(2,109)	(2,109)	(5,387)	(5,387)	(4,014)	(4,006)
Other financial liabilities	(105)	(105)	(317)	(317)	(267)	(267)
Financial Liabilities	(2,670)	(2,670)	(6,771)	(6,771)	(5,045)	(5,037)
Derivative financial instruments held to manage the interest rate and currency profile:						
Interest rate swaps	–	–	–	(115)	(62)	(66)
Forward foreign currency contracts	7	7	100	100	64	64

Currency exposures

The following table shows the currency exposure of the net monetary assets and liabilities of Group 4 Falck Security at each of the 3 years ended 31 December 2003.

The exposures arise where monetary assets and liabilities are denominated in currencies other than the functional currency of the operating company in which they are held. The gains or losses on these monetary assets and liabilities are recorded in the profit and loss account.

The only monetary assets and liabilities held by operating companies in currencies other than the functional currency of the operating company are intercompany balances with the parent company, whose functional currency is DKK.

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
US Dollars	5	55	25
Euro	(15)	(236)	(85)
Other	81	57	(143)
Total net monetary assets/(liabilities)	71	(124)	(203)

Hedges

Group 4 Falck Security's policy is to hedge the following exposures:

- Group 4 Falck Security's interest exposure is mainly related to the interest-bearing debt. The exposure is the risk that Group 4 Falck Security's net income may be materially affected by movements in market interest rates.

  The strategy is to ensure with a reasonable amount of certainty that Group 4 Falck Security's overall interest charge is generally protected against material movements in market interest rates through interest rate swaps.

- The two main currency exposures are transaction risk and translation risk.

  Transaction risk is fairly limited in Group 4 Falck Security. A potentially material impact on Group 4 Falck Security's results from exchange rate fluctuations is mitigated by having each country operate in local currency wherever possible. This includes financing activities in local currency either internally through group loans or through financial institutions. Transaction risk within Group 4 Falck Security mainly derives from dividend and royalty payments, which are made in local currencies.

  The main currency exposure in Group 4 Falck Security concerns translation risk, i.e. the value, when translated into Danish kroner, of investments in and/or loans to foreign subsidiaries and the value, when translated into Danish kroner, of the net profit and loss from such foreign subsidiaries.

  Frequent assessments to hedge such exposures are initiated and executed by the Group 4 Falck Security treasury team within the rules and guidelines set out in the treasury policy, including funding investments and other assets in local currencies and/or entering into foreign exchange or derivatives transactions.

The table overleaf shows the extent to which Group 4 Falck Security has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which were included in the profit and loss account for the relevant period and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Unrecognised			Deferred		
	Gains DKKm	Losses DKKm	Total net gains/ losses DKKm	Gains DKKm	Losses DKKm	Total net gains/ losses DKKm
Gains and losses on hedges at 1 January 2001	–	–	–	–	–	–
Arising before 1 January 2001 included in the year to December 2001 income	–	–	–	–	–	–
Arising during the year and not included in current year income	–	–	–	–	–	–
Gains and losses on hedges at 31 December 2001	–	–	–	–	–	–
Arising before 1 January 2002 included in the year to December 2002 income	–	–	–	–	–	–
Arising during the year and not included in current year income	6	–	6	–	–	–
Gains and losses on hedges at 31 December 2002	6	–	6	–	–	–
Arising before 1 January 2003 included in the year to December 2003 income	(6)	–	(6)	–	–	–
Arising during the year and not included in current year income	4	(4)	–	42	–	42
Gains and losses on hedges at 31 December 2003	4	(4)	–	42	–	42
Of which gains and losses expected						
to be recognised in 2004	4	–	4	5	–	5
to be recognised thereafter	–	(4)	(4)	37	–	37

Deferred gains of DKK42 million arising in 2003 related to the closure of an interest rate swap.

Financial instruments held for trading purposes

Group 4 Falck Security does not trade in financial instruments.

17. OTHER CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Trade creditors	579	607	599
Amounts owed to associates	–	117	3
Other tax and social security payable	677	729	777
Deferred consideration for acquisitions (note 23a)	–	221	–
Other creditors	1,141	1,935	1,862
Accruals and deferred income	634	924	761
Payable to demerged Falck group	251	167	522
	3,282	4,700	4,524

18. OTHER CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Other creditors	25	168	147
Deferred income	–	–	37
	25	168	184

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance reserves DKKm	Re-structuring DKKm	Pensions DKKm	Deferred tax DKKm	Other provisions DKKm	Total DKKm
At 1 January 2001	42	23	66	184	66	381
Exchange adjustments	–	–	–	1	(5)	(4)
Charged/(credited) to profit and loss	93	69	8	(6)	(6)	158
Utilised in year	–	(69)	(16)	–	(17)	(102)
Subsidiaries acquired	–	–	–	–	19	19
Transfer to deferred tax asset	–	–	–	(3)	–	(3)
At 31 December 2001	135	23	58	176	57	449
Exchange adjustments	21	1	(78)	(1)	–	(57)
Charged to profit and loss	31	98	58	81	40	308
Utilised in year	(2)	(54)	(22)	–	(28)	(106)
Subsidiaries acquired	818	–	223	34	155	1,230
Reclassifications	–	–	–	–	(143)	(143)
Transfer to deferred tax asset	–	–	–	(4)	–	(4)
At 31 December 2002	1,003	68	239	286	81	1,677
Exchange adjustments	(134)	(10)	(27)	(6)	(3)	(180)
Charged to profit and loss	309	131	28	2	25	495
Utilised in year	(413)	(130)	(54)	–	(42)	(639)
Transfer to deferred tax asset	–	–	–	(10)	–	(10)
At 31 December 2003	765	59	186	272	61	1,343

Insurance

The insurance provision relates to the provisions held by the wholly owned captive insurance subsidiaries in Luxembourg and the United States of America which underwrite Group 4 Falck Security's workers compensation, general liability and also auto liability policies. These provisions are subject to regular actuarial review and are adjusted as appropriate. The value of the final insurance settlements and the timing of the expenditure is uncertain.

Restructuring

Restructuring provisions in 2001, 2002 and 2003 relate to the integration of acquired companies into Group 4 Falck Security. The provision mainly comprises redundancy payments and the cost of closing down activities in the acquired companies. These costs were expensed and provided for after the acquisition.

The remaining restructuring provision in 2003 mainly relates to the acquisition of the Wackenhut Corporation and is expected to be utilised in 2004.

The restructuring provision in 2003 also includes costs related to the reorganisation of Group 4 Falck Security from a country based structure to a business area structure. The remaining balance of the provision is expected to be utilised in 2004.

Pensions

The pension provision represents the pension liability under SSAP 24. For details refer to note 8.

Other provisions

Other provisions comprise a number of small items which mainly relate to a leasing indemnity in Austria and litigation costs.

Deferred Tax

	31 December		
	2001 DKKm	**2002 DKKm**	**2003 DKKm**
Provision for deferred tax comprises:			
Accelerated capital allowances	69	45	67
Short-term timing differences	–	131	31
Long term timing differences	8	123	46
Other	165	87	128
	242	386	272
Set off against deferred tax assets	(66)	(100)	–
Deferred tax provision	176	286	272

Factors that may affect future tax charges

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Group 4 Falck Security has unrecognised deferred tax assets of DKK666m as at 31 December 2003 (2002 – DKK584m, 2001 – DKK639m) in relation to tax losses. There is insufficient evidence, at this time, that these assets will be fully recoverable. The unrecognised assets will be recognised when sufficient evidence becomes available to support that recoverability.

20. OPTIONS AND WARRANTS

The number of shares subject to options and warrants, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Type	Exercise price (DKK)	Exercise period	31 December 2001 Number	31 December 2002 Number	31 December 2003 Number
1999	Options	128	21.8.2002 – 30.9.2004	218,000	154,684	111,364
2000	Options	268	1.11.2003 – 31.12.2005	228,212	215,796	212,768
2001	Warrants	268	1.12.2005 – 31.12.2007	371,948	371,948	321,479
2001	Warrants	253	31.5.2004 – 30.6.2006	319,988	262,157	262,921
2002	Options	238	31.5.2005 – 30.6.2007	–	104,431	104,431
2002	Warrants	266	31.5.2005 – 30.6.2007	–	273,400	258,199
2003	Options	96	31.3.2006 – 30.4.2008	–	–	171,331
2003	Warrants	114	31.5.2006 – 30.6.2008	–	–	263,450
				1,138,148	1,382,416	1,705,943

All options and warrants provide the right to acquire shares at a price corresponding to the market price at the time of grant. Warrants provide a right to acquire new shares, and options provide a right to acquire existing shares.

The options and warrants can normally only be exercised between three and five years from the date of grant. However, the warrants issued in April 2001 may not be exercised until the period five to seven years after grant. In addition, 25% of the options granted in 2002 or thereafter cannot be exercised until three years after the option holder ceases to be employed in the relevant company.

Options granted in 2000 and warrants granted in 2001 and thereafter can only be exercised if the Group 4 Falck share price around the date of exercise exceeds the exercise price by at least 6% compounded for each year between the date of grant and the date of exercise. (Where warrants or options are redesignated as options over Group 4 A/S Shares, this barrier price will be adjusted following Demerger and will relate to shares in Group 4 A/S instead of Group 4 Falck.)

The number of shares subject to each warrant will be increased by 20% if the Group 4 Falck share price around the time of exercise exceeds the exercise price by at least 10% (compounded) for each year between the date of grant and the date of exercise.

Options granted in 2002 and thereafter can only be exercised if the Group 4 Falck share price has, at any time before exercise, exceeded the exercise price multiplied by two times Group 4 Falck's weighted average cost of capital at the date of grant.

If a holder ceases to be employed before an option or warrant can be exercised, the holder will only be entitled to exercise a fraction of their warrants and options. That fraction is the period from the date of grant to the date of cessation over the period from the date of grant to the date on which the options or warrants would normally first become exercisable. However, options granted after 1999 will lapse if the option holder terminates his/her employment (other than by reason of constructive dismissal) and the option holder will be entitled to a cash compensation corresponding to the value of the options lapsed at the time of termination.

As at 31 December 2003, Group 4 Falck had a portfolio of 603,188 treasury shares to hedge the liability in respect of the options.

The share options/warrants disclosed above represent the share options/warrants held by the Executive Management Board and senior executives of Group 4 Falck. Future share options/warrants held may be significantly different from those shown above.

Changes to the options and warrant plans following the demerger are set out in Part 9 of the Listing Particulars.

Options and warrants exercised

	2001		2002		2003	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Options and warrants at 1 January	644,464	171	1,138,148	237	1,382,416	247
Granted during the year	691,936	261	377,831	258	434,781	107
Exercised during the year	(190,000)	100	(63,292)	128	(43,320)	128
Cancelled during the year	(8,252)	268	(70,271)	256	(67,934)	268
Options and warrants at 31 December	1,138,148	237	1,382,416	247	1,705,943	214

21. INVESTED CAPITAL IN GROUP 4 FALCK SECURITY

	31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
At beginning of the year	1,208	1,586	3,097
Exchange adjustments offset in reserves	17	(202)	(21)
Tax on exchange adjustments	8	28	(40)
Dividends payable to Group 4 Falck shareholders	(33)	(37)	(35)
Dividends receivable from demerged Falck group	129	144	124
Movement in funding balances with demerged Falck group	28	23	137
Consideration paid for purchase of own shares	(17)	(1)	(4)
Consideration received on sale of own shares	36	9	6
Proceeds of ordinary shares issued for cash	–	1,457	–
Profit/(loss) for the finanical year	210	90	(103)
At end of year	1,586	3,097	3,161

Included in net exchange adjustments in 2001, 2002 and 2003 are exchange gains/(losses) of DKK(20)m, DKK46m and DKK171m respectively, arising on borrowings denominated in, or swapped into, foreign currencies and forward contracts designated as hedges of net investments overseas.

The cumulative value of goodwill written off against invested capital amounts to DKK485m in 2003 (2002: DKK485m; 2001: DKK485m).

Invested capital is stated net of treasury shares of DKK153m (2002: DKK155m; 2001: DKK163m).

22. QUASI-SUBSIDIARY

Group 4 Falck Security owns all of the shares in Wackenhut Services Inc. under US Foreign Ownership Controlling Interest provisions. Wackenhut Services Inc. provides security services to US Government agencies including security services on sites deemed to be strategically sensitive. Whilst Group 4 Falck Security is represented on the Wackenhut Services Inc. board through shareholder proxies, operational control remains with an independent board reporting directly to the US Government. The results of Wackenhut Services Inc. are included in the Combined Financial Information on the basis that it is considered a "quasi-subsidiary" according to FRS5 "Reporting the substance of transactions".

The financial information of Wackenhut Services Inc, prepared in accordance with Group 4 Falck Security accounting policies and included in the Combined Financial Information is set out below.

Profit and loss account	8 months to 31 December 2002 DKKm	12 months to 31 December 2003 DKKm
Turnover	1,846	2,594
Profit on ordinary activities	124	189
Tax on profit on ordinary activities	(49)	(68)
Profit for the financial year	75	121

	31 December	
Balance Sheet	**2002 DKKm**	**2003 DKKm**
Fixed assets	25	10
Current assets	572	532
Current liabilities	(219)	(273)
Amounts payable to Group 4 Falck companies	(111)	(112)
Total assets less current liabilities	267	157
Provisions for liabilities and charges	(25)	(20)
Net assets	242	137

Cash flow statement	8 months to 31 December 2002 DKKm	12 months to 31 December 2003 DKKm
Net cash inflow from operating activities	7	143
Net cash inflow from returns on investments and servicing of finance	25	31
Net cash outflow from capital expenditure and financial investments	(4)	(6)
Taxation paid	(9)	(9)
Dividends paid	(75)	(169)
Net cash outflow before financing	(56)	(10)
Net cash inflow from financing	48	10
Decrease in cash and cash equivalents	(8)	–

23. ACQUISITIONS

(a) Acquisition of The Wackenhut Corporation

Group 4 Falck Security purchased The Wackenhut Corporation on 8 May 2002 for a total consideration, including acquisition costs, of DKK4,653 million. The business has been consolidated from 29 April 2002, being the start of the accounting period closest to the date of acquisition. There is no material difference between the financial position of The Wackenhut Corporation on these two dates. Furthermore, the results of The Wackenhut Corporation for the nine days ended 7 May 2002 are not material to the Combined Financial Information.

From the date of acquisition to 31 December 2002:

– The Wackenhut Corporation contributed DKK7,726 million to turnover, DKK380 million to combined operating profit, and DKK392 million to profit before taxation; and

– The Wackenhut Corporation contributed DKK197 million to Group 4 Falck Security's net operating cash flows, paid DKK6 million in respect of interest, DKK20 million in respect of taxation and utilised DKK24 million for capital expenditure.

In its last financial year to 31 December 2001, The Wackenhut Corporation made a loss after tax and minority interests of DKK97 million. For the period since that date to the date of acquisition the results of The Wackenhut Corporation are as shown below:

	DKKm
Turnover	3,967
Operating profit	34
Loss before taxation	(99)
Taxation and minority interests	(8)
Loss attributable to shareholders	(107)
Exchange adjustments	2
Total recognised loss for the period	(105)

The above results are shown on the basis of UK GAAP, as applied by Group 4 Falck Security at the date of this report, and have been translated using average exchange rates for the four months ended 28 April 2002.

The Wackenhut Corporation acquisition

	Book value DKKm	Fair value adjustments DKKm	Investment in subsidiaries held for resale DKKm	Fair value DKKm
Tangible fixed assets	174	–	–	174
Investments in associated undertakings	80	–	–	80
Stock	4	–	–	4
Debtors	1,955	–	–	1,955
Investments	590	–	–	590
Investments in subsidiaries held for resale	–	–	1,620	1,620
Creditors	(726)	(695)	–	(1,421)
Provisions	(1,188)	–	–	(1,188)
Taxation	187	–	–	187
Cash	112	–	–	112
Borrowings	(779)	–	–	(779)
	409	(695)	1,620	1,334
Minority interests	(19)	–	–	(19)
Net assets acquired	390	(695)	1,620	1,315
Goodwill				3,338
Consideration				4,653
Consideration satisfied by:				
Cash				4,653

The book value of the assets and liabilities have been taken from the management accounts of The Wackenhut Corporation at 28 April 2002 at actual exchange rates at the date of acquisition and adjusted in order to be stated in accordance with UK GAAP, as applied by Group 4 Falck Security at the date of this report.

Goodwill related to the acquisition of The Wackenhut Corporation at 31 December 2002 at actual exchange rates on that date was DKK2,890 million.

Fair value adjustments comprise provision for the payment of long term incentives and bonuses triggered by the acquisition including deferred amounts of DKK227 million.

Investments in subsidiaries held for resale represent the anticipated net sale proceeds for Wackenhut Corrections Corp. and Wackenhut Resources Inc. at the date of acquisition.

Goodwill arising at the date of acquisition at actual exchange rates on that date was DKK3,338 million. At 31 December 2002, at year-end exchange rates, goodwill related to the acquisition of The Wackenhut Corporation was DKK2,890 million.

The fair value adjustments at 31 December 2002 were provisional and were reviewed during the course of 2003 and amended as necessary in the light of subsequent knowledge or events. These completion and hindsight adjustments increased goodwill by DKK497 million in 2003 and principally related to the finalisation of payments to certain senior executives (decreasing goodwill by DKK98 million), the disposal of investments in subsidiaries held for resale (increasing goodwill by DKK281 million, being the difference between the anticipated sales proceeds for these businesses at the date of acquisition and the actual net sales proceeds received) and the re-allocation of the original purchase price between Group 4 Falck and Falck A/S as a result of indemnities provided on the transfer of certain government services contracts to GSL (increasing goodwill by DKK314 million).

(b) Other acquisitions

2001

During the year ended 31 December 2001, 27 subsidiaries were acquired by Group 4 Falck Security for a total consideration of DKK873 million. The significant acquisitions are listed below:

Company	% acquired	Country	Month acquired
EuroGuard S.A.	100	France	February
BRE Services Assistance Sp. z.o.o.	100	Poland	March
OGS	100	France	May
Top Control Group	100	Germany	July
Automatic Alarm AB	100	Sweden	August
Callguard Security Service (Pty) Ltd.	100	South Africa	September
Schiller Sicherheitsdienste GmbH	100	Germany	November

The book value and fair value of net assets acquired, the total consideration payable, and an analysis of the fair value adjustments are set out in the table below.

	Book value DKK million	Fair value adjustments DKK million	Fair value DKK million
Tangible fixed assets	82	–	82
Stock	16	(3)	13
Debtors	301	(5)	296
Creditors	(292)	(4)	(296)
Provisions	(14)	(5)	(19)
Taxation	(4)	–	(4)
Cash	71	–	71
Borrowings	(57)	(1)	(58)
Net assets acquired	103	(18)	85
Goodwill			788
Consideration			873
Consideration satisfied by:			
Cash			873

The fair value adjustments for the acquisitions in the year ended 31 December 2001 generally comprise adjustments for alignment of provisions for bad debts and stocks and accruals.

No adjustments were required to align the accounting policies of the subsidiaries acquired with those of Group 4 Falck Security.

The book value of the assets and liabilities have been taken from the management accounts of each subsidiary at the date of acquisition at actual exchange rates on that date and adjusted in order to be stated in accordance with UK GAAP, as applied by Group 4 Falck Security at the date of this report.

From the date of acquisition to 31 December 2001:

– The acquisitions contributed DKK1,482 million to turnover and DKK95 million to combined operating profit before exceptional items and goodwill amortisation.

– The acquisitions contributed DKK85 million to Group 4 Falck Security's operating cash flows, paid DKK7 million in respect of interest, DKK7 million in respect of taxation and utilised DKK37 million for capital expenditure.

2002

During the year ended 31 December 2002, 25 subsidiaries other than The Wackenhut Corporation ("other acquisitions") were acquired by Group 4 Falck Security for a total consideration of DKK973 million. The significant acquisitions are listed below:

Company	% acquired	Country	Month acquired
Wackenhut Security Hellas SA	52.25	Greece	March
Hashmira Company Ltd.	50	Israel	March
Ensign Security Inc.	100	Canada	May
Federal Protection Services (Pty) Ltd.	100	South Africa	January

The book value and fair value of net assets acquired, the total consideration payable, and an analysis of the fair value adjustments are set out in the table below.

	Book value DKK million	Fair value adjustments DKK million	Fair value DKK million
Intangible fixed assets	1	–	1
Tangible fixed assets	152	–	152
Stock	42	–	42
Debtors	603	(3)	600
Creditors	(430)	2	(428)
Provisions	(4)	(4)	(8)
Taxation	(34)	2	(32)
Cash	95	–	95
Borrowings	(207)	–	(207)
	218	(3)	215
Minority interests	(58)	–	(58)
Net assets acquired	160	(3)	157
Goodwill			816
Consideration			973
Consideration satisfied by:			
Cash			973

The fair value adjustments for the acquisitions in the year ended 31 December 2002 generally comprise adjustments for alignment of provisions for bad debts, accruals and other provisions.

No adjustments were required to align the accounting policies of the subsidiaries acquired with those of Group 4 Falck Security.

The book value of the assets and liabilities have been taken from the management accounts of each subsidiary at the date of acquisition at actual exchange rates on that date and adjusted in order to be stated in accordance with UK GAAP, as applied by Group 4 Falck Security at the date of this report.

From the date of acquisition to 31 December 2002:

– The other acquisitions contributed DKK1,730 million to turnover and DKK124 million to combined operating profit before exceptional items and goodwill amortisation.

– The other acquisitions contributed DKK146 million to Group 4 Falck Security's operating cash flows, paid DKK8 million in respect of interest, DKK51 million in respect of taxation and utilised DKK5 million for capital expenditure.

2003

During the year ended 31 December 2003, 7 subsidiaries were acquired by Group 4 Falck Security.

The book and fair value of net assets acquired, the total consideration payable, and an analysis of the fair value adjustments are set out in the table below.

	Book value DKK million	Fair value adjustments DKK million	Provisional fair value DKK million
2003			
Tangible fixed assets	5	–	5
Stock	3	–	3
Debtors	9	–	9
Creditors	(17)	–	(17)
Provisions	–	–	–
Taxation	–	–	–
Cash	3	–	3
Borrowings	(3)	–	(3)
Net assets acquired	–	–	–
Goodwill			50
Consideration			50
Consideration satisfied by:			
Cash			50

The book value of the assets and liabilities have been taken from the management accounts of each subsidiary at the date of acquisition at actual exchange rates on that date.

No fair value adjustments, or adjustments to align the accounting policies of the subsidiaries acquired with those of Group 4 Falck Security, were required.

From the date of acquisition to 31 December 2003 the acquisitions in that year contributed DKK59 million to turnover and DKKnil to combined operating profit before exceptional items and goodwill amortisation.

The operations acquired in 2003 have been integrated into Group 4 Security's existing business. As a result, it is impractical to isolate operating cash flows, as well as amounts paid in respect of interest, taxation and capital expenditure, in the period since acquisition.

All transactions were accounted for using acquisition accounting. The estimated useful life for these acquisitions reflects the period over which Group 4 Falck Security expects to receive benefit based on acquired patents and technology.

24. CONTINGENT LIABILITIES

Group 4 Falck Security is party to certain lawsuits and claims. In the opinion of management, the outcome of these lawsuits and claims will not have a material effect on Group 4 Falck Security's financial position.

Letters of intent and letters of comfort have been issued for credit facilities and similar commitments with Group 4 Falck Security's enterprises for a total amount of DKK288 million.

Group 4 A/S and Falck A/S are jointly and severally liable with the other jointly taxed Danish companies for tax on jointly taxed income. This also applies to the joint registration of VAT with the other jointly registered Danish companies.

Usual representations and warranties are made in connection with the divestment of companies and operations. Provisions are made for losses thereon.

As a consequence of the demerger of Group 4 Falck into two successor companies; Group 4 and Falck, each of the new companies will be liable under the Danish Companies Act for obligations attributable to the assets and liabilities transferred to them. Where a creditor of Group 4 or Falck does not receive full payment of its claims, the other company will be jointly and severally liable, to the extent the obligation existed at the time of demerger. However, each company will only be jointly and severally liable up to a maximum of the net value of the assets and liabilities transferred to them.

At 31 December 2003, Group 4 Falck Security had issued guarantees for commercial agreements of DKK138 million. In addition, Group 4 Falck Security guarantees Wackenhut Services Inc's $25 million line-of-credit agreement with Wachovia Bank.

25. OPERATING LEASE COMMITMENTS

As at 31 December 2001, 2002 and 2003 Group 4 Falck Security had annual commitments under non-cancellable operating lease agreements in respect of properties, vehicles, plant and equipment, for which the payment extends over a number of years, as follows:

	31 December					
	2001		2002		2003	
	Land and buildings DKKm	Vehicles, plant and equipment DKKm	Land and buildings DKKm	Vehicles, plant and equipment DKKm	Land and buildings DKKm	Vehicles, plant and equipment DKKm
Lease expiry:						
Within one year	34	70	45	88	48	82
Within two to five years	97	142	119	201	106	182
After five years	68	–	102	1	89	11
	199	212	266	290	243	275

26. CAPITAL AND OTHER FINANCIAL COMMITMENTS

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Contracts placed for future expenditure not provided in the accounts in respect of:			
Cash in transit centres and cash processing centres	18	24	42
IT systems	5	47	25
Other	2	3	9
	25	74	76

27. CASH FLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Operating profit	446	595	719
Depreciation charge	342	392	423
Profit on sale of fixed assets	(16)	(48)	(16)
Intangible amortisation	147	296	380
(Increase)/decrease in stocks	(45)	(9)	4
(Increase)/decrease in debtors	(609)	(104)	1
Increase/(decrease) in creditors	603	378	(1)
Net cash inflow from operating activities	868	1,500	1,510

(b) Analysis of cash flow headings in the cash flow statement

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Return on investments and servicing of finance			
Interest received	51	62	57
Interest paid	(174)	(287)	(280)
Proceeds on closure of interest rate swap	–	–	42
Interest element of finance lease payments	(8)	(11)	(17)
Dividends paid to minority interests	(6)	(11)	(9)
Net cash outflow from returns on investments and servicing of finance	(137)	(247)	(207)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(604)	(489)	(823)
Purchase of intangible fixed assets	(11)	(19)	(17)
Sale of tangible fixed assets	309	98	222
Purchase of investments	–	–	(145)
Sale of investments	–	106	–
Net cash outflow for capital expenditure and financial investment	(306)	(304)	(763)
Acquisitions and disposals			
Purchase of subsidiary undertakings	(873)	(5,727)	(50)
Net cash acquired with subsidiary undertakings	50	191	3
Net movement in investment in associates including divestments	17	37	–
Sale of operations and assets held for resale	53	68	731
Settlement of deferred acquisition payments	–	–	(214)
Net cash (outflow)/inflow from acquisitions and disposals	(753)	(5,431)	470

Cash flow from the sale of operations in 2003 is related to the sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc.

Settlement of deferred acquisition payments in 2003 comprise payments related to the acquisition of The Wackenhut Corporation (see note 23).

(c) Analysis of movements in net debt

	Cash in hand and at bank DKKm	Overdrafts DKKm	Total DKKm	Investments DKKm	Debt due after 1 year DKKm	Debt due within 1 year DKKm	Finance lease due after 1 year DKKm	Finance lease due within 1 year DKKm	Total DKKm	Net debt DKKm
At 31 December 2000	510	(567)	(57)	59	(1,243)	(471)	(112)	(42)	(1,809)	(1,866)
Cashflow	248	217	465	1	(681)	408	–	40	(232)	233
Acquisitions (excluding cash and overdrafts)	–	–	–	–	(60)	–	–	–	(60)	(60)
Other non-cash changes	–	–	–	–	–	–	(5)	(34)	(39)	(39)
Exchange movements	11	(7)	4	–	(11)	(2)	3	2	(8)	(4)
At 31 December 2001	769	(357)	412	60	(1,995)	(65)	(114)	(34)	(2,148)	(1,736)
Cashflow	103	(338)	(235)	(4)	(3,183)	336	–	34	(2,817)	(3,052)
Acquisitions (excluding cash and overdrafts)	–	–	–	–	(95)	(615)	(29)	(7)	(746)	(746)
Other non-cash changes	–	–	–	–	–	–	19	(38)	(19)	(19)
Exchange movements	(21)	19	(2)	(4)	11	(2)	(1)	–	4	2
At 31 December 2002	851	(676)	175	52	(5,262)	(346)	(125)	(45)	(5,726)	(5,551)
Cashflow	(137)	403	266	24	792	(147)	–	44	713	979
Acquisitions (excluding cash and overdrafts)	–	–	–	–	(2)	(1)	–	–	(3)	(3)
Other non-cash changes	–	–	–	–	–	–	35	(48)	(13)	(13)
Exchange movements	(51)	6	(45)	–	547	45	1	1	594	549
At 31 December 2003	663	(267)	396	76	(3,925)	(449)	(89)	(48)	(4,435)	(4,039)

Non-cash changes comprise transfers between categories of finance leases.

Movement in borrowings

	Debt due after 1 year 2001 DKKm	Debt due within 1 year 2001 DKKm	Total 2001 DKKm	Debt due after 1 year 2002 DKKm	Debt due within 1 year 2002 DKKm	Total 2002 DKKm	Debt due after 1 year 2003 DKKm	Debt due within 1 year 2003 DKKm	Total 2003 DKKm
Repayment of bank loans	(30)	(432)	(462)	(37)	(373)	(410)	(3,242)	(56)	(3,298)
New bank loans	711	24	735	3,220	37	3,257	2,457	203	2,660
Increase in borrowings	681	(408)	273	3,183	(336)	2,847	(785)	147	(638)
Issue costs of new bank loans	–	–	–		–		(7)	–	(7)
Cash flow from movement in borrowings	681	(408)	273	3,183	(336)	2,847	(792)	147	(645)

(d) Cash flow relating to exceptional items

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Within net cash inflow from operating activities			
Restructuring costs incurred in connection with acqusitions	(69)	(69)	(41)
Restructuring in connection with transition to an organisation organised by business area	–	–	(89)
Loss in connection with the euro conversion	–	–	(50)
Restructuring of head office functions and regional offices	(9)	–	–
Restructuring of the German operations	–	(15)	–
After net cash inflow from operating activities			
Profit on sale of operations	53	68	–
Loss on interest rate swap closed	–	–	(16)
	(25)	(16)	(196)

28. EMPLOYEES AND DIRECTORS

The directors' emoluments table below includes emoluments of all directors who served for the years ended 2001, 2002 and 2003. These Directors are listed below:

Non Executive Board

Jørgen Philip-Sørensen (Chairman)[1]
Alf Duch-Pedersen (Deputy Chairman)[1]
Henrik Brandt
Johnny Eikeland (appointed 18.4.2001)
Sir David Gore-Booth[1]
Ketty Jordhøi (appointed 18.4.2001)
Jens Kampmann
Bent Knie-Andersen (resigned 9.4.2003)
Harald Kortland
Ib Mardahl-Hansen (resigned 9.4.2003)
Waldemar Schmidt[1]
Palle Thirstrup
Thorleif Krarup[1] (appointed 9.4.2003)

Executive Management Board

Lars Nørby Johansen[1]
Derrick Miller
Hans Bennetzen
Grahame Gibson
Jim Harrower (resigned 6.3.2003)
John Dueholm (resigned 30.8.2002)

[1] Previous Directors of Group 4 Falck A/S who will become Directors of Group 4 Securicor.

	Year ended 31 December		
Directors	2001 DKKm	2002 DKKm	2003 DKKm
Aggregate emoluments	26	42	34
Aggregate gains made on the exercise of share options	19	–	–
Company contributions to money purchase pension schemes	2	3	3
	47	45	37

Tryg-Baltica AS, of which Mr Ib Mardahl-Hansen was a director, were paid fees of DKK360,000 in 2001 in respect of his services as a Director. In 2002, Mardahl Consult ApS, the personal consultancy business of Ib Mardahl-Hansen, was paid DKK180,000 in respect of his services as a director.

For the years ended 31 December 2001, 2002 and 2003 the number of directors to whom retirement benefits accrued under money purchase pension schemes comprised 4, 4 and 3 respectively. In addition, for each of the years ended 31 December 2001, 2002 and 2003, retirement benefits accrued to 2 directors under Group 4 Falck's defined benefit pension scheme.

Directors' detailed emoluments

The following disclosures include only those directors of Group 4 Falck who will become Directors of Group 4 Securicor.

The table below shows an analysis of the remuneration of the individual executive directors during the period 1 January 2001 to 31 December 2003.

Lars Nørby Johansen	**Salary and fees DKK'000**	**Benefits DKK'000**	**Annual bonus DKK'000**	**Total DKK'000**
Year ended:				
December 2001	4,613	177	–	4,790
December 2002	4,844	192	2,906	7,942
December 2003	4,953	267	2,095	7,315

Benefits in the above table include holiday pay, expense allowance and other benefits.

The following tables show an analysis of the remuneration of the individual non executive Directors during the period 1 January 2001 to 31 December 2003.

Jørgen Philip-Sørensen	**Salary and fees DKK'000**	**Allowances DKK'000**	**Total DKK'000**
Year ended:			
December 2001	720	471	1,191
December 2002	720	814	1,534
December 2003	720	412	1,132

Allowances in the above table include amounts paid for attending meetings and for utilising a personal aeroplane for business purposes.

Alf Duch-Pedersen	**Salary and fees DKK'000**	**Allowances DKK'000**	**Total DKK'000**
Year ended:			
December 2001	540	–	540
December 2002	540	–	540
December 2003	540	–	540

Sir David Gore-Booth	**Salary and fees DKK'000**	**Allowances DKK'000**	**Total DKK'000**
Year ended:			
December 2001	360	–	360
December 2002	360	–	360
December 2003	360	–	360

Waldemar Schmidt	**Salary and fees DKK'000**	**Allowances DKK'000**	**Total DKK'000**
Year ended:			
December 2001	360	–	360
December 2002	360	–	360
December 2003	360	–	360

Thorleif Krarup*	Salary and fees DKK'000	Allowances DKK'000	Total DKK'000
Year ended:			
December 2001	–	–	–
December 2002	–	–	–
December 2003	261	–	261

* From date of appointment

No director waived emoluments in respect of the years ended 31 December 2001, 2002 and 2003.

Interest in share options

Details of options/warrants held by Lars Nørby Johansen are set out below:

	Date of grant	Earliest exercise date	Expiry date	Exercise price (DKK)	Number at 1 January (shares)	Granted in year	Exercised in year	Lapsed in the year	Number at 31 December (shares)
Lars Nørby Johansen									
2001									
	1998	01.07.2001	31.12.2003	100	70,000	–	(70,000)	–	–
	1999	21.08.2002	30.09.2004	128	27,344	–	–	–	27,344
	2000	01.11.2003	31.12.2005	268	20,188	–	–	–	20,188
	2001	31.05.2004	30.06.2006	253	–	100,932	–	–	100,932
	2001	01.12.2005	31.12.2007	268	–	20,689	–	–	20,689
					117,532	121,621	(70,000)	–	169,153
2002									
	1999	21.08.2002	30.09.2004	128	27,344	–	–	–	27,344
	2000	01.11.2003	31.12.2005	268	20,188				20,188
	2001	31.05.2004	30.06.2006	253	100,932		–	–	100,932
	2001	01.12.2005	31.12.2007	268	20,689	–	–	–	20,689
	2002	31.05.2005	30.06.2007	268	–	20,496	–	–	20,496
	2002	31.05.2005	30.06.2007	238	–	35,352	–	–	35,352
					169,153	55,848	–	–	225,001
2003									
	1999	21.08.2002	30.09.2004	128	27,344	–	–	–	27,344
	2000	01.11.2003	31.12.2005	268	20,188				20,188
	2001	31.05.2004	30.06.2006	253	100,932		–	–	100,932
	2001	01.12.2005	31.12.2007	268	20,689		–	–	20,689
	2002	31.05.2005	30.06.2007	268	20,496	–	–	–	20,496
	2002	31.05.2005	30.06.2007	238	35,352		–	–	35,352
	2003	31.03.2006	30.04.2008	96	–	60,709	–	–	60,709
	2003	31.05.2006	30.06.2008	114	–	19,914	–	–	19,914
					225,001	80,623	–	–	305,624

No other directors have been granted share options or warrants in the shares in Group 4 Falck or other group entities.

Details of the option and warrant schemes are set out in note 20.

None of the terms and conditions of the share options was varied during the year. All options were granted in respect of qualifying services.

The options were granted at market value to the directors and were in respect of past performance. The performance criteria for all of the above share options were consistent with the remuneration policy of Group 4 Falck.

The market price of Group 4 Falck's shares during the period of the Combined Financial Information was as follows:

	Year ended 31 December		
	2001	**2002**	**2003**
Middle market price at year end	DKK 936.53	DKK 149.09	DKK 121.95
Lowest middle market price in the year	DKK 835.81	DKK 136.6	DKK 90.64
Highest middle market price in the year	DKK 1,177.96	DKK 1,045.95	DKK 166.47

Gains made by directors on share options

The table below shows gains made by Lars Nørby Johansen from the exercise of share options during the period of the Combined Financial Information. The gains are calculated as at the exercise date, although the shares may have been retained. The market price of Group 4 Falck's shares at the date of exercise in 2001 was DKK932.5.

	Year ended 31 December		
	2001 DKK'000	**2002 DKK'000**	**2003 DKK'000**
Lars Nørby Johansen	9,318,750	–	–

Interest in shares

The interests of the directors in shares of Group 4 Falck were as follows:

	Year ended 31 December		
	2001 Number	**2002 Number**	**2003 Number**
Group 4 Falck – ordinary shares of DKK5 per share			
Lars Nørby Johansen	3,624	3,624	3,624
Jørgen Philip-Sørensen	23,929,600	17,324,288	20,968,288
Alf Duch-Pedersen	800	800	800
Sir David Gore-Booth	–	–	–
Waldemar Schmidt	388	388	388
Thorleif Krarup	–	–	391

All directors' interests are beneficially held (although in respect of Jørgen Philip-Sørensen, the relevant shares are held through a family trust (the Skagen 2004 Trust) of which he is the principal beneficiary). There has been no change in the interests in shares set out above between 31 December 2003, and the date of this report.

Directors' pension entitlement

Lars Nørby Johansen participates in the defined contribution scheme. For the years ended 31 December 2001, 2002 and 2003, Group 4 Falck Security contributed DKK 922,500, DKK 1,046,422 and DKK 1,068,171 respectively in respect of Lars Nørby Johansen.

29. RELATED PARTY TRANSACTIONS

Related parties transactions

In 2001, the related parties to Group 4 Falck Security were Skagen 4 N.V. (formerly Group 4 N.V.), the Board of Directors and the Executive Management Board.

In 2002 and 2003, related parties to Group 4 Falck Security were the Board of Directors, Group 4 Falck Security Management and acquired entities for those transactions taking place prior to acquisition.

During the 3 year period, there have been no significant transactions with any of the acquired entities prior to their acquisition.

None of the related parties have had a controlling influence in Group 4 Falck Security.

In addition to the remuneration disclosed in the annual accounts and transactions with subsidiaries, the following transactions were made with related parties.

Jørgen Philip-Sørensen, Chairman

There were limited transactions in connection with the purchase of air transport (2001: DKK117,000; 2002: DKK497,000; 2003: DKK87,000) and leasing of office facilities (2001: DKK7,012,000; 2002: DKK6,973,000; 2003: DKK6,918,000). These transactions were made at cost price.

Associates

Group 4 Falck Security has a number of associated undertakings. The year-end balances with associated undertakings are:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Amounts owed from associated undertakings	9	–	9
Amounts owed to associated undertakings	–	117	3

The balances with associates comprise funding of the entities at the balance sheet date.

Demerged Falck group

Group 4 Falck Security carried out a number of transactions with the demerged Falck group in the normal course of business. As the entities demerged were related parties the nature of these transactions and their total value are shown below:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Turnover	33	34	38
Interest receivable/(payable)	26	2	(4)
Royalties and management fee	50	52	57
Dividends receivable	129	144	124

The turnover comprises guarding services rendered to the demerged Falck group.

Interest receivable/(payable) comprises interest charges on the balances due from/to the demerged Falck group.

Royalties and management fee comprises a fee for services and intangible rights charged to the demerged Falck group.

Dividends receivable comprise the dividend previously paid to Group 4 Falck Security by the demerged Falck group.

Both royalties and dividends have been accounted for as adjustments through the invested capital, due to the nature of the demerger.

The net balances with the demerged Falck group are:

	Year ended 31 December		
	2001 DKKm	2002 DKKm	2003 DKKm
Amounts owed to demerged Falck group	251	167	522

Amounts owed to the demerged Falck group comprise the balance of demerger and related trading transactions with the demerged Falck group at the balance sheet date.

30. POST BALANCE SHEET EVENTS

On 26 May 2004 a total of 281,672 warrants and 27,190 options were granted which are exercisable between May 2007 and May 2009, of which Lars Nørby Johansen was granted options over 11,335 shares and warrants over 19,352 shares. The exercise prices of the options and warrants are DKK142 and DKK142 respectively.

31. COMPANIES IN THE COMBINED FINANCIAL INFORMATION

This Combined Financial Information presents the financial record of Group 4 Falck Security for the three years ended 31 December 2003. The following are the principal subsidiary undertakings and associated undertakings that have been included in the Combined Financial Information.

Company	Nature of Business	Country of Incorporation	2001 Ultimate Ownership	2002 Ultimate Ownership	2003 Ultimate Ownership
Group 4 Falck AG	S+M	Austria	100.0%	100.0%	100.0%
Group 4 Total Security SA/NV	M	Belgium	100.0%	100.0%	100.0%
Group 4 Technology SA/NV	S	Belgium	100.0%	100.0%	100.0%
Group 4 Securitas SA/NV	C	Belguim	99.7%	99.7%	100.0%
Group 4 Falck (Canada) Ltd	S+M	Canada	100.0%	100.0%	100.0%
Group 4 Securitas AS	S+M+C+O	Czech rep.	100.0%	100.0%	100.0%
Falck Securitas Sikring A/S	S	Denmark	–	–	100.0%
Falck Securitas Vagt A/S	S+M	Denmark	–	–	100.0%
Group 4 Falck Treasury A/S	H	Denmark	–	100.0%	100.0%
AS Falck Baltics	O	Estonia	55.0%	55.0%	55.0%
Falck Eesti	S+M+O	Estonia	55.0%	55.0%	55.0%
Falck Security Oy	S+M	Finland	100.0%	100.0%	100.0%
Falck Cash Services Oy	C	Finland	100.0%	100.0%	100.0%
Group 4 Falck Sécurité S.A.S.	S+M	France	99.9%	100.0%	100.0%
Eurovaleur S.A.R.L.	C	France	99.4%	100.0%	100.0%
Group 4 Falck Sicherheitsdienste GmbH, München	M	Germany	100.0%	100.0%	100.0%
Group 4 Falck Geld- und Wertdienste GmbH, Berlin	C	Germany	100.0%	100.0%	100.0%
Wackenhut Security Hellas S.A.	S+M+C	Greece	–	95.0%	95.0%
Group 4 Falck (Hungary) Kft	M+C	Hungary	100.0%	100.0%	100.0%
Group 4 Securitas Guarding Ltd	M	India	29.0%	40.0%	40.0%*
Group 4 Falck Ltd	S	Ireland	100.0%	100.0%	100.0%
Hashmira Company Ltd.	M	Israel	–	50.0%	50.0%*
Hashmira Security Technologies (1971) Ltd.	S	Israel	–	50.0%	50.0%*
Securitas, Société de Surveillance et de Sécurité SA	M+C	Luxembourg	100.0%	100.0%	100.0%
Falck Security BV	M	Netherlands	100.0%	100.0%	100.0%
Falck Airport Security BV	M	Netherlands	100.0%	100.0%	100.0%
Falck Norge AS	S+M+C	Norway	100.0%	100.0%	100.0%
Group 4 Sp.z.o.o.	S+M+C	Poland	100.0%	100.0%	100.0%
Falck Sp.z.o.o.	S+M+C	Poland	100.0%	100.0%	100.0%
Group 4 Falck (Proprietary)	S+M	S. Africa	–	100.0%	75.0%
Falck Sverige AB	S	Sweden	100.0%	100.0%	100.0%
Falck Alarm BV	S+M+C	Sweden	100.0%	100.0%	100.0%
Group 4 Total Security Ltd	M	UK	100.0%	100.0%	100.0%
Group 4 Technology Ltd	S	UK	100.0%	100.0%	100.0%
Wackenhut U.K. Ltd.	M	UK	–	100.0%	100.0%
The Wackenhut Corporation	M	USA	–	100.0%	100.0%
Wackenhut Sevices Inc.	M	USA	–	100.0%	100.0%
Space Gateway Support LLC	M	USA	–	23.0%	23.0%

M = Manned Security
C = Cash Services
O = Other Services
S = Security Systems
H = Head Office
* Consolidated due to the exercise of dominant influence or control.

As at the date of this report these companies will be the principal undertakings that form part of Group 4 Falck Security. These companies operate principally in the country in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 3

B. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF GROUP 4 FALCK'S SECURITY BUSINESS

You should read the following in conjunction with the combined financial information relating to Group 4 Falck's security business contained in Part 3A of this document, and the related notes to the combined financial information. Unless otherwise indicated, the financial information included in this section has been extracted without material adjustment from the combined financial information included in Part 3A and Group 4 Falck's accounting records. The combined financial information on Group 4 Falck's security business is prepared in accordance with UK GAAP. You should read the whole of this document and not rely solely on key or summary information.

The following discussion includes forward-looking statements which involve risks and uncertainties. You should review Part 8 ("Risk Factors") of this document for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

Overview

Group 4 Falck's security business operates in three key markets: manned security, security systems and cash services. In the financial year ended 31 December 2003, the combined turnover of Group 4 Falck's security business was DKK 27,612 million of which approximately 78% was derived from manned security, approximately 13% from security systems and approximately 8% from cash services. On a geographic basis, in the financial year ended 31 December 2003, approximately 47% of combined turnover was derived from sales to Western and Southern Europe, approximately 36% from sales to North America, approximately 6% from sales to Central and Eastern Europe and approximately 11% from sales to New Markets that consist of Africa, Latin America and the Caribbean, Middle East and the Gulf States and Asia Pacific.

Factors Affecting Results of Operations

Acquisitions and disposals

In the financial years ended 31 December 2003, 2002 and 2001, Group 4 Falck made a number of acquisitions and disposals to become a global provider of security services and to dispose of assets that were deemed non-core. These acquisitions and disposals have affected the results of operations of Group 4 Falck's security business in these periods.

In the financial year ended 31 December 2001, Group 4 Falck's security business acquired businesses for a total consideration of DKK 873 million. The acquired businesses contributed DKK 1,482 million to Group 4 Falck's security business' combined turnover in that year. Significant acquisitions undertaken in 2001 included Euroguard and OGS in France and Callguard in South Africa.

In the financial year ended 31 December 2002, Group 4 Falck acquired The Wackenhut Corporation ("Wackenhut"), which is a leading provider of security services in the United States and South America, for a total consideration of DKK 4,653 million. The Wackenhut acquisition which took place in May 2002 contributed to an increase of DKK 7,726 million to the combined turnover for the financial year ended 31 December 2002, equivalent to approximately 30% of the total combined turnover and an increase of DKK 392 million to the total combined profit before tax, equivalent to approximately 90% of the total combined profit on ordinary activities before tax. In addition, in the financial year ended 31 December 2002, Group 4 Falck acquired certain other security service businesses including Hashmira in Israel, Wackenhut Greece in Greece, Federal Protection Services in South Africa and Ensign in Canada. In total, the acquisitions contributed DKK 9,456 million to Group 4 Falck's security business' combined turnover in 2002 which increased by 71.2% compared with 2001.

In the financial year ended 31 December 2003, no major acquisitions were made. Acquisitions contributed DKK 59 million to total combined turnover, which increased by 8.5% compared with 2002. In the financial year ended 31 December 2003, Group 4 Falck sold Wackenhut Corrections Corporation and Wackenhut Resources Inc., which were acquired as part of Wackenhut in May 2002 but were deemed non-core for the security business. These disposals contributed to a cash inflow of DKK 731 million in the financial year ended 31 December 2003.

Government action and regulation

Group 4 Falck's security business is subject to an increasing level of regulation particularly in the manned security segment. While increased regulation may adversely affect business opportunities and lead to additional costs, it may also create opportunities for Group 4 Falck's security business to the extent that it leads to increased demands for the professionalism and training of guards and creates higher barriers of entry into the security services market.

Economic conditions that affect Group 4 Falck's security business' markets

Group 4 Falck's security business is a global business and as such it is affected by various global, national and regional industrial, economic and political conditions. Although parts of Group 4 Falck's security business have been adversely affected by the economic slowdown in Europe, Group 4 Falck's security business' industrial and geographic diversity generally have helped to limit the impact on its operating results of a downturn in any one industry or any single country or geographic area. The geographical and business segment diversification of Group 4 Falck's security business was increased by the Wackenhut acquisition in May 2002, which considerably increased Group 4 Falck's security business' presence in North America and the New Markets.

Pricing of security services

Group 4 Falck's security business has been exposed to pricing pressures in recent years, particularly in the cash services and, to a lesser degree, the manned security segments. Increased price competition in quoting for new customers has negatively affected turnover in manned security, and excess capacity in cash services has contributed to increased price competition. Management generally believes that the pricing pressures experienced in recent years have been primarily driven by the general economic slowdown in some of the markets in which Group 4 Falck's security business operates. However, continued price competition could have an impact on organic growth as winning new contracts at profitable rates may become more difficult and may place pressure on pricing, margins and profitability.

Exchange rates

The financial statements of Group 4 Falck's security business are stated in DKK while a significant portion of turnover and expenses are in currencies other than DKK, in particular the US dollar, the UK pound and euro. Group 4 Falck's security business turnover, most notably turnover from the manned security segment, has been affected by fluctuations in exchange rates, in particular fluctuations in the US dollar, in the financial years ended 31 December 2003 and 2002.

Changes in reporting

In the financial year ended 31 December 2003, Group 4 Falck's security business reorganised its business and reporting structure into three business segments, manned security, security systems and cash services, from the previous business and reporting structure based on geographic areas. The reorganisation was mainly undertaken to simplify reporting structures and to gain operating efficiencies. In the financial year ended 31 December 2003, Group 4 Falck's security business recorded a DKK 124 million restructuring cost relating to the reorganisation, which was included in operating profit for the year as an exceptional item. The restructuring cost consisted primarily of certain redundancy payments and facility closure costs.

Significant Accounting Policies

Group 4 Falck's security business accounting policies are described in the combined financial information of Group 4 Falck's security business contained in Part 3A of this document. Group 4 Falck's security business combined financial information is prepared in conformity with UK GAAP, which requires it to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the combined financial information and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The following policies can be considered to be the most significant in understanding the judgments that are involved in preparing its combined financial information and the uncertainties that could impact its results of operations and financial condition.

Revenue recognition

Group 4 Falck's security business revenue arises from the provision of security services and the sale of alarm products. Revenue is stated net of discounts, value added tax and various other sales related tax and excludes intra-group transactions.

Cash and manned security

Revenue from security services is accounted for in the period in which the performance of the service takes place. It represents the value of services delivered and invoiced subscriptions by companies to external customers and, where part of an overall contract, is recognised on the basis of the percentage delivered out of the total service.

Security systems

Alarm installations are recognised in revenue as they are completed. The revenue from the related services is recognised in accordance with the percentage of completion method. According to this method, revenue, expenses and income are accounted for in the period in which the service is provided.

Goodwill and amortisation

Goodwill represents the excess of the cost of an acquisition over the fair value attributed to the net assets at acquisition after adjustments required to bring accounting policies into line with those adopted by Group 4 Falck's security business. Goodwill arising on the acquisition of subsidiary undertakings, joint ventures and associated undertakings prior to 31 December 1997 has been written off immediately against reserves. On disposal of a previously acquired subsidiary undertaking any attributable goodwill previously set off against reserves is written back to reserves brought forward and charged through the profit and loss account. Goodwill arising after 1 January 1998 is capitalised and amortised on a straight line basis over its estimated useful economic life, which is expected not to exceed 20 years. Capitalised goodwill is reviewed for impairment at the end of the first full financial year following the initial date of recognition. Any subsequent impairment in the value of goodwill, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period in which it arises.

Current assets

Debtors are stated after deducting adequate provision for doubtful debts. The amount by which recognised turnover is in excess of payments on account is included in debtors as amounts recoverable on long-term contracts.

Current asset investments are listed securities and are stated at the lower of cost and their net realisable value. Any write down from cost to net realisable value is recorded in the profit and loss account.

Deferred taxation

Deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, except that a net deferred tax asset is recognised only when it is more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from foreign subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group.

Foreign currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into DKK at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments arising on consolidation and on borrowings arranged to finance foreign investments have been transferred to reserves in accordance with SSAP20 "Foreign currency translation", as disclosed in note 21 to the combined financial information included elsewhere in this document. All other exchange adjustments are taken to the profit and loss account.

Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Other provisions primarily represent insurance reserves within the two captive insurance companies to cover anticipated claims incurred as at the balance sheet date based on actuarial assessments of these liabilities.

Quasi-subsidiaries

Entities which do not meet the legal definition of subsidiary, but in which Group 4 Falck's security business has 100% of the economic interest and exposure to substantially all of the risk and rewards of ownership, are treated as quasi-subsidiaries in accordance with FRS 5 "Reporting the substance of transactions". Accordingly, 100% of the assets, liabilities and results of such companies are therefore included in the combined financial information of Group 4 Falck's security business.

Retirement benefits

Group 4 Falck's security business operates various funded and unfunded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal scheme with a defined benefit structure operates in the UK. The regular cost of providing defined benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members. Differences between the amount charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Group 4 Falck's security business has continued to account for retirement benefit costs in accordance with SSAP 24 "Accounting for pension costs". The combined financial information included in Part 3A of this document also sets out the transitional disclosures required by FRS 17 "Retirement benefits".

Results of Operations

Year ended 31 December 2003 compared to year ended 31 December 2002 and year ended 31 December 2002 compared to year ended 31 December 2001

Turnover

The following table shows the turnover of Group 4 Falck's security business by business segment for each of the financial years ended 31 December 2003, 2002 and 2001 and the percentage change between the periods.

	Year ended 31 December			Percentage change	
Turnover	**2001**	**2002**	**2003**	**2001/2002**	**2002/2003**
		(DKK millions)			
Manned security	9,690	19,191	21,619	98.0%	12.7%
Security systems	3,029	3,685	3,561	21.7%	(3.4%)
Cash services	1,975	2,300	2,254	16.5%	(2.0%)
Other services	173	276	178	–	–
Head office	5	2	–	–	–
Total	**14,872**	**25,454**	**27,612**	**71.2%**	**8.5%**

Total turnover increased by DKK 2,158 million or 8.5% to DKK 27,612 million in the financial year ended 31 December 2003 from DKK 25,454 million in the financial year ended 31 December 2002. The increase in total turnover was mainly driven by increased sales from the manned security segment and the full year impact of the Wackenhut acquisition in the financial year ended 31 December 2003, compared with eight months in the financial year ended 31 December 2002. These developments were partly offset by decreased turnover from the security systems and cash services segments. Total turnover increased by DKK 10,582 million or 71.2% to DKK 25,454 million in the financial year ended 31 December 2002 from DKK 14,872 million in the financial year ended 31 December 2001. The increase in total turnover reflected primarily the Wackenhut acquisition in May 2002, which increased turnover in the manned security segment, and to a lesser degree, organic growth across the other business segments.

Manned Security

Turnover in the manned security segment is generated primarily from the hourly billing of the guarding services, volume being determined by the number of hours worked. Turnover from manned security services accounted for approximately 78% and 75% of total turnover in the financial years ended 31 December 2003 and 2002, respectively. Turnover from manned security services increased by DKK 2,428 million or 12.7% to DKK 21,619 million in the financial year ended 31 December 2003 from DKK 19,191 million in the financial year ended 31 December 2002. Adjusted for movements in exchange rates, organic growth was 6.3% in the financial year ended 31 December 2003. The increase in turnover was mainly the result of increased sales in North America, and to a lesser degree, in the New Markets business area. Turnover from manned security services increased by DKK 9,501 million or 98.0% to DKK 19,191 million in the financial year ended 31 December 2002 from DKK 9,690 million in the financial year ended 31 December 2001 primarily due to the Wackenhut acquisition in May 2002. Organic growth in the financial year ended 31 December 2002 amounted to 7.3%

Turnover from manned security services in Europe increased by only 0.1% in the financial year ended 31 December 2003 as compared to the financial year ended 31 December 2002. This was primarily caused by the general economic slowdown, which resulted in increased pricing pressure, especially for quotations to new customers. The economic slowdown affected organic growth in Norway, Poland and the United Kingdom in particular. In Norway, management was able to increase earnings slightly, despite increased price competition. In Poland, prices fell considerably as a result of the economic slowdown, which made it difficult to retain existing contracts and win new contracts with satisfactory profitability. In the United Kingdom, turnover was negatively affected by the loss of certain major contracts, although turnover improved in the fourth quarter of 2003. Turnover from manned security services in Europe increased in the financial year ended 31 December 2002 as compared to the financial year ended 31 December 2001 mainly as a result of acquisitions in Greece and organic growth.

Turnover from manned security services in North America increased by 27.1% in the financial year ended 31 December 2003 as compared to the financial year ended 31 December 2002. The increase in turnover in North America is primarily attributable to growth in the United States and was based especially on increased demand in the public sector and the increased number of nuclear facility guarding contracts as well as an increased national security level in the first half of the financial year ended 31 December 2003. The growth experienced in the United States was supported by turnover growth in Canada, which mainly resulted from increased demand for airport security services. These positive developments were partially offset by the adverse exchange rate impact of the weakening of the US dollar against the DKK. Adjusted for movements in exchange rates organic growth in North America was 9.3%. Turnover from manned security services in North America increased in the financial year ended 31 December 2002 as compared to the financial year ended 31 December 2001 primarily as a result of the Wackenhut acquisition in May 2002. Turnover in 2002 was also positively affected by sales of airport security services to the US government during the period until the activity was taken over by the US government in November 2002.

Turnover from manned security services in New Markets increased by 19.7% in the financial year ended 31 December 2003 as compared to the financial year ended 31 December 2002. The increase in turnover from manned security services in New Markets was primarily the result of Wackenhut being included for twelve months in the financial year ended 31 December 2003 compared to eight months in the financial year ended 31 December 2002 and organic growth in the existing businesses. Adjusted for negative movements in exchange rates, organic growth in New Markets amounted to 17.1%. The main contributors to the high organic growth were the Middle East and Asia Pacific. Turnover from manned security services in New Markets increased significantly in the financial year ended 31 December 2002 as compared to the financial year ended 31 December 2001, primarily due to the Wackenhut acquisition.

Security Systems

Turnover from security systems is composed of revenue from two main operations: the installation business, comprising sales and installation of security systems, and recurring subscription revenue, comprising surveillance and alarm response as well as service and maintenance. Turnover from security systems accounted for approximately 13% and 14% of total turnover in the financial years ended 31 December 2003 and 2002, respectively. Turnover in security systems decreased by DKK 124 million or 3.4% to DKK 3,561 million in the financial year ended 31 December 2003 from DKK 3,685 million in the financial year ended 31 December 2002, principally due to a decline in turnover in the installation business which reflected the general economic slowdown in a number of European countries. Organic growth in the security systems segment was negative by approximately 2% in the financial year ended 31 December 2003.

In the financial year ended 31 December 2002 turnover increased by DKK 656 million or 21.7% to DKK 3,685 million from DKK 3,029 million in the financial year ended 31 December 2001. The increase in turnover was primarily driven by acquisitions. Organic growth amounted to 7.0% in the financial year ended 31 December 2002.

Cash Services

Turnover from cash services accounted for approximately 8% and 9% of total turnover in the financial years ended 31 December 2003 and 2002, respectively. Turnover in this segment decreased by DKK 46 million or 2.0% to DKK 2,254 million in the financial year ended 31 December 2003 from DKK 2,300 million in the financial year ended 31 December 2002, principally due to the high temporary revenue resulting mainly from increased transportation of coins and notes in connection with the euro conversion in the first quarter of 2002, the fall in cash in circulation and increased price competition due to excess capacity in the market. Organic growth, adjusted for acquisitions net of divestments, was negative by 1.8% in the financial year ended 31 December 2003.

Turnover from cash services increased by DKK 325 million or 16.5% to DKK 2,300 million in the financial year ended 31 December 2002 from DKK 1,975 million in the financial year ended 31 December 2001. The increase in turnover was driven by a combination of acquisitions and organic growth. Organic growth was partly offset by negative developments in Belgium where activities in connection with the conversion to the euro did not meet expectations from the Belgian central bank and Germany where turnover was affected by the general stagnation of the economy. Organic turnover growth amounted to 5.3% in the financial year ended 31 December 2002.

Geographical Breakdown of Turnover

The following table shows the turnover of Group 4 Falck's security business in the financial years ended 31 December 2003, 2002 and 2001 broken down by geographical area in which the services were provided and the percentage change between the periods. The presentation would not be materially different if turnover was broken down by customer location.

	Year ended 31 December			Percentage change	
	2001	2002	2003	2001/2002	2002/2003
	(DKK millions)				
North America	399	7,724	9,810	1835.8%	27.0%
Latin America & Caribbean	–	427	560	–	31.1%
Western & Southern Europe	11,994	13,179	13,052	9.9%	(1.0%)
Central & Eastern Europe	1,545	1,752	1,771	13.4%	1.1%
Africa	123	422	517	243.1%	22.5%
Middle East & Gulf States	177	1,196	1,094	575.7%	(8.5%)
Asia & Pacific	629	752	808	19.6%	7.4%
Head Office	5	2	–	–	–
Total	**14,872**	**25,454**	**27,612**	**71.2%**	**8.5%**

The main geographical markets for Group 4 Falck's security business are Western and Southern Europe, North America and Central and Eastern Europe. In the financial years ended 31 December 2003 and 2002, Western and Southern Europe represented approximately 47% and 52% of total turnover, respectively, North America approximately 36% and 30%, respectively, and Central and Eastern Europe 6% and 7%, respectively.

Turnover from Western and Southern Europe decreased by DKK 127 million or 1.0% to DKK 13,052 million in the financial year ended 31 December 2003 from DKK 13,179 million in the financial year ended 31 December 2002. The slight decrease in turnover from Western and Southern Europe mainly reflected the negative developments in cash services and security systems discussed above and low organic growth within manned security in Europe. Turnover from Western and Southern Europe increased by DKK 1,185 million or 9.9% to DKK 13,179 million in the financial year ended 31 December 2002 from DKK 11,994 million in the financial year ended 31 December 2001. The increase in turnover was primarily driven by the acquisition of Wackenhut Greece in 2002 and organic growth.

Turnover from North America increased by DKK 2,086 million or 27.0% to DKK 9,810 million in the financial year ended 31 December 2003 from DKK 7,724 million in the financial year ended 31 December 2002. In 2003, growth in North America was primarily driven by increased sales in the manned security segment, in particular in the United States and to a lesser degree in Canada as well as the full year impact of the Wackenhut acquisition in the financial year ended 31 December 2003 compared with eight months in 2002. Turnover from North America increased by DKK 7,325 million to DKK 7,724 million in the financial year ended 31 December 2002 from DKK 399 million in the financial year ended 31 December 2001. In 2002, growth in North America mainly reflected the Wackenhut acquisition in May 2002 and strong growth experienced in Canada.

Turnover from Central and Eastern Europe increased by DKK 19 million or 1.1% to DKK 1,771 million in the financial year ended 31 December 2003 from DKK 1,752 million in the financial year ended 31 December 2002. In 2003, the small increase in turnover from Central and Eastern Europe primarily reflected the general economic slowdown. Turnover from Central and Eastern Europe increased by DKK 207 million or 13.4% to DKK 1,752 million in the financial year ended 31 December 2002 from DKK 1,545 million in the financial year ended 31 December 2001. In 2002, the increase in turnover from Central and Eastern Europe was driven by a combination of organic growth and acquisitions.

New Markets represented approximately 11% of total turnover in each of the financial years ended 31 December 2003 and 2002. In 2003, turnover growth in New Markets was primarily driven by increased sales in the manned security segment. Turnover from New Markets increased by

DKK 182 million or 6.5% to DKK 2,979 million in the financial year ended 31 December 2003 from DKK 2,797 million in the financial year ended 31 December 2002. Turnover from New Markets increased by DKK 1,868 million to DKK 2,797 million in the financial year ended 31 December 2002 from DKK 929 million in the financial year ended 31 December 2001. In 2002, turnover growth in New Markets was primarily driven by the acquisition of Hashmira in Israel and, to a lesser degree, organic growth in the Middle East and the Gulf States. In the Middle East and the Gulf States organic growth was primarily attributable to the United Arab Emirates where the guarding business grew rapidly.

Operating profit before goodwill amortisation and exceptional items (EBITA)

The following table shows the EBITA of Group 4 Falck's security business and the EBITA margin for each of the years ended 31 December 2003, 2002 and 2001 and the percentage change between the periods. EBITA margin for Group 4 Falck's security business on a combined basis represents operating profit before goodwill amortisation and exceptional items as a percentage of total combined turnover for the period.

	Year ended 31 December			Percentage change	
	2001	**2002**	**2003**	**2001/2002**	**2002/2003**
		(DKK millions)			
Manned security	342	1,002	1,199	193.0%	19.7%
Security systems	274	236	229	(13.9%)	(3.0%)
Cash services	210	143	65	(31.9%)	(54.5%)
Other services	26	(17)	15	–	–
Head office	(167)	(276)	(253)	–	–
Total	**685**	**1,088**	**1,255**	**58.8%**	**15.3%**
EBITA margin[(1)]	*4.6%*	*4.3%*	*4.5%*	–	–

(1) EBITA margin represents operating profit before goodwill amortisation and exceptional items as a percentage of total combined turnover for the period. Operating profit before goodwill amortisation and exceptional items should not be considered an alternative to profit/(loss) on ordinary activities before interest and taxation, as determined in accordance with UK GAAP, as a measure of Group 4 Falck's security business' operating performance. Operating profit before goodwill amortisation and exceptional items as used by Group 4 Falck's security business and as presented in this section, is a measure commonly used in the industry, and it is considered to be a key financial performance measure for Group 4 Falck's security business. Amounts presented may not be comparable to similar measures presented by other companies.

Total EBITA increased by DKK 167 million or 15.3% to DKK 1,255 million in the financial year ended 31 December 2003 from DKK 1,088 million in the financial year ended 31 December 2002. The increase in total EBITA was driven mainly by increased EBITA in the manned security segment, primarily due to the full year impact of the Wackenhut acquisition in 2003 compared to eight months in 2002. This increase was partly offset by decreased EBITA from the security systems and cash services segments. Total EBITA increased by DKK 403 million or 58.8% to DKK 1,088 million in the financial year ended 31 December 2002 from DKK 685 million in the financial year ended 31 December 2001. The increase in total EBITA was primarily due to the Wackenhut acquisition in May 2002 which increased EBITA primarily in the manned security segment. This increase was partially offset by decreases in EBITA in the security systems and cash services segments.

Manned security

EBITA increased by DKK 197 million or 19.7% to DKK 1,199 million in the financial year ended 31 December 2003 from DKK 1,002 million in the financial year ended 31 December 2002. The increase was principally due to the full year impact of the Wackenhut businesses in 2003, compared to eight months in 2002. EBITA margin for the manned security segment improved from 5.2% in 2002 to 5.5% in 2003. The increase in the EBITA margin is mainly due to a significant improvement in the EBITA margin in North America achieved through cost savings at the Wackenhut head office following the Wackenhut acquisition. In spite of the difficult market conditions in Europe, EBITA margin in this region was maintained at the 2002 level through increased focus on achieving cost efficiencies.

EBITA increased by DKK 660 million or 193.0% to DKK 1,002 million in the financial year ended 31 December 2002 from DKK 342 million in the financial year ended 31 December 2001. EBITA margin improved from 3.5% in 2001 to 5.2% in 2002 principally due to improvements in Europe and the higher EBITA margins in Wackenhut and other acquisitions in 2002, including those made in Israel and Greece.

Security systems

EBITA decreased by DKK 7 million or 3.0% to DKK 229 million in the financial year ended 31 December 2003 from DKK 236 million in the financial year ended 31 December 2002. The decrease in turnover from the installation business had an adverse impact on EBITA margin due to the relative increase in capacity costs and increased price competition. EBITA margin in security systems remained at 6.4% in the financial years ended 31 December 2003 and 2002, partly because EBITA margin improved significantly in Norway, where 2002 performance was affected considerably by structural problems for which it was necessary to implement changes to the business strategy, including an adjustment to the organisation.

Compared to the financial year ended 31 December 2001 EBITA decreased by DKK 38 million or 13.9% to DKK 236 million from DKK 274 million in the financial year ended 31 December 2002 and EBITA margin fell to 6.4% in 2002 from 9.1% in 2001. This was attributable to the structural problems in Norway.

Cash services

EBITA decreased by DKK 78 million or 54.5% to DKK 65 million in the financial year ended 31 December 2003 from DKK 143 million in the financial year ended 31 December 2002. EBITA margin fell from 6.2% in 2002 to 2.9% in 2003 mainly due to a fall in cash in circulation, higher insurance premiums due to robberies and increased price competition caused by the excess capacity in the market.

EBITA decreased by DKK 67 million or 31.9% to DKK 143 million in the financial year ended 31 December 2002 from DKK 210 million in the financial year ended 31 December 2001. This was primarily due to low performance in Belgium where the activities in connection with the euro conversion did not meet expectations from the Belgian central bank and to Germany suffering from a general stagnation in the economy.

Operating profit after exceptional items and goodwill amortisation

Operating profit after exceptional items and goodwill amortisation increased 19.8% and 36.1%, respectively, in the financial years ended 31 December 2003 and 2002, primarily due to an increase in gross profit over the periods. Operating profit after exceptional items and goodwill amortisation increased to DKK 737 million in the financial year ended 31 December 2003 from DKK 615 million in the financial year ended 31 December 2002 and DKK 452 million in the financial year ended 31 December 2001.

The positive developments in operating profit after exceptional items and goodwill amortisation in the financial years ended 31 December 2003 and 2002 reflect the higher level of EBITA and additional income from associates, which were partially offset by increased goodwill amortisation mainly due to the Wackenhut acquisition and other acquisitions, primarily those in Greece and Israel.

Exceptional items

In the financial year ended 31 December 2003, the exceptional items of Group 4 Falck's security business amounted to DKK 388 million, of which DKK 164 million was included in operating profit. A substantial portion of the expenses included in operating profit related to restructuring costs in connection with the transition to a business segment based reporting structure from geographic reporting in 2003 (DKK 124 million) and losses resulting from a reconciliation difference detected in 2003 in connection with the collection of the former Belgian currency and the distribution of euros in connection with the euro conversion (DKK 33 million). Excluding the effect on taxation in respect of exceptional items, a net expense of DKK 54 million was included in exceptional items after operating profit, consisting of a loss on an interest rate swap of approximately DKK 78 million that was partially offset by a profit from divested assets of DKK 24 million. Taxation on exceptional items was a net expense of DKK 170 million consisting of a DKK 236 million tax charge related to the sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc. in 2003 which was partly offset by a tax credit of DKK 66 million on other exceptional items.

In the financial year ended 31 December 2002, exceptional items amounted to a net expense of DKK 140 million. This consisted of restructuring costs of DKK 201 million incurred in connection with acquisitions, which were included in operating profit for the period. These restructuring costs were partially offset by a DKK 47 million profit from sales of divested assets not included in operating profit. Taxation on exceptional items was a tax credit of DKK 14 million.

In the financial year ended 31 December 2001, exceptional items amounted to a net expense of DKK 33 million of which DKK 93 million was included within group operating profit and consisted primarily of restructuring costs incurred in connection with acquisitions and the restructuring of the German operations. These costs were partly offset by a DKK 43 million profit from the sale of certain operations and a tax credit of DKK 17 million.

Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation increased to DKK 466 million in the financial year ended 31 December 2003 from DKK 436 million in the financial year ended 31 December 2002. The positive development is the net effect of a higher total operating profit before exceptional items and lower net interest payable on the one hand and higher exceptional items before taxation on the other. Net interest payable decreased from DKK 226 million in the financial year ended 31 December 2002 to DKK 217 million before exceptional items in the financial year ended 31 December 2003. The decrease in net interest payable reflects primarily the impact of lower interest rates.

Profit on ordinary activities before taxation increased to DKK 436 million in the financial year ended 31 December 2002 from DKK 385 million in the prior year. The positive development is the net effect of the higher total operating profit before exceptional items on the one hand and higher exceptional items before taxation and higher net interest payable on the other. Net interest payable increased to DKK 226 million compared to DKK 110 million in 2001 as a result of the additional indebtedness incurred by Group 4 Falck's security business to finance the Wackenhut acquisition and other acquisitions including Greece and Israel.

Liquidity and Capital Resources

Net cash inflow from operating activities. Group 4 Falck's security business' principal source of liquidity in the financial years ended 31 December 2003, 2002 and 2001 was cash inflow from its operations. Net cash inflow from operating activities for the financial years ended 31 December 2003, 2002 and 2001 was DKK 1,510 million, DKK 1,500 million and DKK 868 million, respectively. Goodwill amortisation increased in the financial years ended 31 December 2003 and 2002 primarily as a result of the Wackenhut acquisition and acquisitions in Israel and Greece.

Net cash outflow from returns on investments and servicing of finance. In the financial year ended 31 December 2003, net cash outflow from returns on investments and servicing of finance decreased 16.2%, to DKK 207 million from DKK 247 million in the prior year, primarily due to a gain of DKK 42 million on an interest rate swap. In the financial year ended 31 December 2002, net cash outflow from returns on investments and servicing of finance increased 80.3%, to DKK 247 million from DKK 137 million in the prior year, primarily due to an increase in interest paid. The increase in interest paid mainly reflects the additional indebtedness incurred to finance the Wackenhut acquisition.

Net cash outflow for capital expenditure and financial investment. Group 4 Falck's security business' net cash outflow for capital expenditure and financial investment increased in the financial year ended 31 December 2003 to DKK 763 million from DKK 304 million in the financial year ended 31 December 2002 and DKK 306 million in the financial year ended 31 December 2001. The increase in the financial year ended 31 December 2003 as compared to the financial year ended 31 December 2002 was mainly a result of a change in cash outflow from investments in securities and increased spending on security improvements in the cash services business segment. Investments included new cash processing centres, intelligent boxes and armoured vehicles. Net cash outflow for capital expenditure and financial investment remained relatively constant in the financial years ended 31 December 2002 and 2001 as the lower level of capital expenditure in 2002 was netted against lower levels of sales of tangible fixed assets and investments in 2002 as compared to 2001. It is currently expected that Group 4 Falck's security business' capital expenditures in 2004 will be approximately equal to depreciation.

Net cash flow from acquisitions and disposals. Group 4 Falck's security business' net cash flow from acquisitions and disposals in the financial years ended 31 December 2003, 2002 and 2001 was an inflow of DKK 470 million, an outflow of DKK 5,431 million and an outflow of DKK 753 million, respectively. The net cash outflow from acquisitions was significantly higher in the financial year ended 2002 primarily because of the Wackenhut acquisition in May 2002. In 2003, no major acquisitions were made but primarily the sale of Wackenhut Corrections Corporation and Wackenhut Resources Inc. contributed to a cash inflow of DKK 731 million. In the financial year ended 2001 Group 4 Falck's security business acquired Euroguard and OGS in France and Callguard in South Africa among others.

Equity dividends paid to shareholders. Group 4 Falck's security business paid dividends to shareholders of DKK 35 million, DKK 35 million and DKK 33 million in the financial years ended 31 December 2003, 2002 and 2001.

Financing. In order to strengthen and optimise the capital structure in connection with the acquisition of Wackenhut, Group 4 Falck issued 1,574 million new shares in March 2002, equivalent to 7.6% of the existing share capital at a price of DKK 945 per share. Consequently, Group 4 Falck received gross proceeds totalling DKK 1,487 million. Costs related to the capital increase amounted to DKK 30 million.

In October 2003, Group 4 Falck received proceeds of US$ 400 million from the issuance of senior unsecured notes to investors in the United States in a private placement to refinance the Group's syndicated bank facility. The senior unsecured notes carry interest at a fixed rate and have been swapped in an amount of US$ 225 million into floating rate debt. The senior unsecured notes mature in 2010 (US$ 86 million), 2013 (US$ 239 million) and 2015 (US$ 75 million).

As at 31 December 2003, the net debt of Group Falck's security business was DKK 4,039 million. This consisted of DKK 4,014 million of total long term borrowings and DKK 764 million of total short term borrowings, less DKK 663 million of bank and deposit balances and DKK 76 million of readily available investments. As at 31 December 2003, Group 4 Falck's security business had available DKK 861 million in undrawn committed credit facilities. In addition, Group 4 Falck's security business has available certain uncommitted bank overdraft facilities for short term cash management. It is currently expected that Group 4 Falck's security business' credit facilities will be renegotiated and refinanced after the Merger.

Maturity Profile of Financial Liabilities

The following table sets forth the maturity profile of Group 4 Falck's security business' financial liabilities as at 31 December 2003.

	As at 31 December 2003
	(DKK millions)
Financial liabilities expiring within one year	823
Financial liabilities expiring within one to two years	1,634
Financial liabilities expiring within two to five years	173
Financial liabilities expiring in more than five years	2,415
Total	**5,045**

In addition, as at 31 December 2003 Group 4 Falck's security business had annual commitments under non-cancellable operating lease agreements in respect of properties, vehicles, plant and equipment, for which payment extends over a number of years, amounting to DKK 518 million of which 25.1% expire within one year, 55.6% within two to five years and 19.3% after five years.

Contingent Liabilities

Letters of intent and letters of comfort have been issued for credit facilities and similar commitments with group enterprises for a total amount of DKK 288 million. Group 4 and Falck, respectively are jointly and severally liable with the other companies belonging to the Group 4 Falck tax group for tax on their jointly taxed income. This also applies to the joint registration of VAT with the other jointly registered Danish companies.

As a consequence of the Demerger, each of Group 4 and Falck will be liable under the Danish Companies Act for obligations attributable to the assets and liabilities transferred to them. Where a creditor of Group 4 or Falck does not receive full payment of its claims, the other company will be jointly and severally liable, to the extent the obligation existed at the time of Demerger. However, each company will only be jointly and severally liable up to a maximum of the net value of the assets and liabilities transferred to them.

Disclosures about Market Risk

The risk management of Group 4 Falck's security business has focused on the major areas of market risk and treasury policy has sought to ensure that adequate financial resources are available for business operations while managing currency and interest rate risk. Derivative instruments have been only used to hedge risks associated with currency and interest rate fluctuations. Group 4 Falck's security business does not trade in financial instruments.

Interest Rate Risk

Interest exposure of Group 4 Falck's security business is mainly related to interest-bearing debt. The exposure is the risk that movements in market interest rates may materially affect the net income of Group 4 Falck's security business. The strategy of Group 4 Falck's security business is to ensure with a reasonable certainty that its overall interest charge is generally protected against material movements in market interest rates.

Currency Risk

The main currency related exposures of Group 4 Falck's security business are transaction risk and translation risk. Transaction risk is fairly limited as the impact of exchange rate fluctuations on operating results is mitigated by having each country operate in local currency whenever possible, including financing activities in local currency either internally through intra-group loans or through financial institutions. As a result, transaction risk is mainly associated with dividend and royalty payments made in local currencies to the parent company of Group 4 Falck's security business.

The main currency exposure to Group 4 Falck's security business arises from translation risk, in particular relating to the value of investment in or loans to foreign subsidiaries and the net profit and loss from foreign subsidiaries when translated into DKK. Frequent assessments to hedge such exposures are initiated and executed by the group treasury within the rules and guidelines set out in the treasury policy, including funding investments and other assets in local currencies and entering into foreign exchange or derivatives transactions.

More detailed information about gains and losses in respect of financial instruments used as hedges for Group 4 Falck's security business is included in the notes to the combined financial information of Group 4 Falck's security business included in Part 3A of this document.

PART 4
FINANCIAL INFORMATION ON WACKENHUT

The following is the full text of a report on The Wackenhut Group from PricewaterhouseCoopers LLP, the Joint Reporting Accountants, to the Directors of Group 4 Securicor plc, Cazenove & Co. Ltd, Morgan Stanley & Co. Limited and UBS Limited.

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4 June 2004

Dear Sirs

The Wackenhut Group

Introduction

We report on the combined financial information (the "Combined Financial Information") set out below. This Combined Financial Information has been prepared for inclusion in the listing particulars dated 4 June 2004 ("the Listing Particulars") of Group 4 Securicor plc ("Group 4 Securicor" or the "Company").

The Wackenhut group companies which, following the proposed merger described in the Listing Particulars, will be owned by Group 4 Securicor are collectively referred to throughout this report as the "Wackenhut Group", or the "Group".

In this report the "Old Wackenhut Group", or the "Old Group" refers to The Wackenhut Corporation ("Wackenhut") and all of its consolidated subsidiary and associated undertakings as at 30 December 2001 and as at 28 April 2002. The Wackenhut Group excludes Wackenhut Corrections Corporation ("WCC") and its consolidated subsidiary and associated undertakings (together the "WCC Group") and Wackenhut Resources, Inc. ("WRI") and its consolidated subsidiary and associated undertakings (together the "WRI Group"), which were disposed of during 2003, and the Old Group's Food Services division which was disposed of in February 2001. The Wackenhut Group also excludes the UK

Government service contracts of the Old Group which were transferred to Global Solutions Limited ("GSL") with effect from 1 January 2003.

The Wackenhut Group did not constitute a statutory group of companies during the period under review. Accordingly it has been necessary to compile Combined Financial Information for the purposes of this report.

Basis of preparation

The Combined Financial Information set out below has been prepared on the basis set out in note 1 and is based on the financial records of the Old Wackenhut Group for the 52 weeks ended 30 December 2001 and the financial records of the Old Wackenhut Group for the 17 weeks ended 28 April 2002.

Responsibility

The financial records for the 52 weeks ended 30 December 2001 were included in the financial statements of the Old Wackenhut Group for the 52 weeks ended 30 December 2001 which are the responsibility of the directors of the Old Wackenhut Group, who approved their issue. The financial records for the 17 weeks ended 28 April 2002 are also the responsibility of the directors of the Old Wackenhut Group at the relevant time.

The directors of Group 4 Securicor are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the Combined Financial Information set out in our report from the Old Wackenhut Group financial records, to form an opinion on the Combined Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the Combined Financial Information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Combined Financial Information and whether the accounting policies are appropriate to the circumstances of the Wackenhut Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Combined Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Combined Financial Information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of the Wackenhut Group as at the dates stated and of its combined losses, combined cash flows and combined recognised gains and losses for the periods then ended.

COMBINED PROFIT AND LOSS ACCOUNTS

	Notes	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Turnover	3	1,198.3	468.5
Cost of sales		(1,004.0)	(377.3)
Gross profit		194.3	91.2
Administrative expenses		(176.2)	(87.2)
Group operating profit		18.1	4.0
Share of operating loss of associates		(0.6)	(0.1)
Total operating profit: group and share of associates		17.5	3.9
Loss on termination of operations	5	(28.8)	(15.0)
Net interest payable and similar items	6		
– Group		(0.5)	(0.6)
– Associates		(0.8)	–
Loss on ordinary activities before taxation	3, 4	(12.6)	(11.7)
Tax on loss on ordinary activities	8	2.1	(0.8)
Loss on ordinary activities after taxation		(10.5)	(12.5)
Equity minority interests		(0.8)	(0.1)
Loss for the financial period	17	(11.3)	(12.6)

The results for the 52 weeks ended 30 December 2001 and the 17 weeks ended 28 April 2002 relate solely to continuing activities.

There is no material difference between the loss on ordinary activities before taxation and its historical cost equivalent.

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Loss for the financial period	17	(11.3)	(12.6)
Exchange adjustments offset in reserves	17	(0.4)	0.2
Total recognised losses for the period		(11.7)	(12.4)

COMBINED RECONCILIATION OF MOVEMENTS IN INVESTED CAPITAL

	Notes	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Loss for the financial period	17	(11.3)	(12.6)
Exchange adjustments offset in reserves	17	(0.4)	0.2
Movement in funding balances with WCC, WRI, Food Services and GSL	17	22.0	13.1
Amounts in respect of share option schemes	17	0.9	–
Proceeds of ordinary shares issued for cash	17	–	3.4
Net change in combined invested capital		11.2	4.1
Combined invested capital as at the beginning of the period		32.5	43.7
Combined invested capital as at the end of the period	17	43.7	47.8

COMBINED BALANCE SHEETS

	Notes	30 December 2001 US$m	28 April 2002 US$m
Fixed assets			
Tangible assets	9	21.8	21.3
Interests in associated undertakings	10	17.7	9.8
		39.5	31.1
Current assets			
Stocks	11	0.9	0.5
Debtors			
– due within one year	12	221.3	243.7
– due after more than one year	12	24.7	18.1
Investments	10	69.9	72.1
Cash at bank and in hand		12.7	13.7
		329.5	348.1
Creditors – Amounts falling due within one year			
Borrowings	13	(87.9)	(85.8)
Other	15	(80.8)	(88.8)
		(168.7)	(174.6)
Net current assets		160.8	173.5
Total assets less current liabilities		200.3	204.6
Creditors – Amounts falling due after more than one year			
Borrowings	13	(11.4)	(9.3)
Provisions for liabilities and charges	16	(142.3)	(145.2)
Net assets		46.6	50.1
Represented by:			
Net funding balances with WCC, WRI, Food Services and GSL	17	(102.2)	(89.1)
Invested capital in the Wackenhut Group	17	145.9	136.9
Combined invested capital		43.7	47.8
Equity minority interest		2.9	2.3
Total invested capital		46.6	50.1

COMBINED CASH FLOW STATEMENTS

	Notes	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Net cash inflow from operating activities	20a	30.2	0.9
Dividends received from associates		3.0	0.3
Returns on investments and servicing of finance	20b	(1.0)	(0.8)
Taxation		(19.1)	(1.5)
Net cash outflow for capital expenditure and financial investment	20b	(52.4)	(7.2)
Net cash outflow before financing		(39.3)	(8.3)
Financing			
Issue of ordinary share capital		–	3.4
Increase/(decrease) in borrowings		10.4	(5.7)
Cash movement in funding balances with WCC, WRI, Food Services and GSL		23.9	9.8
Net cash inflow from financing		34.3	7.5
Increase in net debt		(5.0)	(0.8)
Reconciliation to net debt	20c		
Increase in debt in the period		(5.0)	(0.8)
Cash (outflow)/inflow from (decrease)/increase in debt		(10.4)	5.7
Change in net debt resulting from cash flow		(15.4)	4.9
Movement in net debt for the period resulting from cash flow		(15.4)	4.9
Exchange adjustments		(0.1)	0.3
Net debt at beginning of period		(71.1)	(86.6)
Net debt at end of period		(86.6)	(81.4)

1. BASIS OF PREPARATION

The Combined Financial Information has been prepared based on the financial records of the Old Wackenhut Group for the 52 weeks ended 30 December 2001 and the financial records of the Old Wackenhut Group for the 17 weeks ended 28 April 2002.

The Combined Financial Information excludes Wackenhut Corrections Corporation ("WCC") and its consolidated subsidiary and associated undertakings (together the "WCC Group") and Wackenhut Resources, Inc. ("WRI") and its consolidated subsidiary and associated undertakings (together the "WRI Group"), which were disposed of during 2003. The Combined Financial Information also excludes the Old Group's Food Services division which was disposed of in February 2001 and the UK Government service contracts of the Old Group which were transferred to Global Solutions Limited "GSL" with effect from 1 January 2003.

As part of the Old Wackenhut Group, the Wackenhut Group was party to transactions with other Old Group companies, including, but not limited to, rental of premises, management information systems, accounting and financial reporting, treasury, taxation, cash management, human resources, employee benefit administration and payroll services. The Wackenhut Group has charged costs, recorded in the profit and loss account, to other Old Wackenhut Group companies for some of these services. Although these transactions were intended broadly to reflect the costs that would apply on an arm's length basis, it is possible that the terms of the relevant transactions may have been different if the transacting partners had not been connected with the Wackenhut Group.

The tax charges in the Combined Financial Information have been determined based on the tax charges recorded in the underlying financial records. The tax charges have been affected by the taxation arrangements within the Old Group and are not necessarily representative of the tax charges that would have been reported had the Wackenhut Group been an independent group. Also they are not necessarily representative of the future tax charges which may arise.

The Wackenhut Group was not, and is not a separate legal group, and therefore it is not meaningful to show an analysis of reserves for the Wackenhut Group. The reserves of the Wackenhut Group are therefore represented by the line "Invested Capital of the Wackenhut Group". All non-trading transactions between the Wackenhut Group and the WCC Group, the WRI Group, the Old Group's Food Services division and GSL have been reflected as movements in the line "Net funding balances with WCC, WRI, Food Services and GSL".

Internal transactions within the Wackenhut Group are eliminated in the combination.

The Combined Financial Information for the 52 weeks ended 30 December 2001 includes the accounts of certain subsidiary and associated undertakings made up for the twelve months ended 30 November 2001. There were no changes in respect of these subsidiary and associated undertakings in the period from 1 December 2001 to 30 December 2001 that materially affect the view given by the Combined Financial Information. The Combined Financial Information prepared for the 17 weeks ended 28 April 2002 includes the accounts of the same subsidiary and associated undertakings for the five month period from 1 December 2001 to 28 April 2002. Thereafter, the results of all Old Wackenhut Group companies were included in the consolidated financial information of Group 4 Falck, based on an accounting reference date of 31 December. The inclusion of five months of financial information for these subsidiary and associated undertakings does not materially affect the view given by the Combined Financial Information for the four month period to 28 April 2002.

The approach described above has been adopted for practical purposes. The subsidiary and associated undertakings which have been accounted for in this manner are all of those incorporated outside of the United States and Canada.

2. ACCOUNTING POLICIES

2.1 Accounting convention

The Combined Financial Information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies applied is given below. These policies are consistent with the policies adopted by Group 4 Securicor.

2.2 Associated undertakings

Associated undertakings are entities in which the Wackenhut Group holds a long-term minority equity interest, but over which it is in a position to exert a significant influence. The Combined Financial Information includes the relevant proportion of the results of associated undertakings.

Associates are accounted for using the equity method.

2.3 Revenue recognition

The Wackenhut Group's revenue principally arises from the provision of security services. Revenue is stated net of discounts, value added tax and various other sales related taxes and excludes intra-group transactions.

Revenue from security services is accounted for in the period in which the performance of the service takes place. It represents the value of services delivered and invoiced subscriptions to external customers.

2.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write off the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their expected economic life. Details of depreciation rates are summarised as follows:

Freehold buildings	up to 2%
Equipment	10-33.33%
Motor vehicles	10-33.33%
Leasehold improvements	over the life of the lease up to a maximum of 10 years

2.5 Current assets

Stocks are valued at the lower of cost and net realisable value and are measured on a first in first out basis.

Debtors are stated after deducting adequate provision for doubtful debts.

Current asset investments are stated at the lower of cost and their net realisable value. Any write down from cost to net realisable value is recorded in the profit and loss account.

2.6 Deferred taxation

Deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statement and their recognition in tax computations, except that a net deferred tax asset is recognised only when it is more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from foreign subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group.

2.7 Foreign currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into US dollars at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments arising on consolidation have been transferred to reserves in accordance with SSAP20. All other exchange adjustments are taken to the profit and loss account.

2.8 Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and where appropriate communication to those affected has been undertaken at the balance sheet date.

Insurance provisions represent insurance reserves within the Wackenhut Group's captive insurance company to cover anticipated claims incurred as at the balance sheet date based on actuarial assessments of these liabilities.

2.9 Leases

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred and future rental obligations are disclosed in note 19 to the Combined Financial Information.

2.10 Retirement benefits

The Wackenhut Group operates various funded and unfunded pension schemes. For schemes with a defined benefit structure the regular cost of providing defined benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members. Differences between the amount charged in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the balance sheet. Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

The Wackenhut Group has accounted for retirement benefit costs in accordance with SSAP 24. The Combined Financial Information also sets out the transitional disclosures required by FRS 17 Retirement Benefits.

2.11 Share awards

The cost of awarding shares and share options to employees is accounted for by recording a charge in the profit and loss account equivalent to the fair value of the benefit awarded. The charge is recognised in the profit and loss account over the performance period of the award. No charge is recognised for share options where the exercise price was at market value at the time of grant.

3. SEGMENTAL REPORTING

Turnover

The geographic segments are based on the geographic split of the business, based on the country in which the contractual services are invoiced. The segmental analysis would not be materially different if the analysis were based on the country in which the services were provided.

The Wackenhut Group's operations are principally in North America (including Canada). The Rest of the World operations are conducted primarily in South America and the United Kingdom.

Intersegment transactions are accounted for on an arms length basis and are eliminated on combination.

The Wackenhut Group's operations principally relate to the provision of manned security services.

Turnover	**52 weeks ended 30 December 2001 US$m**	**17 weeks ended 28 April 2002 US$m**
Geographical analysis		
North America	1,058.1	406.9
Rest of the World	140.2	61.6
Total	1,198.3	468.5

Loss before tax

	52 weeks ended 30 December 2001 US$m	**17 weeks ended 28 April 2002 US$m**
Geographical analysis		
North America	27.4	12.7
Rest of the World	(40.0)	(24.4)
Total	(12.6)	(11.7)
– Group	(11.2)	(11.6)
– Associates	(1.4)	(0.1)
	(12.6)	(11.7)

Net assets

	30 December 2001 US$m	**28 April 2002 US$m**
Geographical analysis		
North America	93.3	86.2
Rest of the World	(46.7)	(36.1)
Total	46.6	50.1
– Group	28.9	40.3
– Associates	17.7	9.8
	46.6	50.1

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Loss on ordinary activities before taxation is stated after charging:		
Staff costs (note 7)	946.3	364.3
Depreciation of tangible fixed assets	6.7	2.1
Loss on disposal of fixed assets	0.1	0.4
Other operating lease rentals	11.9	4.3
Net foreign exchange differences	0.5	–

Services provided by the Wackenhut Group's auditors and network firms

During the period, the Wackenhut Group (including its overseas subsidiaries) obtained the following services from the Wackenhut Group's auditors, Arthur Andersen, at costs as detailed below:

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Audit services	0.4	–
Further assurance services	0.1	–
Other services not covered above	0.1	0.4
	0.6	0.4

5. LOSS ON TERMINATION OF OPERATIONS

In the 52 weeks ended 30 December 2001 the Wackenhut Group made the decision to exit and/or terminate its operations in Chile, Argentina and certain Pacific Rim countries, recording a loss of US$28.8 million, which included writing down the Wackenhut Group's net investment in Chile to $10.2 million, being the amount estimated as being recoverable at that time. In April 2002, subsequent to the approval of the Old Group's Annual Report for the 52 weeks ended 30 December 2001, the Chilean associate filed for bankruptcy. In the 17 weeks ended 28 April 2002, a further loss of $15.0 million was recorded by the Wackenhut Group, which included writing off all remaining cash advances and notes receivable and providing for all related expenses in connection with the bankruptcy.

6. INTEREST PAYABLE AND SIMILAR ITEMS

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Interest payable on bank loans and overdrafts	(5.4)	(1.7)
Amortisation of issue costs of bank loan	(0.2)	–
Group interest and similar charges payable	(5.6)	(1.7)
Share of associates interest payable	(1.4)	–
Total interest and similar charges payable	(7.0)	(1.7)
Group interest receivable	0.6	0.2
Net investment income on current asset investments	4.5	0.9
Share of associates interest receivable	0.6	–
Total interest receivable	5.7	1.1
Net interest payable and similar items	(1.3)	(0.6)

7. STAFF COSTS AND EMPLOYEES

Staff costs for the Wackenhut Group during the period	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Wages and salaries	839.3	321.2
Social security costs	92.4	38.1
Other pension costs below	14.6	5.0
	946.3	364.3

Average monthly number of people (including executive directors) employed	52 weeks ended 30 December 2001 Number	17 weeks ended 28 April 2002 Number
By business group		
Manned security	56,000	57,000

Pension commitments

The Wackenhut Group had a number of pension plans to cover its employees. The principal plans were:

Defined benefit plan

The Wackenhut Group had a non-contributory defined benefit pension plan covering certain of its executives. Retirement benefits were based on years of service, employees' average compensation for the last five years prior to retirement and social security benefits. The plan was not funded.

The most recent actuarial valuation of the defined benefit pension plan was at 28 April 2002. The valuation of the scheme used the Unit Credit Projected and Prorated over Service method and was carried out by Hewitt Associates, LLC, professionally qualified actuaries.

The assumptions for the discount rate and the average increase in salaries and pensions in payment used in determining the pension expense were 6.75% and 4.0% respectively, as of and for the periods ended 30 December 2001 and 28 April 2002. The present value of accumulated pension benefits was US$3.0 million and US$3.5 million at 30 December 2001 and 28 April 2002, respectively.

The Wackenhut Group had deferred compensation agreements with certain senior executives providing for fiscal annual benefits ranging from US $175,000 to US$250,000 payable upon retirement at age 60 for a period of 25 years. In the event of death before retirement, annual benefits were paid to beneficiaries for a period of 12½ years. The plan was not funded. The cost of these agreements was being charged to expenses and accrued using a present value method using a discount rate of 6.75% over the expected terms of employment. The present value of accumulated benefits was US$12.6 million and US$13.0 million at 30 December 2001 and 28 April 2002 respectively.

Defined contribution plans

The Wackenhut Group had a deferred compensation plan for certain "highly compensated" employees that were ineligible to participate in any Wackenhut Group sponsored qualified 401(k) plan. Under the plan, the participants deferred the receipt of a portion of their salary until their separation from the Wackenhut Group. The Wackenhut Group also provided a matching contribution based on plan specifications and accrued interest to the benefit of the participants at the rate of prime minus three quarters of a percent.

The Wackenhut Group had a deferred compensation plan for certain current and former employees. The plan is closed to any new contributions or participants. The value of the potential liability to the current employees was based on the fair market value of the Wackenhut Group's common stock. The amounts due to retired employees were fixed as of their retirement date. The plan was unfunded and payments to retired employees generally occurred over a ten-year period. The plan paid 6% interest, annually, to retired employees based on their outstanding balances.

The Wackenhut Group provided eligible employees with the opportunity to participate in several other defined contribution plans.

The Wackenhut Group was also the administrator of several defined benefit plans. The Wackenhut Group was responsible for making periodic cost-reimbursable deposits to these plans as determined by third-party actuaries hired on behalf of the Wackenhut Group. In each instance, with respect to these plans, the Department of Energy ("DOE") acknowledged within the contract entered into between the DOE and the Wackenhut Group its responsibility for the unfunded pension and benefit liabilities. Therefore, these plans were treated as defined contribution plans.

Certain of the Wackenhut Group's employees were covered by a collectively bargained, multiemployer pension plan. Contributions and costs were determined in accordance with the provisions of negotiated labor contracts or terms of the plan. The Wackenhut Group was not required to provide for contributions given the fully funded status of the plan for the periods ended 30 December 2001, and 28 April 2002.

The Wackenhut Group's liability for the defined contribution plans was US$23.1 million at 30 December 2001 and US$24.1 million at 28 April 2002.

The pension cost under SSAP24 "Accounting for pension costs" was:

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Defined benefit plan	5.9	0.5
Defined contribution plans	8.7	4.5
Operating pension cost	14.6	5.0
Interest	0.4	0.1
Net pension cost	15.0	5.1

FRS 17

In November 2000, the Accounting Standards Board published FRS 17 'Retirement Benefits' to replace the existing standard SSAP 24 'Accounting for Pension Costs.' Although the new standard does not become mandatory until accounting periods beginning on or after 1 January 2005, it sets down transitional arrangements which require footnote disclosures in the interim period up to full adoption.

No further disclosures have been included in this Combined Financial Information as at 30 December 2001 and 28 April 2002 and for the periods then ended, since there would be no material impact on the amounts included in the balance sheet and profit and loss account as a result of the adoption of FRS17.

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Analysis of charge/(credit) in period		
United States tax		
Corporation tax at 39.42%		
– before exceptional items	13.9	4.3
– exceptional items	(2.8)	(9.2)
	11.1	(4.9)
Foreign tax		
Corporation taxes	2.4	1.5
Total current tax	13.5	(3.4)
Deferred tax		
Group		
– before exceptional items	(7.8)	(0.9)
– exceptional items	(7.8)	5.1
Total deferred tax	(15.6)	4.2
Tax (credit)/charge on loss on ordinary activities	(2.1)	0.8

The tax for the periods presented varied from the standard rate of corporation tax in the United States (US) of 39.42 per cent. for the 52 weeks ended 30 December 2001 and 17 weeks ended 28 April 2002 as explained below:

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Loss on ordinary activities before tax	(12.6)	(11.7)
Loss on ordinary activities multiplied by standard rate of corporation tax in the US of 39.42%	(5.0)	(4.6)
Effects of:		
Expenses not deductible for tax purposes	3.8	4.0
Timing differences in the recognition of profits and losses for tax purposes	15.6	(4.2)
Adjustment in respect of foreign tax rates	(0.5)	1.4
Adjustments for tax credits	(0.4)	–
Current tax charge/(credit) for period	13.5	(3.4)

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
The deferred tax (credit)/charge relates to:		
Origination and reversal of timing differences	(15.6)	4.2

9. TANGIBLE FIXED ASSETS

Tangible fixed assets

	Land and building US$m	Vehicles and office equipment US$m	Leasehold improvements US$m	Total US$m
Cost				
At 1 January 2001	2.5	42.5	4.5	49.5
Exchange adjustments	(0.6)	(1.2)	(0.1)	(1.9)
Additions at cost	–	4.1	0.6	4.7
Disposals	–	(0.4)	–	(0.4)
At 30 December 2001	1.9	45.0	5.0	51.9
Exchange adjustments	–	(0.6)	(0.1)	(0.7)
Additions at cost	–	2.0	0.1	2.1
Disposals	–	(0.8)	–	(0.8)
At 28 April 2002	1.9	45.6	5.0	52.5
Aggregate depreciation				
At 1 January 2001	(0.4)	(23.0)	(1.8)	(25.2)
Exchange adjustments	–	1.4	0.1	1.5
Charge for the period	(0.1)	(6.1)	(0.5)	(6.7)
Disposals	–	0.3	–	0.3
At 30 December 2001	(0.5)	(27.4)	(2.2)	(30.1)
Exchange adjustments	–	0.4	0.2	0.6
Charge for the period	–	(1.9)	(0.2)	(2.1)
Disposals	–	0.4	–	0.4
At 28 April 2002	(0.5)	(28.5)	(2.2)	(31.2)
Net book amount				
At 30 December 2001	1.4	17.6	2.8	21.8
At 28 April 2002	1.4	17.1	2.8	21.3

All land and buildings shown above are freehold.

10. INVESTMENTS

Fixed asset investments	Associates US$m	Loans to associates US$m	Total US$m
Cost			
At 1 January 2001	15.1	4.1	19.2
Foreign exchange	0.6	–	0.6
Additions/Net loans to (from) associates	0.3	36.3	36.6
Disposals	(0.6)	–	(0.6)
Share of retained loss	(4.4)	–	(4.4)
At 30 December 2001	11.0	40.4	51.4
Additions/Net loans to (from) associates	1.8	1.1	2.9
Share of retained loss	(0.4)	–	(0.4)
At 28 April 2002	12.4	41.5	53.9
Amounts written off			
At 1 January 2001	(3.7)	(1.2)	(4.9)
Amounts written off	(0.1)	(28.7)	(28.8)
At 30 December 2001	(3.8)	(29.9)	(33.7)
Amounts written off	(0.2)	(10.2)	(10.4)
At 28 April 2002	(4.0)	(40.1)	(44.1)
Net book amount			
At 31 December 2001	7.2	10.5	17.7
At 28 April 2002	8.4	1.4	9.8

Loans to associates primarily arise in the normal course of business from funding requirements. During the 52 weeks ended 30 December 2001, the Wackenhut Group provided a loan of US$2.5 million and funded letters of credit of US$32 million to its Chilean associate. The loan bore interest at 1.2% per month and was due on 31 July 2002. At 30 December 2001, the Wackenhut Group wrote down its net investment in Chile to US$10.2 million, being the amount estimated as being recoverable at that time.

Investment in associated companies

The Wackenhut Group's share of the results of its associates, in aggregate, is set out below:

	30 December 2001 US$m	28 April 2002 US$m
Turnover	149.5	24.7
Net loss before tax	(1.4)	(0.1)
Fixed assets	24.4	21.1
Current assets	39.5	6.0
Liabilities due within one year	(53.6)	(11.4)
Liabilities due after or more than one year	(8.1)	(1.6)

Current asset investments

	30 December 2001 US$m	28 April 2002 US$m
Current asset investments		
Life insurance policies	5.2	5.6
Short term investments	37.2	37.1
Cash funds	27.5	29.4
	69.9	72.1

The Wackenhut Group's short term investments and cash funds are held in trusts to collateralize the obligations of the Wackenhut Group's wholly owned captive insurance subsidiary. The captive insurance subsidiary has specific restrictions governing withdrawals from the trusts.

As at 30 December 2001 and 28 April 2002 the market value of the short term investments was US$37.6 million and US$37.7 million respectively. These investments comprise US government, municipal and corporate bonds and preference shares with maturities ranging in periods from 16 months to 29 years. The cash funds are institutional cash funds.

11. STOCKS

	30 December 2001 US$m	28 April 2002 US$m
Equipment	0.9	0.5

12. DEBTORS

	30 December 2001 US$m	28 April 2002 US$m
Amounts falling due within one year		
Trade debtors	193.1	205.1
Amounts owed by related parties	–	1.6
Corporation tax	0.8	3.8
Deferred tax	17.6	19.0
Other debtors	5.2	4.2
Prepayments and accrued income	4.6	10.0
	221.3	243.7

	30 December 2001 US$m	28 April 2002 US$m
Amounts falling due after one year		
Deferred tax	21.8	16.2
Other debtors	2.9	1.9
	24.7	18.1

Amounts owed by related parties relate to trading balances with the WCC Group. These are described further in note 23.

	30 December 2001 US$m	28 April 2002 US$m
Deferred tax asset		
Pensions and other compensation plans provisions	10.4	7.5
Other provisions and accruals	26.7	26.3
Other short-term timing differences	2.3	1.4
	39.4	35.2

	30 December 2001 US$m	28 April 2002 US$m
At 1 January	23.8	39.4
Credited/(charged) to profit and loss	15.6	(4.2)
At period end	39.4	35.2

13. BORROWINGS

	30 December 2001 US$m	28 April 2002 US$m
Long-term borrowings		
Unsecured $112.5 million revolving facility	9.6	7.4
Other unsecured borrowings	1.8	1.9
Total long-term borrowings	11.4	9.3
Short-term borrowings		
Unsecured bank overdraft	15.0	16.9
Other unsecured borrowings	4.9	2.9
Secured securitisation facility	68.0	66.0
Total short-term borrowings	87.9	85.8
Bank and deposit balances	(12.7)	(13.7)
Net debt	86.6	81.4

The payment profile of long-term borrowings is noted below.

	30 December 2001 US$m	28 April 2002 US$m
Repayable within one to two years		
Unsecured	1.8	1.9
Repayable within two to five years		
Unsecured	9.6	7.4
	11.4	9.3

As at 30 December 2001 the Wackenhut Group's principal sources of liquidity were in the form of a US$112.5 million line of credit, available for revolving loans or letters of credit (28 April 2002: US$112.5 million), and a US$75.0 million accounts receivable securitisation facility (28 April 2002: US$75.0 million). The $112.5 million credit facility was a three year facility entered into on 13 November 2000 and the securitisation facility was subject to renewal on an annual basis and was renewed for another year on January 25, 2002.

Securitisation of debtors

Under the terms of the securitisation facility the Wackenhut Group sells, on a continuous basis, undivided interests in eligible accounts receivable to a financial institution, up to a maximum limit of US$75 million. The cost associated with this sale of receivables was based on the volume of receivables sold and market rates for asset backed commercial paper, and ranged between 2.3% and 7.2% during the 52 weeks ended 30 December 2001 and between 2.15% and 2.32% during the 17 weeks ended 28 April 2002. This cost was US$2.8 million for the 52 weeks ended 30 December 2001 (US$0.5 million for the 17 weeks ended 28 April 2002).

Other borrowings

As at 30 December 2001 and 28 April 2002 the Wackenhut Group also had a US$2.8 million operating line of credit with a Canadian bank. At 30 December 2001 the Wackenhut Group had short-term borrowings under this line of credit of US$2.0 million for working capital purposes (28 April 2002: US$1.0 million), bearing interest at a rate based on the bank's prime lending rate.

In addition, as at 30 December 2001 the Wackenhut Group had outstanding notes payable and operating lines of credit of US$4.0 million (28 April 2002: US$3.3 million) to meet the working capital needs of its international subsidiaries. Of this amount US$2.2 million (28 April 2002: US$1.4 million) was due within one year.

Undrawn facilities

As at 30 December 2001 the Wackenhut Group had borrowings of US$9.6 million (28 April 2002: US$7.4 million) and US$26.3 million (28 April 2002: US$25.8 million) of outstanding letters of credit against its revolving bank facility. In addition there were US$68.0 million accounts receivable sold under the securitisation facility (28 April 2002: US$66.0 million). Therefore, as at 30 December 2001, the total amount available for additional borrowings to the Wackenhut Group from its revolving credit and accounts receivable securitisation facility was US$83.6 million (28 April 2002: US$88.3 million). As at 30 December 2001 the Wackenhut Group also had US$0.8 million (28 April 2002: US$1.8 million) available for additional borrowings in respect of its facilities in Canada.

14. FINANCIAL INSTRUMENTS

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Currency and interest rate risk profile of financial liabilities

The interest rate risk profile of the Wackenhut Group's financial liabilities at 30 December 2001 and at 28 April 2002, was as follows:

Currency	Floating rate financial liabilities US$m	Total US$m
US Dollars	95.5	95.5
Other currencies	3.8	3.8
At 30 December 2001	99.3	99.3
US Dollars	91.9	91.9
Other currencies	3.2	3.2
At 28 April 2002	95.1	95.1

All the Wackenhut Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above table either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

All of the Wackenhut Group's borrowings are at floating rates based on local bank base rates.

Interest rate risk of financial assets

Currency	Cash at bank and in hand US$m	Current asset investments US$m	Other long term debtors US$m	Total US$m
US Dollars	1.4	69.9	0.4	71.7
Sterling	6.0	–	–	6.0
Other currencies	5.3	–	2.5	7.8
At 30 December 2001	12.7	69.9	2.9	85.5
US Dollars	1.2	72.1	–	73.3
Sterling	7.8	–	–	7.8
Other currencies	4.7	–	1.9	6.6
At 28 April 2002	13.7	72.1	1.9	87.7

Cash at bank and in hand earns interest at nominal rates based on local bank base rates. Current asset investments comprise life insurance policies and short term investments and cash funds held in trusts to collaterallize the obligations of the Wackenhut Group's wholly owned insurance subsidiary. The Wackenhut Group's cash management and investment policies restrict investments by type, credit and issuer and the Wackenhut Group performs periodic evaluations of the credit standing of the financial institutions with which it deals.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Wackenhut Group's financial liabilities, other than short-term trade creditors and accruals at 30 December 2001 and at 28 April 2002, was as follows:

	Within 1 year US$m	Between 1 and 2 years US$m	Between 2 and 5 years US$m	Total US$m
At 30 December 2001 – Debt	87.9	1.8	9.6	99.3
At 28 April 2002 – Debt	85.8	1.9	7.4	95.1

Undrawn borrowing facilities

The Wackenhut Group has the following undrawn committed borrowing facilities available at 30 December 2001 and at 28 April 2002, in respect of which all conditions precedent had been met at those dates:

	30 December 2001 US$m	28 April 2002 US$m
Expiring within 1 year		
– floating	7.8	10.8
Expiring in more than 2 years		
– floating	76.6	79.3
Total		
– floating	84.4	90.1

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Wackenhut Group's financial assets and financial liabilities at 30 December 2001 and at 28 April 2002. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Set out in the table below is a summary of the methods and assumptions used.

	30 December 2001		28 April 2002	
	Book value US$m	Fair value US$m	Book value US$m	Fair value US$m
Primary financial instruments held or issued to finance the Wackenhut Group's operations:				
Short-term borrowings	(87.9)	(87.9)	(85.8)	(85.8)
Long-term borrowings	(11.4)	(11.4)	(9.3)	(9.3)
Current asset investments	69.9	70.3	72.1	72.7
Cash at bank and in hand	12.7	12.7	13.7	13.7

Summary of methods and assumptions

Short-term borrowings	The fair value of short-term loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximate to the carrying value reported in the balance sheet as the majority are floating rate where payments are reset to markets rates at intervals of less than one year.

Currency exposures

The Wackenhut Group does not have significant currency exposures. The Wackenhut Group's foreign operations use the local currency as their functional currency and almost all external transactions are carried out in the functional currency of operations. Foreign exchange differences on the retranslation of intercompany balances denominated in dollars are taken to the profit and loss account.

15. OTHER CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 December 2001 US$m	28 April 2002 US$m
Trade creditors	6.4	6.9
Other tax and social security payable	11.8	9.5
Accruals and deferred income	62.6	72.4
	80.8	88.8

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Insurance reserves US$m	Pensions and other compensation plans US$m	Other provisions US$m	Total US$m
At 1 January 2001	92.7	16.5	6.3	115.5
Charged to profit and loss	24.6	14.6	9.3	48.5
Utilised in year	(38.6)	(4.9)	(2.8)	(46.3)
Movement in funding balance with WCC, WRI, Food services and GSL	24.6	–	–	24.6
At 30 December 2001	103.3	26.2	12.8	142.3
Charged to profit and loss	3.2	5.0	8.0	16.2
Utilised in period	(13.8)	(3.5)	(3.3)	(20.6)
Movement in funding balance with WCC, WRI, Food services and GSL	7.3	–	–	7.3
At 28 April 2002	100.0	27.7	17.5	145.2

Insurance reserves

The insurance reserves relate to the reserves held by the Wackenhut Group's wholly owned insurance subsidiary which reinsures a portion of the Wackenhut Group's workers compensation, general liability and auto liability policies. These provisions are subject to regular review and are adjusted as appropriate. The value of final insurance settlements is uncertain and so is the timing of the expenditure.

Other provisions

Other provisions include legal and restructuring provisions. Restructuring provisions of US$6.4 million as at 30 December 2001 (28 April 2002: US$12.5 million) were established in connection with the Wackenhut Group's programme to realign its international security management, and consolidate its global security operations in order to focus the Wackenhut Group's resources in international markets where it could best achieve a proper critical mass. Legal provisions of US$6.4 million as at 30 December 2001 (28 April 2002: US$5.0 million) were associated with claims arising in the ordinary course of business where the plaintiffs request punitive or other damages that may not be covered by insurance.

These amounts are principally denominated US dollars and bear no interest. The timing of the expenditure in respect of these provisions is uncertain.

17. RECONCILIATION OF MOVEMENT IN INVESTED CAPITAL

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Loss for the financial period	(11.3)	(12.6)
Exchange adjustments offset in reserves	(0.4)	0.2
Movement in funding balances with WCC, WRI, Food Services and GSL	22.0	13.1
Amounts in respect of share option schemes	0.9	–
Proceeds of ordinary shares issued for cash	–	3.4
Net change in combined invested capital	11.2	4.1
Combined invested capital as at the beginning of the period	32.5	43.7
Combined invested capital as at the end of the period	43.7	47.8
Represented by:		
Net funding balances with WCC, WRI, Food Services and GSL	(102.2)	(89.1)
Invested capital in the Wackenhut Group	145.9	136.9
Combined invested capital	43.7	47.8

18. CONTINGENT LIABILITIES

As at 30 December 2001 and 28 April 2002 the Wackenhut Group had employment agreements with its Chairman, Vice-Chairman and Chief Executive Officer. These agreements were for terms of three and ten years, respectively, and contained termination provisions. Also, the Wackenhut Group had severance agreements with certain executives that provided for specified benefits in the event of termination of employment due to a change of control.

The Wackenhut Group is from time to time subject to claims arising in the ordinary course of its business. In certain of such actions, plaintiffs request punitive or other damages that may not be covered by insurance. In the opinion of the directors, there were no pending legal proceedings which were not provided for, for which the potential impact if decided unfavorable to the Wackenhut Group could have a material adverse effect on the Combined Financial Information of the Wackenhut Group.

19. OPERATING LEASE COMMITMENTS

As at 30 December 2001 and 28 April 2002 the Wackenhut Group had annual commitments under non-cancellable operating lease agreements in respect of properties, vehicles and equipment, for which the payments extend over a number of years, as follows:

	30 December 2001		28 April 2002	
Lease expiry:	Property US$m	Vehicles and equipment US$m	Property US$m	Vehicles and equipment US$m
Within one year	0.5	1.3	0.4	1.3
Within two to five years	3.7	3.9	3.6	3.6
After five years	2.2	–	2.2	–
	6.4	5.2	6.2	4.9

20. CASH FLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Operating profit	18.1	4.0
Depreciation charge	6.7	2.1
Loss on sale of fixed assets	0.1	0.4
(Increase)/decrease in stocks	(0.4)	0.4
Increase in debtors	(30.9)	(17.0)
Increase in creditors	9.4	8.0
Increase in provisions	26.3	3.0
Amounts in respect of share option schemes	0.9	–
Net cash inflow from operating activities	30.2	0.9

(b) Analysis of cash flow headings in the cash flow statement

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Return on investments and servicing of finance		
Interest received	0.6	0.2
Net investment income on current asset investments	4.5	0.9
Interest paid	(5.6)	(1.7)
Dividends paid to minority interests	(0.5)	(0.2)
Net cash outflow from returns on investments and servicing of finance	(1.0)	(0.8)
Capital expenditure		
Purchase of tangible fixed assets	(4.7)	(2.1)
Net purchase of current asset investments	(11.1)	(2.2)
Investment and loans in associates	(36.6)	(2.9)
Net cash outflow for capital expenditure and financial investment	(52.4)	(7.2)

During the 52 weeks ended 30 December 2001, the Wackenhut Group provided a loan of US$2.5 million and funded letters of credit of US$32 million to its Chilean associate. At 30 December 2001, the Wackenhut Group wrote down its net investment in Chile to US$10.2 million, being the amount estimated as being recoverable at that time.

(c) Analysis of movements in net debt

	Cash in hand and at bank US$m	Overdrafts US$m	Total US$m	Debt due after 1 year US$m	Debt due within 1 year US$m	Total US$m	Net debt US$m
At 1 January 2001	9.1	(6.4)	2.7	(1.0)	(72.8)	(73.8)	(71.1)
Cash flow	3.6	(8.6)	(5.0)	(10.3)	(0.1)	(10.4)	(15.4)
Exchange movements	–	–	–	(0.1)	–	(0.1)	(0.1)
At 30 December 2001	12.7	(15.0)	(2.3)	(11.4)	(72.9)	(84.3)	(86.6)
Cash flow	1.1	(1.9)	(0.8)	2.1	3.6	5.7	4.9
Exchange movements	(0.1)	–	(0.1)	–	0.4	0.4	0.3
At 28 April 2002	13.7	(16.9)	(3.2)	(9.3)	(68.9)	(78.2)	(81.4)

22. DIRECTORS

Directors	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Aggregate emoluments	6.0	1.4
Aggregate amounts receivable under long-term incentive schemes	0.4	–
	6.4	1.4

For the 52 weeks ended 30 December 2001 and for the 17 weeks ended 28 April 2002 retirement benefits accrued to two directors under the Wackenhut Group's Senior Executive Retirement plan.

Share Option Schemes

Key employees of the Wackenhut Group were eligible to participate in the Key Employee Long-Term Incentive Stock Plan (the "Incentive Share Plan"). Under the Incentive Share Plan, options were granted to participants approved by the Nominating Compensation Committee of the Company's Board of Directors (the "Committee"). Under the terms of the Incentive Share Plan, non-qualified share options were granted at prices not less than the fair market value at the date of grant, were exercisable after a minimum of six months and expired no later than ten years after the date of grant.

Non-employee directors of the Company were eligible to participate in The Wackenhut Corporation non-employee Directors' Stock Option Plan (the "Directors' Plan"). Under the Directors' Plan, non-employee directors were granted 5,000 share options upon their election or re-election to the Board of Directors. Under the terms of the Directors' Plan, options were granted at the fair market value at the date of grant, became exercisable at the date of grant, and expired ten years after the date of grant.

A summary of the non-qualified share options outstanding under the Incentive Share Plan and the Directors' Plan as at 30 December 2001, and 28 April 2002 is presented below:

	30 December 2001 Number	28 April 2002 Number
Non-qualified share options under the Key Employee Long-Term Incentive Stock Plan	2,125,528	1,876,478
Directors' Plan	210,500	210,500
	2,336,028	2,086,978

Under the terms of the Incentive Share Plan, the Committee also granted restricted shares and performance shares to key employees. Performance shares were earned only if certain three year earnings per share performance goals established by the Compensation Committee were met.

Restricted shares did not vest until seven years of continuous employment from the date of grant. As at 30 December 2001 there were 158,850 performance shares (28 April 2002: 158,850) and 132,206 restricted shares (28 April 2002: 132,206) outstanding.

In addition, during the 52 weeks ended 30 December 2001, non-qualified share options for certain employees were modified, extending the remaining life of the options. A non-cash compensation charge of US$0.9 million was recorded in the profit and loss account as a result of this modification.

23. OTHER RELATED PARTY TRANSACTIONS

The Wackenhut Group and Wackenhut Corrections Corporation ("WCC") entered into a services agreement (the "Services Agreement") on 30 December 1995, which became effective on 1 January 1996, pursuant to which the Wackenhut Group agreed to provide certain services to WCC.

In accordance with the terms of the Services Agreement, WCC paid the Wackenhut Group a fixed annual fee (the "Annual Services Fee") equal to $2.8 million during the 52 weeks ended 30 December 2001 and $0.9 million for the 17 weeks ended 28 April 2002. The directors believe that the Annual Services Fee under the Services Agreement was on terms no less favourable to the Wackenhut Group and WCC than could be obtained from unaffiliated third parties. Under the Services Agreement, the services to be provided by the Wackenhut Group to WCC included financial, accounting, tax, information technology and human resource services.

The following table sets forth certain additional amounts invoiced to WCC during the 52 weeks ended 30 December 2001 and the 17 weeks ended 28 April 2002 for services not covered by the Annual Services Fee paid under the Services Agreement.

	52 weeks ended 30 December 2001 US$m	17 weeks ended 28 April 2002 US$m
Casualty Insurance Premiums[1]	21.9	7.6
Office Rental[2]	0.3	0.1
Total	22.2	7.7

1 Casualty insurance premiums relate to workers' compensation, general liability and automobile insurance coverage obtained through the Wackenhut Group's insurance programme. Under the terms of the Services Agreement, WCC also had the option to participate in certain other insurance policies maintained by the Wackenhut Group for which WCC reimbursed the Wackenhut Group for the direct and indirect costs associated in providing such services.

2 Effective 15 February, 1996, WCC entered into a 15-year agreement with the Group providing for the rental of approximately 14,672 square feet of office space at its corporate headquarters in Palm Beach Gardens, Florida on terms which the Wackenhut Group believes to be no less favourable to the Wackenhut Group than could have been obtained from unaffiliated third parties. In 1998, WCC increased the space it rented by approximately 1,600 square feet.

The Wackenhut Group also provided selected accounting, treasury, tax and legal services to Wackenhut Resources, Incorporated. For these services, WRI was billed an agreed upon amount of $0.3 million and $0.1 million for the 52 weeks ended 30 December 2001 and the 17 weeks ended 28 April 2002, respectively. The directors believe that the services were provided on terms no less favourable to the Wackenhut Group and WRI than could have been obtained from unaffiliated third parties. Until 1 April 2001, the Wackenhut Group also received casualty insurance premiums from WRI for worker's compensation insurance coverage obtained through the Wackenhut Group's captive insurance programme. Premiums received during 2001 totaled $3.8 million. Subsequent to 1 April 2001 WRI obtained insurance from a third party.

Other Relationships

George R. Wackenhut, Chairman of the Board of the Wackenhut Group, also served as Chairman of the Board of WCC and, together with his wife, Ruth J. Wackenhut, through trusts over which they had sole dispositive and voting power, controlled approximately 50.05% of the issued and outstanding voting common stock of the Wackenhut Group. Richard R. Wackenhut, Vice Chairman, President and Chief

Executive Officer of the Wackenhut Group, was also a director of WCC. He is the son of George R. and Ruth J. Wackenhut.

24. POST BALANCE SHEET EVENTS

The Wackenhut Group was acquired by Group 4 Falck A/S on 8 May 2002.

25. COMPANIES IN THE COMBINED FINANCIAL INFORMATION

This Combined Financial Information presents the financial record of the Wackenhut Group for the 52 week period ended 30 December 2001, and the 17 week period ended 28 April 2002. The following are the principal subsidiary undertakings and associated undertakings that have been included in the Combined Financial Information.

			Interest in ordinary share capital	
Company	**Nature of business**	**Country of incorporation**	**30 December 2001**	**28 April 2002**
Subsidiaries of the Wackenhut Group				
Wackenhut Services Incorporated	Manned Security	United States	100.0%	100.0%
Titania Insurance Company of America	Insurance	United States	100.0%	100.0%
Wackenhut Airline Services, Inc	Manned Security	United States	100.0%	100.0%
Wackenhut of Canada, Ltd.	Manned Security	Canada	100.0%	100.0%
Wackenhut of Nevada, Inc	Manned Security	United States	100.0%	100.0%
Wackenhut International, Incorporated	Manned Security	United States	100.0%	100.0%
Wackenhut U.K. Limited	Manned Security	United Kingdom	100.0%	100.0%
Wackenhut Puerto Rico, Inc	Manned Security	Puerto Rico	100.0%	100.0%
Wackenhut de Venezuela, S.A.	Manned Security	Venezuela	97.9%	97.58%
Grupo Wackenhut, S.A., de C.V.	Manned Security	Mexico	99.0%	99.0%
Wackenhut Peru, S.A.	Manned Security	Peru	99.99%	99.99%
Wackenhut Cameroon, S.A.	Manned Security	Cameroon	100.0%	100.0%
Associates of the Wackenhut Group				
Space Gateway Support, LLC	Manned Security	United States	23.0%	23.0%
Wackenhut Chile, S.A.[(1)]	Manned Security	Chile	50.01%	50.01%
Search Organizacion de Seguridad S.A.	Manned Security	Argentina	46.5%	46.5%
Wackenhut Security (Cyprus) Ltd	Manned Security	Greece	45.0%	45.0%

1 The Wackenhut Group held a majority of the voting rights in its investment in Chile, but was restricted in its ability to exercise those rights. Consequently, the investment was included in this Combined Financial Information based on the Wackenhut Group's share of its results and net assets. The Chilean company filed for bankruptcy on 7 April 2002.

All of these companies operate principally in the country in which they are incorporated. Non-operating intermediate holding companies are excluded from the above table.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 5

A. FINANCIAL INFORMATION ON SECURICOR

1. EXTRACTION OF SECURICOR FINANCIAL INFORMATION

The financial information for Securicor in paragraph 3 below, which does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("Act"), has been extracted without material adjustment from the published audited statutory accounts of Securicor for the three financial years ended 30 September 2003. The profit and loss account for the year ended 30 September 2001 has been re-presented to reflect activities discontinued in the year ended 30 September 2003. In addition the balance sheets as at each year end have been re-presented to reflect the treatment of shares held by Securicor's ESOP trust required by UITF Abstract 38: Accounting for ESOP trusts. This requires that shares held by ESOP trusts are deducted from equity, this policy having been adopted by Securicor with effect from 1 October 2003.

2. STATEMENT OF ACCOUNTING POLICIES

Accounting policies

The principal accounting policies, which have been consistently applied in Securicor's financial information throughout the period, are as follows:

Basis of accounting

The financial information has been prepared in accordance with applicable accounting standards. A summary of the more important group accounting policies is given below.

Accounting policies are periodically reviewed to ensure that they continue to be the most appropriate.

Accounting convention

The financial information has been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial information incorporates the accounts of Securicor plc, its subsidiary undertakings and the group's share of the results and net assets of its associates and joint venture.

(a) Associated undertakings and joint ventures

Associated undertakings are entities in which a member of the group holds a long-term minority equity interest, but over which it is in a position to exert a significant influence. The financial information includes the relevant proportion of the results of associated undertakings based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheets the investments in associated undertakings are shown as the group's share of underlying net assets under the heading "Investment in associated undertakings".

Joint ventures are entities in which a member of the group holds a long-term interest and shares control under a contractual agreement. The financial information includes the group's share of results based on the last audited accounts and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheets the share of gross assets and gross liabilities is shown under the heading "Investment in joint ventures".

(b) Dominant influence

For those associated undertakings and joint ventures where the group exercises dominant influence through management control of the business the accounting treatment follows that of subsidiary undertakings.

Accounting for acquisitions and disposals

The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. On the acquisition of subsidiary undertakings or businesses, the acquisition cost is allocated against the fair value of net assets acquired, after adjustments to bring accounting policies into line with those of the group.

Group turnover

Turnover represents sales, excluding value added tax, by group companies to external customers.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their expected economic life. No depreciation is provided on freehold or long leasehold land. Details of depreciation rates are disclosed in note 10 to the consolidated financial information.

Research and development expenditure

Research expenditure is written off in the year in which it is incurred. Development expenditure represents expenditure mainly of a revenue nature in establishing new services and products of the group. Such expenditure is amortised over the period during which the expenditure is revenue-producing up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

Stocks

Stocks are valued at the lower of cost and net realisable value on bases consistent with previous years. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present condition and location and includes appropriate overheads.

Deferred taxation

In accordance with FRS19, deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, except that a net deferred tax asset is recognised only when it can be regarded as more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from foreign subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group.

Foreign currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments arising on consolidation and on borrowings arranged to finance foreign investments, have been transferred to reserves as disclosed in note 19 to the consolidated financial information. All other exchange adjustments are taken to the profit and loss account.

Goodwill and amortisation

Goodwill, being the excess of the cost of an acquisition over the fair value attributed to the net tangible assets at acquisition, is capitalised and amortised over its useful economic life, which is expected not to exceed 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions made on or before 30 September 1998 was charged directly to reserves. The profit or loss on disposal or closure of a business includes any attributable goodwill previously charged to reserves.

Provisions

The costs of meeting lease requirements on unoccupied properties are provided for and discounted to present value. Interest is calculated at an applicable interest rate and charged to the profit and loss account within external interest payable.

Expenditure incurred in the year is charged to the provision.

Leases

Assets held under finance leases are included as tangible fixed assets at their capital value and depreciated over the shorter of the lease term and their useful economic life. The capital element of future rentals is included within creditors and finance charges are allocated to accounting periods over the period of the lease.

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred and future rental obligations are disclosed in note 22 to the consolidated financial information.

Pensions

The group operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal UK scheme is of a defined benefit structure. The regular cost of providing benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members.

A contracted-in defined contribution scheme was established in 1996 and is the main scheme for new employees.

The group has adopted the interim disclosure requirements or FRS17 as shown in note 4 (c) to the consolidated financial information.

Financial instruments

The financial instruments utilised by the group are interest rate swaps and forward exchange contracts. These instruments are held to manage the interest rate exposure of borrowings and currency exposures arising from operational transactions. Interest differentials arising from derivatives are recognised by adjusting net interest payable. Gains or losses on forward contracts taken out to hedge certain transactions are recognised in the profit and loss account at the same time as the transactions to which they relate.

Share awards

The estimated cost of share awards is spread evenly over the performance period.

3. FINANCIAL INFORMATION FOR SECURICOR

SECURICOR GROUP CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		For the years ended 30 September								
	Notes	Before exceptional items and goodwill amortisation 2001 £m	Exceptional items (Note 2) and goodwill amortisation 2001 £m	Total 2001 £m	Before exceptional items and goodwill amortisation 2002 £m	Exceptional items (Note 2) and goodwill amortisation 2002 £m	Total 2002 £m	Before exceptional items and goodwill amortisation 2003 £m	Exceptional items (Note 2) and goodwill amortisation 2003 £m	Total 2003 £m
Turnover										
Total turnover		1,520.1	–	1,520.1	1,759.9	–	1,759.9	1,644.8	–	1,644.8
Less share of joint ventures		(384.3)	–	(384.3)	(359.8)	–	(359.8)	(321.0)	–	(321.0)
Group turnover		1,135.8	–	1,135.8	1,400.1	–	1,400.1	1,323.8	–	1,323.8
Continuing operations		960.1	–	960.1	1,197.9	–	1,197.9	1,231.0	–	1,231.0
Acquisitions		–	–	–	–	–	–	38.9	–	38.9
Discontinued operations	1	175.7	–	175.7	202.2	–	202.2	53.9	–	53.9
Group turnover	1	1,135.8	–	1,135.8	1,400.1	–	1,400.1	1,323.8	–	1,323.8
Group operating profit/(loss)										
Continuing operations		62.0	(7.3)	54.7	76.7	(11.3)	65.4	69.9	(11.6)	58.3
Acquisitions		–	–	–	–	–	–	3.8	(0.9)	2.9
Discontinued operations	1	(21.3)	–	(21.3)	(4.6)	(76.0)	(80.6)	(7.0)	–	(7.0)
	1	40.7	(7.3)	33.4	72.1	(87.3)	(15.2)	66.7	(12.5)	54.2
Share of operating profit/(loss) in joint ventures and associates										
Continuing operations		6.8	(0.4)	6.4	6.3	–	6.3	5.4	–	5.4
Acquisitions		–	–	–	–	–	–	1.1	–	1.1
Discontinued operations		6.1	(0.1)	6.0	7.1	(0.1)	7.0	7.0	(0.1)	6.9
	1	53.6	(7.8)	45.8	85.5	(87.4)	(1.9)	80.2	(12.6)	67.6
Loss on sale or closure of operations	1, 2	–	(44.1)	(44.1)	–	(4.3)	(4.3)	–	(0.8)	(0.8)
Loss on sale of fixed assets	1, 2	–	–	–	–	(0.7)	(0.7)	–	–	–
Profit/(loss) on ordinary activities before interest and taxation	1, 2	53.6	(51.9)	1.7	85.5	(92.4)	(6.9)	80.2	(13.4)	66.8
Net interest:										
– Group		(9.0)	–	(9.0)	(13.0)	–	(13.0)	(13.2)	–	(13.2)
– Joint ventures and associates (continuing)		(3.7)	–	(3.7)	(3.3)	–	(3.3)	(3.4)	–	(3.4)
– Joint ventures (discontinued)		(1.8)	–	(1.8)	(1.4)	–	(1.4)	(0.7)	–	(0.7)
		(14.5)	–	(14.5)	(17.7)	–	(17.7)	(17.3)	–	(17.3)
Profit/(loss) on ordinary activities before taxation		39.1	(51.9)	(12.8)	67.8	(92.4)	(24.6)	62.9	(13.4)	49.5
Taxation	5	(12.7)	–	(12.7)	(21.0)	4.2	(16.8)	(18.3)	14.4	(3.9)
Profit/(loss) on ordinary activities after taxation		26.4	(51.9)	(25.5)	46.8	(88.2)	(41.4)	44.6	1.0	45.6
Minority interests		(2.1)	–	(2.1)	(1.4)	–	(1.4)	(1.1)	–	(1.1)
Profit/(loss) for the year		24.3	(51.9)	(27.6)	45.4	(88.2)	(42.8)	43.5	1.0	44.5
Ordinary dividend	6	(10.3)	–	(10.3)	(13.2)	–	(13.2)	(12.8)	–	(12.8)
Special dividend	6	–	–	–	–	–	–	–	(75.0)	(75.0)
Retained earnings/(deficit)	19	14.0	(51.9)	(37.9)	32.2	(88.2)	(56.0)	30.7	(74.0)	(43.3)
Earnings/(loss) per share										
Basic earnings/(loss) per share				(4.4p)			(6.8p)			7.4p
Diluted earnings/(loss) per share				(4.4p)			(6.8p)			7.4p
Normalised earnings per share before goodwill amortisation, discontinued operations and exceptional items				6.0p			7.1p			7.3p

SECURICOR GROUP CONSOLIDATED BALANCE SHEETS

	Notes	2001 £m	2002 £m	2003 £m
Fixed assets				
Intangible assets				
– goodwill	9	210.6	221.2	219.2
– development expenditure	9	55.4	26.4	–
Tangible assets	10	136.9	166.2	177.1
Investment in joint ventures:				
– share of gross assets		179.3	172.2	42.9
– share of gross liabilities		(121.8)	(116.4)	(36.1)
– net investment	11	57.5	55.8	6.8
Investment in associated undertakings	11	2.9	3.5	8.6
		463.3	473.1	411.7
Current assets				
Stocks	12	13.7	13.5	6.3
Debtors	13	247.7	232.5	222.0
Bank and deposit balances	14	46.8	67.2	73.5
		308.2	313.2	301.8
Creditors: amounts falling due within one year				
Borrowings	14	(16.2)	(33.5)	(72.9)
Corporation tax		(2.5)	(7.7)	(10.9)
Proposed dividends		(6.2)	(8.7)	(8.6)
Other	16	(196.1)	(223.5)	(234.3)
		(221.0)	(273.4)	(326.7)
Net current (liabilities)/assets		87.2	39.8	(24.9)
Total assets less current liabilities		550.5	512.9	386.8
Creditors: amounts falling due after more than one year				
Borrowings	14	(213.7)	(232.2)	(115.1)
Provision for liabilities and charges	17	(4.3)	(8.4)	(4.0)
Net assets	8	332.5	272.3	267.7
Capital and reserves				
Called up share capital	18	31.1	31.3	31.3
Reserves	19	297.6	235.6	230.0
Equity shareholders' funds		328.7	266.9	261.3
Equity minority interests	19	3.8	5.4	6.4
Capital employed		332.5	272.3	267.7

SECURICOR GROUP CASH FLOW STATEMENTS

	Notes	2001 £m	2002 £m	2003 £m
Net cash flow from operating activities	24a	46.0	127.4	96.9
Dividends from associates and joint ventures		1.3	2.2	1.3
Net cash flow from returns on investments and servicing of finance	24b	(9.5)	(13.5)	(13.8)
Taxation		(7.9)	(13.1)	(5.9)
Net cash flow from capital expenditure	24b	(58.4)	(56.9)	(39.7)
Net cash flow from acquisitions and disposals	24b	(198.4)	(47.7)	156.0
Ordinary dividends paid		(9.6)	(10.7)	(12.9)
Special dividends paid		–	–	(75.0)
Cash flow before use of liquid resources and financing		(236.5)	(12.3)	106.9
Financing:				
– share issue		3.5	3.6	–
– increase/(decrease) in loans		212.2	42.6	(101.1)
– capital element of finance lease rental payments		(0.8)	(0.7)	(1.3)
Net cash flow from financing		214.9	45.5	(102.4)
(Decrease)/increase in cash in the year		(21.6)	33.2	4.5
Reconciliation of cash flow to movement in net debt	24c			
Increase/(decrease) in cash in the year		(21.6)	33.2	4.5
Cash flow from (increase)/decrease in debt and lease financing		(211.4)	(41.9)	102.4
Change in net debt resulting from cash flows		(233.0)	(8.7)	106.9
Borrowings acquired with subsidiary		–	(6.8)	(1.8)
New finance leases		(1.0)	(6.3)	(5.2)
Movement in net debt in the year		(234.0)	(21.8)	99.9
Translation adjustments		–	6.4	(15.9)
Net debt at 1 October		50.9	(183.1)	(198.5)
Net debt at 30 September		(183.1)	(198.5)	(114.5)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		For the year ended 30 September		
	Notes	2001 £m	2002 £m	2003 £m
(Loss)/profit on ordinary activities after taxation and minority interests		(27.6)	(42.8)	44.5
Translation adjustments on foreign currency net investments	19	(1.3)	(9.4)	(5.1)
Total (losses)/gains recognised for the year and since the last Annual Report		(28.9)	(52.2)	39.4

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no material difference between the profit shown in the Securicor Group consolidated profit and loss accounts and the profit for the year restated on an historical cost basis.

RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

		For the year ended 30 September		
	Notes	2001 £m	2002 £m	2003 £m
(Loss)/profit on ordinary activities after taxation and minority interests		(27.6)	(42.8)	44.5
Dividends	6	(10.3)	(13.2)	(87.8)
Retained deficit		(37.9)	(56.0)	(43.3)
Translation adjustments on foreign currency net investments	19	(1.3)	(9.4)	(5.1)
Proceeds of share capital issued		3.5	3.6	–
Purchase of own shares by employee benefit trust		–	–	(2.4)
Amortisation of own shares held by employee benefit trust		–	–	0.4
Write-back of goodwill on disposal previously written off	20b	15.1	–	44.8
Net decrease in shareholders' funds		(20.6)	(61.8)	(5.6)
Equity shareholders' funds at 1 October		349.3	328.7	266.9
Equity shareholders' funds at 30 September		328.7	266.9	261.3

4. NOTES TO THE SECURICOR FINANCIAL INFORMATION

1. Segmental and geographical analysis of results

	For the year ended 30 September									
	Continuing operations 2001 £m	Discontinued operations 2001 £m	Total 2001 £m	Continuing operations 2002 £m	Discontinued operations 2002 £m	Total 2002 £m	Continuing operations 2003 £m	Acquisitions 2003 £m	Discontinued operations 2003 £m	Total 2003 £m
Turnover										
United Kingdom	503.0	76.7	579.7	537.1	57.0	594.1	569.8	–	36.0	605.8
Europe, Middle East and Africa	283.5	2.3	285.8	392.3	3.6	395.9	410.5	38.4	2.1	451.0
Americas	181.1	96.7	277.8	209.9	141.6	351.5	177.6	–	15.8	193.4
Asia	37.9	–	37.9	70.9	–	70.9	80.3	0.5	–	80.8
	1,005.5	175.7	1,181.2	1,210.2	202.2	1,412.4	1,238.2	38.9	53.9	1,331.0
Less security joint venture UK	(7.5)	–	(7.5)	(7.5)	–	(7.5)	(7.2)	–	–	(7.2)
Less security joint venture Asia	(37.9)	–	(37.9)	(4.8)	–	(4.8)	–	–	–	–
Group turnover	960.1	175.7	1,135.8	1,197.9	202.2	1,400.1	1,231.0	38.9	53.9	1,323.8
Cost of sales	(729.1)	(148.3)	(877.4)	(904.7)	(176.7)	(1,081.4)	(930.7)	(19.3)	(46.7)	(996.7)
Gross profit	231.0	27.4	258.4	293.2	25.5	318.7	300.3	19.6	7.2	327.1
Administration expenses	(169.0)	(48.7)	(217.7)	(209.8)	(36.8)	(246.6)	(230.4)	(15.8)	(14.2)	(260.4)
Goodwill amortisation	(7.3)	–	(7.3)	(11.3)	–	(11.3)	(11.6)	(0.9)	–	(12.5)
Operating exceptional items	–	–	–	–	(76.0)	(76.0)	–	–	–	–
Group operating profit/(loss)	54.7	(21.3)	33.4	72.1	(87.3)	(15.2)	58.3	2.9	(7.0)	54.2
Profit/(loss) on ordinary activities before interest and taxation										
United Kingdom	48.9	(13.1)	35.8	54.0	(7.7)	46.3	54.6	–	0.1	54.7
Europe, Middle East and Africa	16.8	0.5	17.3	24.3	1.2	25.5	15.0	3.8	(0.4)	18.4
Americas	2.2	(8.7)	(6.5)	0.6	1.9	2.5	0.6	–	(6.7)	(6.1)
Asia	0.9	–	0.9	4.1	–	4.1	5.1	1.1	–	6.2
	68.8	(21.3)	47.5	83.0	(4.6)	78.4	75.3	4.9	(7.0)	73.2
Distribution (50%) share										
United Kingdom	–	5.7	5.7	–	6.5	6.5	–	–	6.6	6.6
Europe, Middle East and Africa	–	0.4	0.4	–	0.6	0.6	–	–	0.4	0.4
	–	6.1	6.1	–	7.1	7.1	–	–	7.0	7.0
EBITA (earnings before interest, taxation, goodwill amortisation and exceptional items)	68.8	(15.2)	53.6	83.0	2.5	85.5	75.3	4.9	–	80.2
Goodwill amortisation										
United Kingdom	(0.2)	(0.1)	(0.3)	(0.7)	(0.1)	(0.8)	(2.3)	–	(0.1)	(2.4)
Europe, Middle East and Africa	–	–	–	(5.6)	–	(5.6)	(5.1)	(0.9)	–	(6.0)
Americas	(7.1)	–	(7.1)	(4.0)	–	(4.0)	(2.7)	–	–	(2.7)
Asia	(0.4)	–	(0.4)	(1.0)	–	(1.0)	(1.5)	–	–	(1.5)
	(7.7)	(0.1)	(7.8)	(11.3)	(0.1)	(11.4)	(11.6)	(0.9)	(0.1)	(12.6)
Operating exceptional items (note 2b)										
United Kingdom	–	–	–	–	(38.9)	(38.9)	–	–	–	–
Americas	–	–	–	–	(37.1)	(37.1)	–	–	–	–
	–	–	–	–	(76.0)	(76.0)	–	–	–	–
Operating profit/(loss) including share of profit/(loss) in joint ventures and associates	61.1	(15.3)	45.8	71.7	(73.6)	(1.9)	63.7	4.0	(0.1)	67.6

1. Segmental and geographical analysis of results (continued)

	For the year ended 30 September									
	Continuing operations 2001 £m	Discontinued operations 2001 £m	Total 2001 £m	Continuing operations 2002 £m	Discontinued operations 2002 £m	Total 2002 £m	Continuing operations 2003 £m	Acquisitions 2003 £m	Discontinued operations 2003 £m	Total 2003 £m
Operating profit/(loss) including share of profit/(loss) in joint ventures and associates	61.1	(15.3)	45.8	71.7	(73.6)	(1.9)	63.7	4.0	(0.1)	67.6
Profit/(loss) on sale or closure of operations (note 2b)										
United Kingdom	–	(1.7)	(1.7)	–	(6.0)	(6.0)	–	–	30.1	30.1
Europe, Middle East and Africa	–	–	–	–	1.7	1.7	–	–	(2.3)	(2.3)
Americas	–	(42.4)	(42.4)	–	–	–	–	–	(28.6)	(28.6)
Loss on sale of fixed assets (note 2b)										
United Kingdom	–	–	–	(0.7)	–	(0.7)	–	–	–	–
	–	(44.1)	(44.1)	(0.7)	(4.3)	(5.0)	–	–	(0.8)	(0.8)
Total profit/(loss) on ordinary activities before interest and taxation	61.1	(59.4)	1.7	71.0	(77.9)	(6.9)	63.7	4.0	(0.9)	66.8

Discontinued group operations for 2003 represent the aviation security activities of Argenbright Security (exited February 2003), the operations of Securicor Wireless Technology (sold December 2002), the operations of Securicor Information Systems (sold May 2003), the operations of Securicor Cash Machine (sold June 2003), operations in Angola, Equatorial Guinea and Qatar (exited during the year) and the group's share of the operating of the Securicor Distribution joint venture (sold July 2003). For 2002, discontinued group operations also include SafeDoor (closed May 2002). For 2001, discontinued group operations also include Securicor Wireless, Inc (sold September 2001) and Securicor Recruitment Services (sold April 2001).

The group's continuing operations are all in the security sector. Turnover from discontinued operations in the year to 30 September 2003 amounted to £25.6m from the security sector and £28.3m from the communications sector (year to 30 September 2002: £141.6m and £60.6m respectively and year to 30 September 2001: £132.6m and £43.1m respectively). Operating profits/(losses) from discontinued operations before exceptional items and goodwill amortisation and excluding the Distribution joint venture in the year to 30 September 2003 all arose in the security sector (year to 30 September 2002: £2.9m from the security sector and £(7.5m) from the communications sector and year to 30 September 2001: £5.8m and £(29.1)m respectively).

2. Profit/(loss) on ordinary activities before interest and taxation

(a) Profit/(loss) on ordinary activities before interest and taxation has been arrived at after taking account of:

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
Auditors' remuneration:			
– audit	0.6	0.6	0.6
– other services in the UK	0.3	0.1	0.1
Depreciation of tangible fixed assets:			
– owned assets	26.1	30.5	33.3
– leased assets	0.3	0.2	1.9
Goodwill amortisation (excluding joint ventures and associated undertakings)	7.5	11.3	12.5
Amortisation of development expenditure	2.7	0.5	–
Research and development expenditure	0.5	2.1	0.2
Operating lease rentals payable:			
– plant, machinery and vehicles	15.0	15.2	22.4
– other including properties	13.2	15.1	17.3
Operating lease rentals receivable:	–	0.7	1.4
Loss on disposal of tangible fixed assets	(3.1)	0.8	0.9
Cost of Performance Share Plan awards	–	–	0.4

In addition to the amounts shown above, the auditors received fees of £0.4m (2002: £0.4m; 2001: £0.8m) relating to the acquisition and disposal of subsidiaries and businesses during the year.

(b) Exceptional items:

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
Within group operating profit/(loss)			
Impairment of goodwill arising on acquisition of Argenbright Security	–	(33.0)	–
Restructuring cost of Argenbright Security	–	(4.1)	–
Impairment of intangible fixed asset at Securicor Information Systems	–	(36.3)	–
Impairment of intangible fixed asset and associated costs at Securicor Wireless Technology	–	(2.6)	–
	–	(76.0)	–
Profit/(loss) on sale or closure of operations			
SafeDoor	–	(5.7)	–
Securicor Distribution	–	–	65.7
Securicor Information Systems	–	–	(30.5)
Securicor Recruitment Services	(1.7)	–	–
Securicor Wireless	(42.4)	–	–
Others	–	1.6	(7.1)
Impairment of goodwill arising on acquisition of Argenbright Security associated with exit from aviation security activities	–	–	(28.6)
Loss on sale or closure of joint venture operations	–	(0.2)	(0.3)
	(44.1)	(4.3)	(0.8)
Loss on sale of fixed assets	–	(0.7)	–

3. Net interest

	For the year ended 30 September					
	2001 £m	2001 £m	2002 £m	2002 £m	2003 £m	2003 £m
Interest receivable (group)		2.3		2.1		2.4
Interest payable (group)						
Loans and overdrafts	(11.1)		(14.9)		(15.1)	
Interest on finance leases	(0.2)		(0.2)		(0.5)	
		(11.3)		(15.1)		(15.6)
Interest payable (joint ventures – continuing)		(3.7)		(3.3)		(3.3)
Interest payable (associates – continuing)				–		(0.1)
Interest payable (joint ventures – discontinued)		(1.8)		(1.4)		(0.7)
		(14.5)		(17.7)		(17.3)

4. Staff costs and employees

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
(a) Staff costs:			
Staff costs, including directors' emoluments:			
Wages and salaries	669.8	840.1	796.5
Social security costs	67.5	86.2	85.5
Pension costs	9.3	11.9	15.8
	746.6	938.2	897.8
(b) Number of employees:	**Number**	**Number**	**Number**
The average monthly number of employees of the group during the year was:			
United Kingdom	19,292	19,632	20,080
Europe, Middle East and Africa	48,643	51,174	55,620
Americas	12,742	12,496	11,991
Asia	–	11,277	13,135
Continuing operations	80,677	94,579	100,826
Discontinued operations:			
United Kingdom	955	712	298
Europe, Middle East and Africa	55	61	190
Americas	11,589	9,807	465
	93,276	105,159	101,779

4. Staff costs and employees (continued)

(c) Pension arrangements:

The group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. Contributions made to defined contribution schemes, including the contracted-in defined contribution scheme which is the main scheme for new UK employees, and to foreign schemes totalled £9.2m (2002: £5.4m; 2001 £3.6m). The group's principal scheme, which operates in the UK, is of a defined benefit structure. The assets of the defined benefit scheme are held in a separate trustee-administered fund. The pension costs are assessed on the advice of a qualified independent actuary using the projected unit credit method.

The contributions paid into the UK defined benefit scheme constitute the cost recognised in the profit and loss account and amounted to £6.6m (2002: £6.5m; 2001: £5.7m) together with £4.8m (2002: £5.5m; 2001: £6.2m) contributed by the Distribution joint venture up to the date of the disposal of the group's interest. Regular actuarial assessments of the scheme are carried out, the latest being at 5 April 2003, and updated to 30 September 2003. The most significant actuarial assumptions used were that the long-term composite rates of return on investments would be 2.4% above the risk-free return, 2.4% above the rate of annual salary increase and 4.4% above the rate of pension increase. As at 30 September 2003 the market value of the scheme assets was £602m. This is in excess of the assessment of the scheme's liabilities on a current funding level basis (the Minimum Funding Requirement solvency level), being based upon pensionable service to and pensionable earnings at 30 September 2003. The scheme has therefore been certified by an independent actuary as meeting the Minimum Funding Requirement solvency level. The assets comprise 97% of the scheme's liabilities on actuarial assumptions which take account of future service and earnings increases.

Variances arising on the actuarial valuation of the defined benefit scheme will be reviewed regularly and, in accordance with SSAP24 Pension costs, recognised in the profit and loss account over the average remaining service lives of the scheme's members. An additional cash contribution of £5m before tax has been made in the year commencing 1 October 2003, with no profit and loss account impact. The contribution rate for the year commencing 1 October 2003 has been increased from 12% to 14% of pensionable earnings in respect of future service benefits.

FRS17 Retirement benefits was issued by the Accounting Standards Board in November 2000 but is not fully mandatory until the accounts for the year ended 30 September 2006 and some of its requirements may alter in the process of the harmonisation of UK and international accounting standards. Prior to this the transitional arrangements are to disclose certain items by way of note.

The major assumptions for the UK defined benefit pension scheme valuation in accordance with the methodology prescribed by FRS17 are as follows:

	For the year ended 30 September		
	2001	**2002**	**2003**
	%	%	%
Rate of increase in salaries	4.50	4.25	4.70
Rate of increase in pension payment	2.50	2.25	2.70
Discount rate	6.00	5.40	6.20
Inflation assumption	2.50	2.25	2.70

4. Staff costs and employees (continued)

On full compliance with FRS17, the amounts which would have been charged to the profit and loss account and statement of total recognised gains and losses for the year, on the basis of the valuation assumptions made as at the previous year end, including the group's share of the Distribution joint venture up to the date of the disposal of the group's interest, are as follows:

	For the year ended 30 September	
	2002 £m	2003 £m
Profit on ordinary activities before interest and taxation		
Current service cost	(10.5)	(9.3)
Past service cost	–	(24.0)
Curtailment gain	–	32.0
	(10.5)	(1.3)
Financial items		
Expected return on scheme assets	34.2	36.0
Interest cost on scheme liabilities	(34.7)	(40.0)
	(0.5)	(4.0)
Total included within profit before taxation	(11.0)	(5.3)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	(79.3)	44.1
Experience gains/(losses) on scheme liabilities	(4.5)	0.3
Changes in assumptions in valuation of scheme liabilities	(55.5)	33.0
Total actuarial gain/(loss)	(139.3)	77.4
Difference between expected and actual return on scheme assets as a percentage of scheme assets (%)	(16.9)	7.3
Experience gains/(losses) on scheme liabilities as a percentage of scheme liabilities (%)	(0.7)	–
Total actuarial (loss)/gain as a percentage of scheme liabilities (%)	(20.3)	10.5

The above disclosure was not required for 2001.

4. Staff costs and employees (continued)

The market value of assets in the UK defined benefit scheme at 30 September 2003, the comparative numbers for 2002 and 2001 (including the group's share of the Distribution joint venture) and the expected rates of return are as follows:

	At 30 September					
	2001 £m	2001 %	2002 £m	2002 %	2003 £m	2003 %
Equities	351.5	7.0	263.3	8.0	413.1	8.0
Bonds	221.5	6.0	204.7	5.4	188.9	5.5
Total market value of assets	573.0		468.0		602.0	
Actuarial value of liability	(650.0)		(686.0)		(737.0)	
Deficit in the scheme	(77.0)		(218.0)		(135.0)	
Related deferred tax asset	23.1		65.4		40.5	
Net pension liabilities	(53.9)		(152.6)		(94.5)	

The analysis of the movement in the scheme deficit during the year calculated in accordance with FRS17 is as follows:

	For the year ended 30 September	
	2002 £m	2003 £m
Deficit at 1 October	(77.0)	(218.0)
Current service cost	(10.5)	(9.3)
Past service cost	–	(24.0)
Curtailment gain	–	32.0
Contributions	9.3	10.9
Expected return on scheme assets	34.2	36.0
Interest cost on scheme liabilities	(34.7)	(40.0)
Actuarial (loss)/gain	(139.3)	77.4
Deficit at 30 September	(218.0)	(135.0)

The above disclosure was not required for 2001.

FRS17 specifies that pension liabilities should be discounted at an appropriate high quality corporate bond rate. At 30 September 2002, the rate used was the then median AA corporate bond rate. The directors consider that it is more appropriate to apply the AA corporate bond rate which most closely approximates to the timescale of the liability profile and the asset portfolio of the scheme and have therefore used such a rate, being 6.2%, at 30 September 2003.

Upon the sale of the group's 50% interest in the Distribution joint venture the liabilities in respect of the employees of the joint venture became the full responsibility of the group pension scheme, giving rise to a past service cost of £24.0m, but reduced by £32.0m as those employees became deferred rather than active members of the group scheme.

The UK defined benefit scheme is largely closed to new members. Under the projected unit method of actuarial valuation prescribed by FRS17 the current service cost will increase as the members of the scheme approach retirement.

4. Staff costs and employees (continued)

If the pension scheme deficit calculated as above in accordance with FRS17 had been recognised in the financial statements, the group's net assets and profit and loss account reserve would have been disclosed as follows:

	For the year ended 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Net assets excluding pension deficit	332.5	272.3	269.7
Pension deficit (net of deferred tax)	(53.9)	(152.6)	(94.5)
Net assets including pension deficit	278.6	119.7	175.2
Profit and loss account reserve excluding pension deficit	240.3	174.9	171.3
Pension deficit (net of deferred tax)	(53.9)	(152.6)	(94.5)
Profit and loss account reserve including pension deficit	186.4	22.3	76.8

(d) Emoluments of the directors of Securicor plc:

	For the year ended 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
As executives	1,717	2,380	1,195
As directors	261*	384	408
Total directors' emoluments excluding employer's pension scheme contributions	1,978	2,764	1,603

* Including £40,000 paid to the Chairman by way of special remuneration.

The remuneration of the highest paid director (Nick Buckles) was £425,206 (2002, Roger Wiggs: £995,266; 2001, Roger Wiggs: £551,811). Roger Wiggs' remuneration in 2002 included £750,000 by way of special bonus.

4. Staff costs and employees (continued)

(e) Number of directors accruing retirement benefits:

	For the year ended 30 September		
	2001 Number	2002 Number	2003 Number
The number of directors who accrued benefits under the group's defined benefit scheme	4	6	4

			2003			
Base salaries and bonuses	**2001 Total £**	**2002 Total £**	**Salary and fees £**	**Benefits £**	**Performance related bonus £**	**Total £**
Chairman (non-executive)						
Sir Neil Macfarlane (retired 2 May 2003)	128,750	134,000	116,133	–	–	116,133
Lord Sharman (appointed May 2003)	–	–	58,066	–	–	58,066
Executive directors						
Nick Buckles	292,495	573,880	401,070	24,136	–	425,206
Irene Cowden (appointed 1 August 2002)	–	49,892	190,789	15,057	–	205,846
Trevor Dighton (appointed 1 June 2002)	–	154,496	261,562	21,470	–	283,032
Nigel Griffiths	309,486	397,580	265,645	14,900	–	280,545
Christopher Shirtcliffe (retired 31 May 2002)	349,261	317,390	–	–	–	–
Other non-executive directors						
Sir James Birrell (retired 30 September 2002)	32,700	34,000	–	–	–	–
Lord Condon	32,700	34,000	35,360	–	–	35,360
Jonathan Kitchen	32,700	34,000	35,360	–	–	35,360
Jim Norton (retired 31 December 2002)	33,753	39,700	8,840	–	–	8,840
Roger Wiggs (non-executive since 1 January 2002)	551,811	995,266	132,706	21,869	–	154,575
Patrick Howes (retired 20 August 2001)	214,473	–	–	–	–	–

Pension entitlements and corresponding transfer values increased as follows during the year to 30 September 2003 (all figures are in £'000s).

	Gross increase in accrued pension £'000 (1)	Increase in accrued pension net of inflation £'000 (2)	Total accrued pension at 30 September 2003 £'000 (3)	Value of net increase in accrual over period £'000 (4)	Total change in transfer value during period £'000 (5)	Transfer value of accrued pension at 30 September 2003 £'000 (6)	Transfer value of accrued pension at 1 October 2002 £'000 (7)
Nick Buckles	12	9	134	68	174	1,185	1,011
Irene Cowden	27	25	91	272	363	1,206	843
Trevor Dighton	4	3	24	40	65	310	245
Nigel Griffiths	12	8	156	115	301	2,772	2,471
Roger Wiggs	N/a	N/a	277	See below (vi)	See below (vi)	5,612	5,679

Notes:

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

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

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

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

(v) Voluntary contributions paid by directors and resulting benefits are not shown.

(vi) The total accrued pension (3) shown for Roger Wiggs is after reduction for the pension which was commuted for cash in 2001. Mr Wiggs has been granted no discretionary or augmented benefits during the year and hence there is no increase in his accrued pension net of the standard scheme pension increases.

5. Taxation

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
Group			
UK corporation tax	5.3	16.0	21.8
UK corporation tax adjustments for previous years	–	(8.9)	0.5
Overseas tax	4.3	10.5	–
	9.6	17.6	22.3
Joint ventures			
UK corporation tax	0.7	1.2	2.4
UK corporation tax adjustments for previous years	–	(0.2)	–
Overseas tax	0.2	–	–
Associated undertakings			
UK corporation tax	0.4	0.3	0.5
Overseas tax	0.3	–	–
Exceptional items			
UK corporation tax	–	(1.7)	(12.1)
Overseas tax	–	(0.8)	(0.5)
Total current tax	11.2	16.4	12.6
Deferred tax			
Group	1.5	(0.2)	(3.2)
Joint ventures	–	0.2	–
Adjustments in respect of previous years	–	2.1	(3.7)
Exceptional items – current year	–	(1.7)	(3.5)
Exceptional items – adjustment in respect of previous years	–	–	1.7
Total deferred tax	1.5	0.4	(8.7)
Tax on profit/(loss) on ordinary activities	12.7	16.8	3.9
The current tax charge may be reconciled to the standard UK tax rate as follows:			
Tax on profit on ordinary activities at UK tax rate of 30%	(3.8)	(7.4)	14.9
(Income)/expenses not (chargeable)/deductible for tax purposes	10.0	22.2	(21.8)
Timing differences in the recognition of profits and losses for tax purposes	(1.5)	0.1	6.7
Different tax rates on overseas earnings	0.1	(1.1)	(2.3)
Unutilised overseas losses	6.4	12.4	14.6
Adjustments in respect of previous years	–	(9.8)	0.5
Total current tax	11.2	16.4	12.6
The deferred tax charge may be analysed as follows:			
Origination and reversal of timing differences	1.5	(1.7)	(6.7)
Adjustments in respect of previous years	–	2.1	(2.0)
Total deferred tax	1.5	0.4	(8.7)

Factors that may impact on the group's tax charges in the future include:

i. No deferred tax has been provided in respect of the remittance of earnings from foreign subsidiaries except to the extent that dividends have been accrued as receivable.

ii. Tax losses to the value of £20.3m (2002: £18.8m) have not been recognised as deferred tax assets as their utilisation is uncertain and/or long-term.

6. Dividends

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
Ordinary dividend			
Interim paid			
0.78p (2002: 0.72p; 2001: 0.65p)	4.1	4.5	4.2
Final proposed			
1.62p (2002: 1.39p; 2001: 1.00p)	6.2	8.7	8.6
Total ordinary dividend			
2.40p (2002: 2.11p; 2001: 1.65p)	10.3	13.2	12.8
Special dividend (paid)			
12.0p (2002: Nil; 2001: Nil)	–	–	75.0

The special dividend was paid following the completion of the sale of the group's share of the Distribution joint venture.

7. Earnings/(loss) per share

	For the year ended 30 September		
	2001 £m	2002 £m	2003 £m
Basic			
Profit/(loss) after taxation	(25.5)	(41.4)	45.6
Minority interests	(2.1)	(1.4)	(1.1)
Profit/(loss) attributable to shareholders	(27.6)	(42.8)	44.5
Weighted average number of shares outstanding (m)	620.4	625.0	605.1
Basic earnings/(loss) per share (pence)	(4.4)	(6.8)	7.4
Diluted			
Weighted average number of shares outstanding (m)	620.4	625.0	605.2
Diluted earnings/(loss) per share (pence)	(4.4)	(6.8)	7.4
Normalised earnings before goodwill amortisation, discontinued operations and exceptional items			
Profit/(loss) attributable to shareholders	(27.6)	(42.8)	44.5
Exceptional items, goodwill amortisation and discontinued operations (all net of tax)	64.7	87.4	(0.4)
Adjusted attributable profit	37.1	44.6	44.1
Weighted average number of shares outstanding (m)	620.4	625.0	605.1
Normalised earnings per share (pence)	6.0	7.1	7.3

8. Net assets

Segmental analysis of net assets

	At 30 September								
	Group 2001 £m	Share of joint ventures and associated undertakings 2001 £m	Total net assets 2001 £m	Group 2002 £m	Share of joint ventures and associated undertakings 2002 £m	Total net assets 2002 £m	Group 2003 £m	Share of joint ventures and associated undertakings 2003 £m	Total net assets 2003 £m
United Kingdom	165.6	6.0	171.6	192.8	7.0	199.8	202.4	6.8	209.2
Europe, Middle East and Africa	87.3	2.6	89.9	93.8	2.2	96.0	110.5	0.5	111.0
Americas	132.7	–	132.7	78.8	–	78.8	45.0	–	45.0
Asia	0.2	6.1	6.3	14.0	1.3	15.3	14.2	8.1	22.3
	385.8	14.7	400.5	379.4	10.5	389.9	372.1	15.4	387.5
Discontinued operations	74.6	45.7	120.3	45.4	48.8	94.2	–	–	–
Net operating assets	460.4	60.4	520.8	424.8	59.3	484.1	372.1	15.4	387.5
Tax, dividends and provisions			(5.2)			(13.3)			(5.3)
Net debt			(183.1)			(198.5)			(114.5)
Total net assets			332.5			272.3			267.7

The net operating assets at 30 September 2002 of operations discontinued during the year ending 30 September 2003 amounted to £91.8m in the United Kingdom and £2.4m in Europe, Middle East and Africa. The net operating assets at 30 September 2001 of operations subsequently discontinued amounted to £118.2m in the United Kingdom and £2.1m in Europe, Middle East and Africa.

Note:

Share of net assets of joint ventures and associated undertakings represents shares at cost, loans and the group's share of post acquisition reserves (note 11).

9. Intangible fixed assets

	Development expenditure £m	Goodwill £m
Cost		
At 1 October 2001	58.5	218.4
Additions	13.3	63.6
Amounts written out	(43.4)	(31.6)
Translation adjustments	–	(10.9)
At 30 September 2002	28.4	239.5
Additions	1.0	27.3
Amounts written out	(29.4)	(29.2)
Translation adjustments	–	12.6
At 30 September 2003	–	250.2
Amortisation		
At 1 October 2001	3.1	7.8
Provision for the year	1.9	11.3
Amounts written out	(3.0)	–
Translation adjustments	–	(0.8)
At 30 September 2002	2.0	18.3
Provision for the year	–	12.5
Amounts written out	(2.0)	–
Translation adjustments	–	0.2
At 30 September 2003	–	31.0
Net book value		
At 30 September 2001	55.4	210.6
At 30 September 2002	26.4	221.2
At 30 September 2003	–	219.2

10. Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 October 2001			
Additions at cost	70.2	182.2	252.4
Acquisition of subsidiaries	16.9	43.8	60.7
Disposals	7.9	5.6	13.5
Disposal of subsidiaries	(8.6)	(13.3)	(21.9)
Translation adjustments	(1.0)	(3.8)	(4.8)
At 30 September 2002	85.4	214.5	299.9
Additions at cost	14.6	44.0	58.6
Acquisition of subsidiaries	6.1	3.2	9.3
Disposals	(3.6)	(38.6)	(42.2)
Disposal of subsidiaries	(1.2)	(19.3)	(20.5)
Translation adjustments	1.0	0.5	1.5
At 30 September 2003	102.3	204.3	306.6
Depreciation			
At 1 October 2001	16.7	98.8	115.5
Provision for the year	2.9	27.8	30.7
Disposals	–	(9.9)	(9.9)
Disposal of subsidiaries	(0.3)	(2.3)	(2.6)
Translation adjustments	–	–	–
At 30 September 2002	19.3	114.4	133.7
Provision for the year	3.6	31.6	35.2
Disposals	(0.9)	(25.3)	(26.2)
Disposal of subsidiaries	–	(14.0)	(14.0)
Translation adjustments	0.3	0.5	0.8
At 30 September 2003	22.3	107.2	129.5
Net book value			
At 30 September 2001	53.5	83.4	136.9
At 30 September 2002	66.1	100.1	166.2
At 30 September 2003	80.0	97.1	177.1

Notes:

(a) Equipment held under finance leases and included above:

Net book value	£11.2m (2002: £6.8m; 2001: £0.6m)
Accumulated depreciation	£3.4m (2002: £1.5m; 2001: £1.3m)
Provision in the year	£1.9m (2002: £0.2m; 2001: £0.3m)

10. Tangible fixed assets (continued)

(b) Land and buildings

	At 30 September		
	2001 £m	2002 £m	2003 £m
The net book value of land and buildings comprises:			
Freeholds	33.3	39.0	41.9
Long leaseholds (50 years and over)	15.2	16.2	13.3
Short leaseholds (under 50 years)	5.0	10.9	24.8
	53.5	66.1	80.0

(c) Depreciation rates

The following table shows the annual rates of depreciation. Depreciation is calculated on a straight line basis:

Freehold and long leasehold buildings	up to 2%
Short leaseholds (under 50 years)	over the life of the lease
Equipment	10-33.33%
Motor vehicles	10-33.33%

11. Investments

Investments in associated undertakings and joint ventures

	Associated undertakings £m	Joint ventures £m	Total £m
Shares at cost			
At 1 October 2001	1.8	0.3	2.1
Additions	0.9	–	0.9
Disposals	(1.1)	–	(1.1)
Transfer to subsidiary undertakings	–	(0.2)	(0.2)
Translation adjustments	(0.2)	–	(0.2)
At 30 September 2002	1.4	0.1	1.5
Additions	6.5	–	6.5
Disposals	(0.1)	–	(0.1)
Transfer to subsidiary undertakings	(0.4)	–	(0.4)
At 30 September 2003	7.4	0.1	7.5
Loans at cost			
At 1 October 2001	0.1	5.9	6.0
Disposals	0.4	–	0.4
Transfer to debtors	(0.1)	–	(0.1)
At 30 September 2002	0.4	5.9	6.3
Additions	0.5	–	0.5
Repayments	(0.4)	(0.1)	(0.5)
At 30 September 2003	0.5	5.8	6.3
Share of post acquisition reserves			
At 1 October 2001	1.0	51.3	52.3
Retained profits for year	0.7	4.4	5.1
Transfer to subsidiary undertaking	–	(6.4)	(6.4)
Disposals			
Translation adjustments	–	0.5	0.5
At 30 September 2002	1.7	49.8	51.5
Retained profits for year	0.9	4.0	4.9
Transfer to subsidiary undertaking	(1.3)	–	(1.3)
Disposals	(0.7)	(52.9)	(53.6)
Translation adjustments	0.1	–	0.1
At 30 September 2003	0.7	0.9	1.6
Total investments			
At 30 September 2001	2.9	57.5	60.4
At 30 September 2002	3.5	55.8	59.3
At 30 September 2003	8.6	6.8	15.4

11. Investments (continued)

Associates: group share of results and net assets

	At 30 September		
	2001 £m	2002 £m	2003 £m
Share of turnover	6.8	10.4	8.8
Share of profit before tax	0.1	0.8	1.4
Share of taxation	–	0.2	(0.5)
Share of profit after taxation	0.1	1.0	0.9
Share of assets			
Fixed assets	3.4	3.9	7.0
Current assets	5.4	6.4	3.8
Share of gross assets	8.8	10.3	10.8
Share of liabilities			
Liabilities due within one year	4.6	6.2	1.9
Liabilities due after more than one year	1.4	1.0	0.3
	6.0	7.2	2.2
Less loans from group companies	(0.1)	(0.4)	–
Group share of gross liabilities	5.9	6.8	2.2
Share of net assets	2.9	3.5	8.6

Joint ventures: group share of results and net assets

	Distribution joint venture 2001 £m	Other joint ventures 2001 £m	Total joint ventures 2001 £m	Distribution joint venture 2002 £m	Other joint ventures 2002 £m	Total joint ventures 2002 £m	Distribution joint venture 2003 £m	Other joint ventures 2003 £m	Total joint ventures 2003 £m
Share of turnover	338.9	45.4	384.3	347.5	12.3	359.8	313.8	7.2	321.0
Share of profit on ordinary activities before exceptional items and taxation	4.3	2.5	6.8	5.7	2.1	7.8	6.2	1.7	7.9
Share of exceptional items	–	–	–	(0.2)	–	(0.2)	(0.3)	–	(0.3)
Share of taxation	(0.7)	(0.9)	(1.6)	(1.2)	(0.5)	(1.7)	(1.9)	(0.5)	(2.4)
Share of profit after taxation	3.6	1.6	5.2	4.3	1.6	5.9	4.0	1.2	5.2
Share of assets									
Fixed assets	42.7	6.7	49.4	43.5	0.2	43.7	–	3.6	3.6
Current assets	82.7	47.2	129.9	88.6	39.9	128.5	–	39.3	39.3
Share of gross assets	125.4	53.9	179.3	132.1	40.1	172.2	–	42.9	42.9
Share of liabilities									
Liabilities due within one year	78.4	12.8	91.2	82.4	2.8	85.2	–	2.0	2.0
Liabilities due after more than one year	1.3	35.2	36.5	0.9	36.2	37.1	–	39.9	39.9
	79.7	48.0	127.7	83.3	39.0	122.3	–	41.9	41.9
Less loans from group companies	–	(5.9)	(5.9)	–	(5.9)	(5.9)	–	(5.8)	(5.8)
Group share of gross liabilities	79.7	42.1	121.8	83.3	33.1	116.4	–	36.1	36.1
Share of net assets	45.7	11.8	57.5	48.8	7.0	55.8	–	6.8	6.8

11. Investments (continued)

The group's share of net assets of associates and joint ventures includes £Nil in respect of purchased goodwill (2002: £2.1m; 2001 £6.1m). The group's share of goodwill amortisation charged in associates and joint ventures for the year to 30 September 2003 was £0.1m (2002: £0.1m; 2001: £0.5m)

12. Stocks

	At 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Raw materials	0.7	0.9	0.6
Work in progress	8.8	8.2	0.3
Finished goods including consumables	4.2	4.4	5.4
	13.7	13.5	6.3

13. Debtors

	At 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Trade debtors	175.5	170.1	154.0
Amounts owed by associated undertakings	5.1	1.7	0.3
Corporation tax	–	3.7	3.4
Other debtors	35.4	22.6	22.2
Prepayments and accrued income	25.1	26.6	27.2
Deferred tax asset	6.6	7.8	14.9
	247.7	232.5	222.0

Included in prepayments is £1.4m (2002: £0.5m; 2001: £4.0m) falling due after more than one year.

The deferred tax assets will be utilised after more than one year. The deferred tax movements are analysed in note 17.

14. Net borrowings

	At 30 September		
	2001 £m	2002 £m	2003 £m
Long-term borrowings			
Secured	0.9	0.5	0.5
Unsecured	212.1	226.2	106.1
Finance leases	1.2	6.8	10.6
Less: repayable within one year	(0.5)	(1.3)	(2.1)
Total long-term borrowings	213.7	232.2	115.1
Short-term borrowings			
Bank overdraft (unsecured)	15.4	4.0	6.8
Secured loans	0.3	0.2	–
Unsecured loans	–	28.0	64.0
Finance leases	0.5	1.3	2.1
Total short-term borrowings	16.2	33.5	72.9
Total borrowings	229.9	265.7	188.0
Bank and deposit balances	(46.8)	(67.2)	(73.5)
Net debt	183.1	198.5	114.5
The payment profile of long-term borrowings is noted below.			
Repayable within one to two years			
Secured	0.3	0.4	0.3
Unsecured	13.0	35.4	4.1
Finance leases	0.6	0.8	1.7
Repayable within two to five years			
Secured	0.5	0.1	0.1
Unsecured	199.1	190.8	102.0
Finance leases	0.1	4.7	4.4
Not wholly repayable within five years			
Secured	0.1	–	0.1
Finance leases		–	2.4
	213.7	232.2	115.1

Secured loans are secured on property and other assets of the group, and are mainly repayable by monthly instalments during 2003/5.

15. Financial instruments

Financial instrument disclosures made in respect of net borrowings (note 14), excluding short-term debtors and creditors as permitted under FRS13 Derivatives and other financial instruments, are as follows:

Currency risk

The group conducts business in many currencies and publishes its financial statements in sterling. It is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial portion of its exposure to fluctuations in the translation into sterling of its foreign net assets by holding borrowings in foreign currencies. Exchange differences arising on the translation of foreign currency net borrowings are recognised in the statement of total recognised gains and losses to match exchange differences on foreign currency equity investments, in accordance with SSAP20 foreign currency translation. At 30 September 2003, the group's US dollar and euro net assets (after the impairment of goodwill in respect of the US aviation security activities) before net borrowings, were approximately 120% and 100% hedged by net borrowings respectively.

Interest rate risk

The group has an exposure to interest rate risk and within this category of market risk is most vulnerable to changes in US dollar, sterling and euro interest rates. To manage interest rate risk, the group manages its proportion of fixed to variable rate borrowings within limits approved by the directors, primarily by utilising interest rate swaps and, where appropriate, forward rate agreements to manage short-term interest rate exposures. At 30 September 2003 the group had no existing swaps or forward rate agreements.

Financial liabilities

	At 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Fixed rate			
Net obligations under finance leases	1.2	6.8	10.6
Floating rates			
Sterling	102.4	161.1	3.5
Euro	0.7	1.9	83.3
SA rand	18.7	20.5	26.8
US dollar	102.1	66.5	60.7
Other	4.8	8.9	3.1
	229.9	265.7	188.0

Net obligations under finance leases bear interest at a weighted average rate of 5%. Interest-bearing financial liabilities at floating rates, comprise revolving credit loans and bank overdrafts and bear interest based on short-term interbank rates (predominantly three month LIBOR). There were no financial liabilities upon which no interest is paid at 30 September 2003, 30 September 2002, or 30 September 2001.

15. Financial instruments (continued)

Undrawn committed facilities

	At 30 September		
	2001 **£m**	**2002** **£m**	**2003** **£m**
Repayable within one year	–	5.0	70.0
Repayable within one to two years	–	8.0	–
Repayable within two to five years	26.8	22.0	63.6
	26.8	35.0	133.6

Commitment fees are paid on the undrawn portion of these facilities. Borrowings on the facilities will be at prevailing LIBOR rates, dependent on the period of drawdown, plus an agreed margin. The committed bank facilities are subject to financial covenants and any non-compliance with covenants may lead to an acceleration of maturity. The group was fully in compliance with its financial covenants throughout the years to 30 September 2003, 30 September 2002 and 30 September 2001.

Fair value of financial assets and liabilities

Set out below is a year-end comparison of fair and book values of all the group's financial instruments by category. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

	At 30 September					
	2001 Book value £m	**2001 Fair value £m**	**2002 Book value £m**	**2002 Fair value £m**	**2003 Book value £m**	**2003 Fair value £m**
Bank and deposit balances	46.8	46.8	67.2	67.2	73.5	73.5
Short-term borrowings and current portion of long-term debt	(16.2)	(16.2)	(33.5)	(33.5)	(72.9)	(72.9)
Long-term borrowings	(213.7)	(213.7)	(232.2)	(232.2)	(115.1)	(115.1)
	(183.1)	(183.1)	(198.5)	(198.5)	(114.5)	(114.5)

Credit risk

During the year the group entered into a number of foreign exchange contracts. Counterparties to these transactions have a long-term credit rating of A or better. The group monitors its exposure to its counterparties, together with their credit ratings, and, by policy, limits the amount of agreements or contracts it enters into with any one party.

Bank and deposit balances

Cash at bank and liquid resources principally comprise money market deposits, current account balances and cash held in ATM machines. Approximately 80% of the group's bank and deposit balances are held in sterling, US dollars and euros.

16. Creditors

	At 30 September		
	2001 £m	2002 £m	2003 £m
Amounts falling due within one year			
Trade creditors	31.4	37.6	31.7
Amounts owed to associated undertakings	2.8	2.4	3.3
Other taxation and social security costs	34.4	56.4	40.7
Other creditors	50.7	40.6	57.7
Accruals and deferred income	76.8	86.5	100.9
	196.1	223.5	234.3

17. Provisions for liabilities and charges

	At 30 September		
	2001 £m	2002 £m	2003 £m
Provisions relating to onerous property contracts	4.3	6.0	4.0
Deferred tax liabilities	–	2.4	–
	4.3	8.4	4.0

The group has provided against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. The provision is based on the present value of future net cash outflows, relating to rent, rates, service charges and costs of marketing the properties. Although the majority of the provision should be realised within five years, the exact timing is unclear. The movement in the provision was as follows:

	£m
At 1 October 2001	4.3
Profit and loss account	1.8
Expended in year	(0.8)
Acquisition of subsidiaries	0.7
At 30 September 2002	6.0
Profit and loss account	(1.1)
Expended in year	(0.9)
At 30 September 2003	4.0

17. Provisions for liabilities and charges (continued)

The movement in the deferred tax provision was as follows:

	£m
Provision at 1 October 2001	–
Asset at 1 October 2001	6.6
Total deferred tax position at 1 October 2001	6.6
Profit and loss account	(0.4)
Subsidiaries acquired	0.1
Translation adjustments	(0.9)
Total deferred tax position at 30 September 2002	5.4
Asset at 30 September 2002	7.8
Provision at 30 September 2002	(2.4)
Asset at 30 September 2002	7.8
Total deferred tax position at 30 September 2002	5.4
Profit and loss account	8.7
Subsidiaries acquired	(0.1)
Translation adjustments	0.9
Total deferred tax position at 30 September 2003	14.9
Asset at 30 September 2003	14.9
Provision at 30 September 2003	–

The deferred tax assets is disclosed within debtors (note 13). The total deferred tax position is analysed as follows:

	At 30 September		
	2001 £m	2002 £m	2003 £m
United Kingdom			
Accelerated capital allowances	–	(3.1)	1.4
Other timing differences	–	0.7	1.9
	–	(2.4)	3.3
Overseas			
Accelerated capital allowances	0.7	(0.1)	(0.2)
Other timing differences	(1.4)	(1.4)	(0.1)
Tax losses	7.3	9.3	11.9
	6.6	7.8	11.6
	6.6	5.4	14.9

Deferred tax recognised in respect of tax losses principally relates to subsidiaries in Canada, Germany and South Africa. As these entities are returning to profitability, the recovery of tax losses is foreseeable.

18. Share capital

	At 30 September					
	2001 Authorised £	2001 Issued £	2002 Authorised £	2002 Issued £	2003 Authorised £	2003 Issued £
Securicor plc Ordinary fully paid shares of $5\frac{15}{17}$p each (2002: 5p each; 2001: 5p each)	40,000,000	31,056,990	40,000,000	31,264,582	40,000,000	31,266,770

	Number	Nominal value £m
Ordinary shares in issue		
At 1 October 2001	621,139,808	31.1
Shares issued during the year on exercise of options:		
Executive Share Option Scheme	258,564	–
Sharesave Scheme	3,893,275	0.2
At 30 September 2002	625,291,647	31.3
Shares issued during the year in connection with share consolidation	10	–
Shares issued during the year on exercise of options:		
Executive Share Option Scheme	34,262	–
Sharesave Scheme	7,540	–
Share consolidation	(93,798,363)	–
At 30 September 2003	531,535,096	31.3

Following the disposal of the group's 50% interest in Securicor Distribution and the payment of a special dividend of £75m, on 18 July 2003, the group effected a 17 to 20 share consolidation to ensure comparability of reported earnings per share data.

Options over shares outstanding at 30 September 2003 were as follows:

(a) Executive share option scheme

3 options over a total of 126,380 shares at 59.92p per share, exercisable during 2003-2006
6 options over a total of 127,073 shares at 68.48p per share, exercisable during 2003-2007
20 options over a total of 313,429 shares at 107.98p per share, exercisable during 2003-2008
71 options over a total of 2,535,000 shares at 164p per share, exercisable during 2003-2009
80 options over a total of 1,762,000 shares at 133.75p per share, exercisable during 2003-2010
85 options over a total of 1,363,235 shares at 153p per share, exercisable during 2003-2010
119 options over a total of 9,290,000 shares at 108p per share, exercisable during 2004-2011
13 options over a total of 730,000 shares at 130p per share, exercisable during 2005-2012
81 options over a total of 2,785,000 shares at 85p per share, exercisable during 2006-2013
12 options over a total of 425,000 shares at 82.75p per share, exercisable during 2006-2013
4 options over a total of 100,000 shares at 79.75p per share, exercisable during 2006-2013

The proceeds from shares allotted under this scheme during the year amounted to £23,462 (2002: £210,211; 2001 £638,688)

(b) Sharesave scheme

1,657 options over a total of 4,360,317 shares at 107p per share, exercisable during 2003-2004
970 options over a total of 1,304,232 shares at 143p per share, exercisable during 2004-2005
1,275 options over a total of 3,231,646 shares at 104p per share, exercisable during 2005-2006

18. Share capital (continued)

The proceeds from shares allotted under this scheme during the year amounted to £8,178 (2002: £3,384,988; 2001: £2,744,223).

All of the above options are inclusive of those held by directors set out below.

Directors' interests under the share option schemes

Directors' share options	Option	At 30 September 2002	Granted during year	Outstanding at 30 September 2003	Option price (p)
Nick Buckles	A	72,901		72,901	107.98
	B	95,000		95,000	164.00
	C	75,000		75,000	133.75
	D	9,053		9,053	107.00
	E	55,000		55,000	153.00
	F	700,000		700,000	108.00
	G		14,453	14,453	64.00
Irene Cowden	B	50,000		50,000	164.00
	C	30,000		30,000	133.75
	D	9,053		9,053	107.00
	E	20,000		20,000	153.00
	F	250,000		250,000	108.00
	G		14,453	14,453	64.00
Trevor Dighton	B	55,000		55,000	164.00
	C	40,000		40,000	133.75
	D	9,053		9,053	107.00
	E	30,000		30,000	153.00
	F	350,000		350,000	108.00
	G		14,453	14,453	64.00
Nigel Griffiths	B	135,000		135,000	164.00
	C	80,000		80,000	133.75
	D	9,053		9,053	107.00
	E	55,000		55,000	153.00
	F	460,000		460,000	108.00
	G		14,453	14,453	64.00
Roger Wiggs	B	240,000		240,000	164.00
	C	240,000		240,000	133.75
	D	9,053		9,053	107.00

Option A = Executive Share Option Scheme, normally exercisable between June 2001 and June 2008.
Option B = Executive Share Option Scheme, normally exercisable between December 2002 and December 2009
Option C = Executive Share Option Scheme, normally exercisable between June 2003 and June 2010.
Option D = Sharesave Scheme, normally exercisable between October 2003 and March 2004.
Option E = Executive Share Option Scheme, normally exercisable between December 2003 and December 2010.
Option F = Executive Share Option Scheme, normally exercisable between December 2004 and December 2011.
Option G = Sharesave Scheme, normally exercisable between October 2006 and March 2007.

None of the directors exercised options under these schemes during the year.

The market price of the ordinary shares at 30 September 2002 was 101p and at 30 September 2003 it was 83.5p.

The highest and lowest market prices of an ordinary share during the year to 30 September 2003 were 109p and 69p respectively.

18. Share capital (continued)

Executive share options may normally only be exercised in accordance with the performance criteria set out in the Executive Share Option Scheme.

Directors' interests in the Performance Share Plan

	At 30 September 2002	Shares conditionally awarded during year	Date of award	Market price at date of award (p)	Vesting date	At 30 September 2003
Nick Buckles	–	483,300	26.3.03	82.75	26.3.06	483,300
Irene Cowden	–	229,600	26.3.03	82.75	26.3.06	229,600
Trevor Dighton	–	302,100	26.3.03	82.75	26.3.06	302,100
Nigel Griffiths	–	320,200	26.3.03	82.75	26.3.06	320,200

The conditions subject to which allocations of share vest under this plan are set out in the Performance Share Plan.

Directors' interests in shares of Securicor plc (not including shares under option)

	At 30 September 2003	At 30 September 2002
Nick Buckles	100,000	76,594
Lord Condon	2,000	1,000
Irene Cowden	175,000	168,309
Trevor Dighton	100,000	84,244
Nigel Griffiths	250,000	253,253
Jonathan Kitchen	12,750	6,000
Lord Sharman	8,500	–
Roger Wiggs	431,124	507,206

All interests shown above are beneficial.

In addition to the above beneficial interests, each of the executive Directors has a deemed interest in the 2,602,300 Securicor Shares held by Hill Samuel Offshore Trust Company Limited, as trustee of the Securicor Employee Benefit Trust, as potential beneficiaries under the trust.

19. Reserves

	Profit and loss account £m	Share premium £m	Merger reserve £m	Other £m	Total £m
At 1 October 2001	240.3	3.9	53.4	–	297.6
Retained deficit	(56.0)	–	–	–	(56.0)
Share premium on issue	–	3.4	–	–	3.4
Translation adjustments	(9.4)	–	–	–	(9.4)
At 30 September 2002	174.9	7.3	53.4	–	235.6
Retained deficit	(43.3)	–	–	–	(43.3)
Write-back of goodwill on disposals previously written off	44.8	–	–	–	44.8
Translation adjustments	(5.1)	–	–	–	(5.1)
Own shares held by employee benefit trust	–	–	–	(2.0)	(2.0)
At 30 September 2003	171.3	7.3	53.4	(2.0)	230.0

Goodwill of £32.8m arising on acquisitions since 1989 has been written off to reserves up to 30 September 2003 (2002 and 2001 restated: £77.6m).

19. Reserves (continued)

Equity minority interests

The minority interests totalling £6.4m (2002: £5.4m; 2001: £3.8m) relate to Securicor Barbados Limited, Securicor Guyana Inc., Securicor Jamaica Limited, Al Mulla Security Services Co WLL (Kuwait), MAF-Securicor LLC (Dubai), Securicor Segura SA (Costa Rica), Securicor Segura SA (Dominican Republic), Securicor Trinidad Limited, Securicor (South Africa) Pty Limited, Securicor New Century LLC (USA), PT Securicor Indonesia, Securicor (Thailand) Limited, Securicor Sdn Bhd (Brunei), Shenzhen Securicor Donar Technology Co. Limited (China), Securicor Macau Limitada, Securicor Botswana Limited and A Gray Security Services (Mauritius) (Pvt) Limited.

20. Acquisitions and disposals of subsidiaries and businesses

(a) Acquisitions

The principal acquisitions in the year ended 30 September 2003 were:

1 The remaining issued share capital of Geldnet Holding BV in The Netherlands ("Geldnet").

2 Acquisitions in Africa, principally Inco Holdings Limited in Botswana ("Africa").

3 Other acquisitions, principally Shenzhen Donar Financial Equipment Service Co Ltd in China ("Other").

	Geldnet	Geldnet	Geldnet	Africa	Africa	Africa
	Net assets acquired £m	Provisional fair value adjustments (Note 1) £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments (Note 2) £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	7.6	–	7.6	1.5	–	1.5
Stock	0.1	–	0.1	0.1	–	0.1
Debtors	9.8	–	9.8	0.8	–	0.8
Net debt	(1.5)	–	(1.5)	(0.3)	–	(0.3)
Creditors less than one year	(10.3)	(12.4)	(22.7)	(0.1)	(0.2)	(0.3)
Minority interests	–	–	–	(0.6)	–	(0.6)
Total assets	5.7	(12.4)	(6.7)	1.4	(0.2)	1.2
Investment in associate transferred to subsidiary	1.3	–	1.3	–	–	–
Cash consideration	14.4	–	14.4	4.9	–	4.9
Total consideration	15.7	–	15.7	4.9	–	4.9
Capitalised goodwill	10.0	12.4	22.4	3.5	0.2	3.7

20. Acquisitions and disposals of subsidiaries and businesses (continued)

	Other	Other	Other	Total	Total	Total
	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	0.2	–	0.2	9.3	–	9.3
Stock	–	–	–	0.2	–	0.2
Debtors	–	–	–	10.6	–	10.6
Net debt	–	–	–	(1.8)	–	(1.8)
Creditors less than one year	0.9	–	0.9	(9.5)	(12.6)	(22.1)
Minority interests	(0.9)	–	(0.9)	(1.5)	–	(1.5)
Total assets	0.2	–	0.2	7.3	(12.6)	(5.3)
Investment in associate transferred to subsidiary	0.6	–	0.6	1.9	–	1.9
Cash consideration	0.8	–	0.8	20.1	–	20.1
Total consideration	1.4	–	1.4	22.0	–	22.0
Capitalised goodwill	1.2	–	1.2	14.7	12.6	27.3

Notes:

1 Recognition of contractual liabilities and pension obligations in accordance with group accounting policies together with additional costs for rebranding vehicles and equipment to comply with contractual requirements.

2 Recognition of liabilities in accordance with group accounting policies.

Adjustments made to the fair value of assets are provisional due to uncertainties as to the outcome of the issues to which they relate and therefore they may be adjusted in 2004.

The principal acquisitions in the year ended 30 September 2002 were:

1 The remaining issued share capital of JS Holdings Limited and JS Asian Holdings BV, ("Asia");

2 The remaining share capital of Securicor Geld-und Wertdienste GmbH and Securicor Bankenservice GmbH, ("Germany");

3 The assets and liabilities of Electronic Monitoring Systems, Inc., ("EMS"); and

4 Various other minor business acquisitions, principally comprising the purchase of minority interests in Securicor Gray (South Africa) (Pty) Limited and the purchase of businesses in Jamaica, Costa Rica and Tanzania, "Other").

20. Acquisitions and disposals of subsidiaries and businesses (continued)

	Asia			Germany		
	Net assets acquired £m	Provisional fair value adjustments (Note 1) £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	13.1	(0.9)	12.2	–	–	–
Stock	0.3	–	0.3	–	–	–
Debtors	16.0	–	16.0	–	–	–
Net debt	(1.7)	–	(1.7)	–	–	–
Creditors less than one year	(14.8)	(0.9)	(15.7)	–	–	–
Minority interests	(0.3)	–	(0.3)	(0.7)	–	(0.7)
Transfer from associates	(5.6)	–	(5.6)	–	–	–
Total assets	7.0	(1.8)	5.2	(0.7)	–	(0.7)
Cash consideration	30.7	–	30.7	10.2	–	10.2
Capitalised goodwill	23.7	1.8	25.5	10.9	–	10.9

	EMS			Other		
	Net assets acquired £m	Provisional fair value adjustments (Note 2) £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets – tangible	0.6	(0.1)	0.5	0.8	–	0.8
Stock	0.1	–	0.1	–	–	–
Debtors	0.5	–	0.5	–	–	–
Net debt	–	–	–	–	–	–
Creditors less than one year	(0.6)	–	(0.6)	(1.3)	–	(1.3)
Minority interests	–	–	–	(0.4)	–	(0.4)
Transfer from associates	–	–	–	–	–	–
Total assets	0.6	(0.1)	0.5	(0.9)	–	(0.9)
Cash consideration	7.0	–	7.0	4.4	–	4.4
Capitalised goodwill	6.4	0.1	6.5	5.3	–	5.3

20. Acquisitions and disposals of subsidiaries and businesses (continued)

	Total		
	Net assets acquired£m	Provisional fair value adjustments	Provisional fair value of assets acquired
Fixed assets – tangible	14.5	(1.0)	13.5
Stock	0.4	–	0.4
Debtors	16.5	–	16.5
Net debt	(1.7)	–	(1.7)
Creditors less than one year	(16.7)	(0.9)	(17.6)
Minority interests	(1.4)	–	(1.4)
Transfer from associates	(5.6)	–	(5.6)
Total assets	6.0	(1.9)	4.1
Cash consideration	52.3	–	52.3
Capitalised goodwill	46.3	1.9	48.2

Notes:

1 Reduction of value of tangible fixed assets in line with group policy, and additional costs for rebranding vehicles and equipment to comply with contractual requirements.

2 Reduction of value of tangible fixed assets in line with group policy.

During the year ended 30 September 2002, the group made adjustment to the fair value of assets acquired in the USA and Germany in the year ended 30 September 2001. This resulted in the write-off of assets and consequent additions to goodwill totalling £15.4m.

Acquisitions in the year ended 30 September 2001 were:

		Randon			AHL*		
	Notes	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets							
– intangible	1	–	–	–	2.2	(2.2)	–
– tangible	1	1.1	–	1.1	8.4	(5.3)	3.1
Stock	2	0.2	–	0.2	1.0	(0.9)	0.1
Debtors	3	17.7	–	17.7	65.8	(3.3)	62.5
Cash		0.2	–	0.2	(4.4)	–	(4.4)
Creditors less than one year	4	(16.1)	(0.5)	(16.6)	(28.7)	(11.3)	(40.0)
Total assets		3.1	(0.5)	2.6	44.3	(23.0)	21.3
Cash consideration		26.8	–	26.8	128.4	–	128.4
Capitalised goodwill		23.7	0.5	24.2	84.1	23.0	107.1

20. Acquisitions and disposals of subsidiaries and businesses (continued)

		Gray			Germany**		
	Notes	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets							
– tangible		2.3	–	2.3	0.8	–	0.8
Stock		–	–	–	0.1	–	0.1
Debtors	3	11.5	(2.7)	8.8	2.8	–	2.8
Cash		4.1	–	4.1	(0.7)	–	(0.7)
Creditors less than one year	4	(14.2)	(3.4)	(17.6)	(2.4)	(1.1)	(3.5)
Minority interest		(0.7)	–	(0.7)	0.1	–	0.1
Transfer from associates		–	–	–	(1.2)	–	(1.2)
Total assets		3.0	(6.1)	(3.1)	(0.5)	(1.1)	(1.6)
Cash consideration		38.6	–	38.6	3.1	–	3.1
Capitalised goodwill		35.6	6.1	41.7	3.6	1.1	4.7

		Other***			Total		
	Notes	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Fixed assets							
– intangible	1	–	–	–	2.2	(2.2)	–
– tangible	1	0.6	–	0.6	13.2	(5.3)	7.9
Stock	2	0.3	–	0.3	1.6	(0.9)	0.7
Debtors	3	3.5	–	3.5	101.3	(6.0)	95.3
Cash		0.1	–	0.1	(0.7)	–	(0.7)
Creditors less than one year	4	(6.2)	–	(6.2)	(67.6)	(16.3)	(83.9)
Minority interest		(2.1)	–	(2.1)	(2.7)	–	(2.7)
Transfer from associates		(3.1)	–	(3.1)	(4.3)	–	(4.3)
Total assets		(6.9)	–	(6.9)	43.0	(30.7)	12.3
Cash consideration		0.5	–	0.5	197.4	–	197.4
Capitalised goodwill		7.4	–	7.4	154.4	30.7	185.1
Purchased goodwill							8.7
Total capitalised goodwill							193.8

* The aviation security and commercial guarding subsidiaries of AHL Services, Inc, trading as Argenbright Security, Inc in the USA and under the ADI name in the UK, France and Germany.

** Mainly represents the acquisition of Bankenservice and Deutsche Post Wert Logistik.

*** Other acquisitions mainly represent those associated undertaking and joint ventures where the group now exercises dominant influence on the management of the business.

20. Acquisitions and disposals of subsidiaries and businesses (continued)

Notes:

1 Reduction fixed assets in line with group policy.

2 Write-off of stock in line with group policy.

3 Revalue of debtors in line with group policy.

4 The revaluation of creditors relates to liabilities that were not fully reflected in the balance sheet on acquisition.

(b) Disposals

The principal disposals in the year to 30 September 2003 were:

1 The sale of the remaining 50% interest in the Distribution joint venture ("Distribution").

2 The sale of Securicor Information Systems ("SIS").

3 The sale of Securicor Cash Machine, the exit from operation in Qatar, Angola and Equatorial Guinea and the adjustment to sales proceeds in respect of previous Communications business disposals ("Other").

	Distribution £m	SIS £m	Other £m	Total £m
Net assets disposed				
Intangible fixed assets	–	(26.3)	–	(26.3)
Tangible fixed assets	–	(3.6)	(3.0)	(6.6)
Investment in joint ventures	(52.9)	–	(0.7)	(53.6)
Stocks	–	(11.1)	–	(11.1)
Debtors	–	(13.0)	(8.0)	(21.0)
Creditors falling due within one year	–	11.7	3.2	14.9
Creditors arising upon disposal	(6.5)	(0.3)	–	(6.8)
	(59.4)	(42.6)	(8.5)	(110.5)
Sale proceeds received (net of costs)	156.9	25.1	1.1	183.1
Write-back of goodwill previously written off through reserves	(31.8)	(13.0)	–	(44.8)
Profit/(loss) on disposal	65.7	(30.5)	(7.4)	27.8

The disposals in the year to 30 September 2001 were:

	Securicor Wireless £m	Securicor Recruitment Services £m	Total £m
Net assets disposed			
Fixed assets			
– intangible assets	(11.2)	–	(11.2)
– tangible	(8.3)	(1.9)	(10.2)
Stock	(4.4)	–	(4.4)
Debtors	(7.3)	(10.1)	(17.4)
Creditors falling due within one year	–	5.5	5.5
	(31.2)	(6.5)	(37.7)
Sale proceeds received	–	10.0	10.0
Costs of sale	(0.5)	(0.8)	(1.3)
Write-back of goodwill previously written off through reserves	(10.7)	(4.4)	(15.1)
Consolidated loss on disposal	(42.4)	(1.7)	(44.1)

21. Contingent liabilities

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

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

Argenbright, which is a stand-alone limited liability corporation, is being sued and a number of lawsuits have been served upon it. Securicor plc itself has been named in the lawsuits.

At 11 September 2001, Argenbright and the company had in place joint aviation liability insurance which included cover for acts of terrorism and which provided insurance cover of US$1bn for each of the two flights referred to above.

The directors are confident that, if there were to be awards of damages against Argenbright, they would be below the limits of the available insurance.

Additionally, contingent liabilities exist in respect of agreements entered into in the normal course of business.

22. Operating lease commitments

	Land and buildings 2001 £m	Other 2001 £m	Land and buildings 2002 £m	Other 2002 £m	Land and buildings 2003 £m	Other 2003 £m
Commitments at 30 September on operating leases which expire:						
Within one year	3.2	5.3	5.1	5.1	7.4	10.7
Between one and two years	2.6	4.6	4.0	7.6	6.5	8.0
Between two and five years	4.4	5.8	6.6	6.6	14.7	9.8
After more than five years	4.9	0.5	12.9	2.7	26.5	1.5
	15.1	16.2	28.6	22.0	55.1	30.0

23. Capital commitments

	At 30 September		
	2001 £m	2002 £m	2003 £m
Contracted	1.3	3.6	1.3

24. Notes to the cash flow statement

(a) Reconciliation of operating profit/(loss) to operating cash flows

	For the year ended 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Operating profit/(loss)	33.4	(15.2)	54.2
Depreciation	26.4	30.7	35.2
Amortisation of intangible assets	2.7	0.5	–
Amortisation of goodwill	7.3	11.3	12.5
Exceptional impairment of intangible assets	–	38.5	–
Exceptional impairment of goodwill	–	33.0	–
(Profit)/loss on sale of fixed assets	(3.1)	0.1	(0.3)
(Increase)/decrease in stocks	(1.0)	0.5	(3.7)
(Increase)/decrease in debtors	(12.3)	19.4	11.6
(Decrease)/increase in creditors	(3.3)	7.6	(10.4)
(Decrease)/increase in provisions	(4.1)	1.0	(2.2)
Net cash flow from operating activities	46.0	127.4	96.9

(b) Analysis of cash flow headings netted in the cash flow statement

	For the year ended 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Return on investments and servicing of finance			
Interest received	2.3	0.9	2.4
Interest paid	(11.3)	(13.7)	(15.2)
Dividends paid to minority interest	(0.5)	(0.7)	(1.0)
Net cash outflow from returns on investments and servicing of finance	(9.5)	(13.5)	(13.8)

	For the year ended 30 September		
	2001	**2002**	**2003**
	£m	**£m**	**£m**
Capital expenditure			
Purchase of tangible fixed assets	(41.8)	(54.4)	(53.4)
Purchase of intangible fixed assets	(22.7)	(13.3)	(0.3)
Purchase of own shares	–	–	(2.4)
Sale of tangible fixed assets	6.1	10.8	16.4
Net cash outflow from capital expenditure	(58.4)	(56.9)	(39.7)
Acquisitions and disposals			
Purchase of subsidiary undertakings (note 24e)	(198.4)	(52.3)	(20.1)
Purchased goodwill	(8.7)	–	–
Purchase of interest in associated undertakings	–	–	(7.0)
Net cash balances acquired	–	5.1	–
Sale of subsidiary undertakings	8.7	(3.4)	26.2
Sale of interest in joint venture undertakings	–	2.9	156.9
Net cash outflow from acquisitions and disposals	(198.4)	(47.7)	156.0

24. Notes to the cash flow statement (continued)

(c) Analysis of net debt

	2002 £m	Cash flow £m	Acquisitions £m	Exchange £m	Other non-cash £m	2003 £m
Cash in hand and at bank	67.2	7.3	–	(1.0)	–	73.5
Overdrafts	(4.0)	(2.8)	–	–	–	(6.8)
Increase in cash in the year		4.5				
Debt due after more than one year	(226.7)	136.9	–	(15.0)	(1.8)	(106.6)
Debt due within one year	(28.2)	(35.8)	(1.8)	–	1.8	(64.0)
Finance leases	(6.8)	1.3	–	0.1	(5.2)	(10.6)
Total	(198.5)	106.9	(1.8)	(15.9)	(5.2)	(114.5)

	2001 £m	Cash flow £m	Acquisitions £m	Exchange £m	Other non-cash £m	2002 £m
Cash in hand and at bank	46.8	21.8	–	(1.4)	–	67.2
Overdrafts	(15.4)	11.4	–	–	–	(4.0)
		33.2				
Debt due after more than one year	(213.0)	(42.6)	(6.8)	7.8	27.9	(226.7)
Debt due within one year	(0.3)	–	–	–	(27.9)	(28.2)
Finance leases	(1.2)	0.7	–	–	(6.3)	(6.8)
Total	(183.1)	(8.7)	(6.8)	6.4	(6.3)	(198.5)

	2000 £m	Cash flow £m	Other non-cash changes £m	2001 £m
Cash in hand and at bank	57.1	(10.3)	–	46.8
Overdrafts	(4.1)	(11.3)	–	(15.4)
		(21.6)		
Debt due after more than one year	(0.3)	(212.7)	–	(213.0)
Debt due within one year	(0.8)	0.5	–	(0.3)
Finance leases	(1.0)	0.8	(1.0)	(1.2)
Total	(50.9)	(233.0)	(1.0)	(183.1)

(d) Major non-cash transactions

During the year to 30 September 2003 the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £5.2m.

During the year to 30 September 2002 the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £6.3m.

During the year to 30 September 2001 the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £1.0m (2000: £0.4m).

24. Notes to the cash flow statement (continued)

(e) Acquisition of subsidiaries

Year to 30 September 2003	**Geldnet £m**	**Africa £m**	**Other £m**	**Total £m**
Fixed assets – tangible	7.6	1.5	0.2	9.3
Investment in associates	(1.3)	–	(0.6)	(1.9)
Stock	0.1	0.1	–	0.2
Debtors	9.8	0.8	–	10.6
Creditors	(22.7)	(0.3)	0.9	(22.1)
Borrowings due over one year	(1.5)	(0.3)	–	(1.8)
Minority interest	–	(0.6)	(0.9)	(1.5)
Net assets acquired	(8.0)	1.2	(0.4)	(7.2)
Goodwill	22.4	3.7	1.2	27.3
Cash outflow in respect of purchase of subsidiary undertakings	14.4	4.9	0.8	20.1

The subsidiary undertakings acquired during the year contributed £6.7m to the group's net operating cash flows, paid £0.7m in respect of interest and taxation and utilised £1.7m for investing activities.

Year to 30 September 2002	**Asia £m**	**Germany £m**	**EMS £m**	**Other £m**	**Total £m**
Fixed assets – tangible	12.2	–	0.5	0.8	13.5
Stock	0.3	–	0.1	–	0.4
Debtors	16.0	–	0.5	(11.8)	4.7
Creditors	(15.7)	–	(0.6)	(4.2)	(20.5)
Cash	5.1	–	–	–	5.1
Provisions	–	–	–	(0.7)	(0.7)
Borrowings due over one year	(6.8)	–	–	–	(6.8)
Minority interest	(0.3)	(0.7)	–	(0.4)	(1.4)
Transfer from associated undertakings	(5.6)	–	–	–	(5.6)
Net assets acquired	5.2	(0.7)	0.5	(16.3)	(11.3)
Goodwill	25.5	10.9	6.5	20.7	63.6
Cash outflow in respect of purchase of subsidiary undertakings	30.7	10.2	7.0	4.4	52.3

The subsidiary undertakings acquired during the year contributed £6.2m to the group's net operating cash flows, paid £0.6m in respect of taxation and utilised £3.5m for investing activities.

24. Notes to the cash flow statement (continued)

Year to 30 September 2001

	Randon £m	AHL* £m	Gray* £m	Germany** £m	Other*** £m	Total £m
Fixed assets – tangible	1.1	3.1	2.3	0.8	0.6	7.9
Stock	0.2	0.1	–	0.1	0.3	0.7
Debtors	17.7	62.5	8.8	2.8	3.5	95.3
Creditors falling due within one year	(16.6)	(40.0)	(17.6)	(3.5)	(6.2)	(83.9)
Minority interest	–	–	(0.7)	0.1	(2.1)	(2.7)
Transfer from associated undertakings	–	–	–	(1.2)	(3.1)	(4.3)
	2.4	25.7	(7.2)	(0.9)	(7.0)	13.0
Goodwill	24.2	107.1	41.7	4.7	7.4	185.1
Cash outflow in respect of purchase of subsidiary undertakings	26.6	132.8	34.5	3.8	0.4	198.1

* The aviation security and commercial guarding subsidiaries of AHL Services, Inc, trading as Argenbright Security, Inc in the USA and under the ADI name in the UK, France and Germany.

** Mainly represents the acquisition of Bankenservice and Deutsche Post Wert Logistik.

*** Other acquisitions mainly represent those associated undertakings and joint ventures where the group now exercises dominant influence on the management of the business.

The subsidiary undertakings acquired during the year contributed £0.1m to the group's net operating cash flows and did not pay or utilise any other cash flows.

25. Related party transactions

Transactions with joint ventures and associated undertakings

All transactions with joint venture and associated undertakings are in the normal course of business. Details of transactions and balances with these related parties are set out below:

	2001 £m	2002 £m	2003 £m
Transactions			
Turnover	15.7	17.7	18.3
Administration expenses	6.6	5.9	3.5
Dividends received	1.3	1.6	1.2
Balances			
Debtors			
Loans	6.0	6.3	5.8
Other debtors	5.1	1.7	0.3
Creditors			
Other creditors	2.8	2.4	0.1

Related party turnover relates to fees of £17.2m (2002: £16.2m; 2001: £14.2m) charged to Bridgend Custodial Services Limited, fees of £0.6m charged to STC (Milton Keynes) Limited and £0.5m (2002: £1.5m; 2001: £1.5m) charged to Securicor Distribution (all joint venture undertakings). Related party administration expenses relate to vehicle leasing costs charged to the group by Securicor Vehicle Management Limited, a subsidiary of the Distribution joint venture.

There are no transactions with other related parties.

Details of principal joint ventures and associated undertakings are shown in note 26.

26. Significant investments

The businesses set out below are those which were part of the group at 30 September 2003 and in the opinion of the directors significantly affected the group's results and net assets during the year. Except as otherwise stated, the country of incorporation is England, the operations are within the United Kingdom, the shares are in equity share capital and the businesses are wholly owned.

Subsidiary undertakings
Argenbright Security, Inc. (USA)
Securicor (South Africa) (Pty) Limited (South Africa, 76.68%)
Securicor Beheer BV (Netherlands)
Securicor Cash Services Limited
Securicor Cash Centres Limited
Securicor Justice Services Limited (formally Securicor Custodial Services Limited)
Securicor GTG GmbH (Germany)
Securicor Security Limited
Securicor Luxembourg SA (Luxembourg)
Securicor Security Services Ireland Limited (Ireland)
Securicor Sicherheitsdienste GmbH (Germany)
Securicor Hong Kong Limited (Hong Kong)
Securicor Guarding services (Hong Kong) Limited (Hong Kong)
Securicor Gurkha Services Limited (Hong Kong)
Securicor Aviation Limited
Securicor Canada Limited (Canada)
Geldnet BV (Netherlands)

Joint venture and associated undertakings	Issued capital
Bridgend Custodial Services Limited (49.5% owned)	£250,000
STC (Milton Keynes) Limited (49% owned)	£10,000
Safeguards Securicor Sdn Bhd (Malaysia) (49% owned)	MYR 40,100,000

Holding companies

Securicor (1996) plc (100% directly owned subsidiary of Securicor plc)
Securicor Communications Limited
Securicor Holdings BV (Netherlands)
Securicor International BV (Netherlands)
Securicor International Holdings SA (France)
Securicor International Limited
Securicor Group Limited
Securicor Asia Holding Limited (British Virgin Islands)

PART 5

B. SECURICOR UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS TO 31 MARCH 2004

The following is the full text of an announcement made by Securicor on 10 May 2004:

"● Organic turnover growth of 5.0%
- Underlying EBITA up 10.5% to £39.0 million
- Normalised earnings per share up 48.3% to 4.3p
- Interim dividend up 10.3% per share to 0.86p
- Very strong cash flow
- Proposed merger with security business of Group 4 Falck announced in February

CHAIRMAN'S STATEMENT

Results

Profit before interest, taxation, amortisation, exceptional items and discontinued operations was £39.0 million, compared with £35.3 million for the same period last year. The group's EBITA margin was 5.9% compared with 5.8% for the same period in the previous year.

Turnover for the continuing businesses grew 9.3% to £656.2 million. Organic turnover growth was 5.0%.

The group achieved pre-tax profits of £34.4 million. Normalised earnings per share, being before goodwill, discontinued operations and exceptional items, were 4.3p, compared with 2.9p for the previous year.

Cash generation was very strong, with operating cash flow 99% of operating profit.

Dividend

The directors have declared an interim dividend of 0.86p per share, payable on 30 June 2004, and which represents an increase of 10.3% over the previous year's interim dividend. Dividend cover is five times.

Merger

The proposed merger of Securicor and the security business of Group 4 Falck was announced on 24 February 2004. We expect to send to shareholders formal documentation relating to the merger by the end of this month.

Trading

United Kingdom

EBITA increased by 8.5% to £26.7 million (2003: £24.6 million) on turnover of £298.5 million (2003: £279.8 million) representing organic growth of 7.8% and an EBITA margin of 8.9% (2003: 8.8%).

Securicor Cash Services had a 6.6% increase in turnover in the period, assisted by the retention of major contracts with a number of key financial institutions and high street retailers and by targeted price increases. ATM-related turnover growth returned to previous levels and showed a 25% year-on-year gain, with increased repair and maintenance activity. The three major cash processing contracts – with Alliance & Leicester, Clydesdale and Lloyds TSB – produced a 27% increase in turnover over the corresponding period last year. The company has been named as preferred bidder for the Abbey cash centre outsourcing contract, which is due to begin this autumn, with turnover expected to be around £50 million over 10 years.

The effect of a 6% pay award for 2003/04, negotiated last year as part of a two-year deal, was mitigated by cost reduction programmes which targeted both branch and head office overheads. There was, however, an increase in losses from armed robberies during the period.

Securicor Security experienced ongoing market pressures within the manned guarding sector, but increased turnover overall by 5% due to an improved contract retention performance, focus on service delivery and strong development in specific market sectors. A programme of targeted price increases, coupled with rigorous attention to costs at all levels of the business, ensured that the company's gross margin was maintained. The aviation company enjoyed an excellent new business and contract retention performance during 2003, with a 23% year-on-year increase. The trend continued into 2004, with both the States of Jersey Airport and London City Airport contracts being retained.

Securicor Justice Services produced another good result, with a strong performance from the electronic monitoring business where the monitored curfew base increased by 45% compared with last year. The company is benefiting from a number of growth opportunities and has successfully entered new markets in immigrant repatriation and police support services. Secure escorting services, on both scheduled and charter flights, are now used by the company to return failed asylum applicants to their country of origin, whilst by the middle of this year the company will be managing 11 custody suites for South Wales Police. The business is working with the Home Office on new tracking technology and is well placed for an active role in the development of the new National Offender Management Service, which will bring together the prison and probation services.

These growth initiatives, together with the operational start-up this summer of the 25-year contract for the design, construction, management and financing of an 80-bed secure training centre in Milton Keynes, will help lessen the impact of the loss of the metropolitan court escorting contract, which is expected to take effect in August.

Securicor International Valuables Transport performed well, with good results in particular from Australia and the Far East. Following the successful start-up of offices in Johannesburg and Frankfurt, a new office was opened in Bangkok. A measured move into the global diamonds and jewellery market has met with early success and prospects here are most encouraging.

Europe, Middle East and Africa

EBITA increased by 24% to £8.9 million (2003: £7.2 million) on turnover of £236.2 million (2003: £196.5 million) with organic growth of 2.2% and an EBITA margin of 3.8% (2003: 3.7%).

A good overall performance in Continental Europe was tempered by disappointing results from **Germany** cash services where improvement is slow to materialise. Within that business, a strengthened management team under a new managing director is implementing a turnaround strategy. The German aviation subsidiary had a difficult trading period, following termination of one of its major contracts last December. The German guarding business made satisfactory progress and achieved significant contract wins, including a £2 million a year contract with Deutsche Bank which will begin in the third quarter.

The purchase of the remaining 75% of Geldnet, the **Netherlands** cash services business, was completed in May 2003 and, with a strong trading performance, this company made a good profit contribution in the period. The Netherlands guarding business delivered good results in a tight market. An investment in an IT programme designed to improve service levels, customer information flows and operational efficiency is due to be completed within the next twelve months.

The **Middle East**, **Luxembourg**, **Jersey**, **Guernsey** and **Isle of Man** all produced good results, up on the prior year. **Ireland** and **Hungary** both made modest losses in the period but, with the implementation of turnaround plans, should show improved results in the second half.

The **Africa** region had a strong first-half, implementing the strategy of customer and quality focus in selected target markets. The new management team improved organic growth to 11% and commenced a pan-African cash management contract for Barclays Bank.

Americas

EBITA decreased to £0.1 million (2003: £0.9 million) on turnover of £83.0 million (2003: £88.8 million). EBITA margin decreased from 1.0% to 0.1%.

In **Canada**, the company retained all the outsourced business of its largest customer, Toronto Dominion Bank, following a retendering exercise at the start of the period. However, some of the work of RBC Financial Group, another important customer, was lost on retender, although Securicor remains their largest cash services provider. Aggressive cost reductions have mitigated the financial impact of this lost work. Good use is being made of improved security technology to reduce vehicle crew sizes, thereby contributing to the company's ability to control costs in the business.

Trading conditions for Cognisa, the **USA** guarding business, continue to prove challenging, with margin erosion throughout the market, reduced volumes of variable work, and some higher than anticipated costs of exiting certain contracts. Despite significant overhead reductions, the business is taking longer than expected to sustain a breakeven trading position, mainly due to increased employee-related costs since January. Continued focus on niche guarding markets and investment in improved operational and administrative systems will play important roles in the return to profitability. The company is in the final stages of forming a joint venture with a market leader in maritime security consultancy which should enable it to play a full part in the fast-developing US port security market.

The US justice services businesses, Securicor EMS and Securicor New Century, both had good performances, with turnover in New Century growing by 35% following the increase in 2003 in the number of youth custody and treatment facilities which it operates in Florida.

The **Central America** and **Caribbean** region continues to perform well, with results overall in line with expectations. There are exciting opportunities for a partnership with two regional banks to provide a pan-Caribbean cash processing service.

Asia

EBITA increased by 27% to £3.3 million (2003: £2.6 million) on turnover of £42.0 million (2003: £39.1 million) representing organic growth of 14.1% and an EBITA margin of 7.9% (2003: 6.6%).

The region had a strong performance overall, although Hong Kong, Taiwan, Macau and Brunei are still operating in a deflationary environment. The electronic security systems business is being developed around the region, with contracts in Macau and Indonesia and the acquisition of a new central alarm monitoring business in Thailand. The risk management solutions business is growing, with a number of high-profile international ship and port security contracts.

Hong Kong's newly renovated cash centre is now fully operational and is able to provide full, outsourced treasury solutions to financial institutions. The company has joined with Standard Chartered Bank to win a Government Treasury bid providing bank and collection services for Government outlets. In **Malaysia**, integration with Safeguards following the merger at the end of 2002 is progressing well, with the Malaysian Peninsula phase now completed. The business in **Indonesia** has grown, particularly in the electronic security systems sector where there have been several contract wins. In **Macau**, the rapid development of US-style casinos, coupled with general growth and investment, will create further opportunities for the company in guarding, cash and electronic security. In **China**, Securicor Donar, the country's largest independent ATM maintenance service provider, is proving to be a good acquisition.

Cash flow and financing

Operating cash flow was £35.3 million, 99% of operating profit. This was generated from tight working capital control and capital expenditure below depreciation.

Net borrowings at the end of the period amounted to £90.5 million, a reduction of £24 million. Interest cover is 8.5 times and gearing 33%.

Outlook

We have maintained our good start to the year. We have responded robustly to the challenges which we faced in the second half of 2003 by focusing on customer service, rigorous management of our cost base, and new business development. These results provide a solid base on which to move forward with the merger of Securicor with the security business of Group 4 Falck, which we expect to see completed later this summer.

Lord Sharman
Chairman

10 May 2004

Interim results announcement for the six months ended 31 March 2004
Consolidated profit and loss account

		Six months ended 31.3.04			Six months ended 31.3.03 (restated)			
	Note	Before exceptional items and goodwill amortsation £m	Exceptional items and goodwill amortisation (note 4) £m	Total £m	Before exceptional items and goodwill amortisation £m	Exceptional items and goodwill amortisation (note 4) £m	Total £m	Year ended 30.9.03 (restated) Total £m
Turnover								
Total turnover		659.7	–	659.7	845.7	–	845.7	1,644.8
Less share of joint ventures		(3.5)	–	(3.5)	(194.2)	–	(194.2)	(321.0)
Group turnover	2	656.2	–	656.2	651.5	–	651.5	1,323.8
Continuing operations		656.2	–	656.2	600.6	–	600.6	1,269.9
Discontinued operations	3	–	–	–	50.9	–	50.9	53.9
Group turnover	2	656.2	–	656.2	651.5	–	651.5	1,323.8
Operating profit								
Continuing operations		35.7	(6.0)	29.7	31.8	(6.0)	25.8	61.2
Discontinued operations	3	–	–	–	(6.7)	(12.3)	(19.0)	(7.0)
Group operating profit		35.7	(6.0)	29.7	25.1	(18.3)	6.8	54.2
Share of joint ventures and associates								
Continuing operations		3.3	–	3.3	3.5	–	3.5	6.5
Discontinued operations	3	–	–	–	3.8	(0.1)	3.7	6.9
Total operating profit	2	39.0	(6.0)	33.0	32.4	(18.4)	14.0	67.6
Non operating exceptional items	4	–	–	–	–	(5.5)	(5.5)	(0.8)
Profit on ordinary activities before interest and taxation		39.0	(6.0)	33.0	32.4	(23.9)	8.5	66.8
Net interest	5	(4.6)	–	(4.6)	(9.2)	–	(9.2)	(17.3)
Profit (loss) on ordinary activities before taxation		34.4	(6.0)	28.4	23.2	(23.9)	(0.7)	49.5
Taxation	6	(10.7)	–	(10.7)	(7.2)	–	(7.2)	(3.9)
Profit (loss) on ordinary activities after taxation		23.7	(6.0)	17.7	16.0	(23.9)	(7.9)	45.6
Attributable to minorities		(1.0)	–	(1.0)	(0.5)	–	(0.5)	(1.1)
Profit (loss) for the period		22.7	(6.0)	16.7	15.5	(23.9)	(8.4)	44.5
Ordinary dividend	9	(4.6)	–	(4.6)	(4.9)	–	(4.9)	(12.8)
Special dividend	9	–	–	–	–	–	–	(75.0)
Retained earnings (deficit)		18.1	(6.0)	12.1	10.6	(23.9)	(13.3)	(43.3)
Per share data								
Basic earnings (loss)	7			3.2p			(1.3)p	7.4p
Diluted earnings (loss)	7			3.2p			(1.3)p	7.4p
Normalised earnings	7			4.3p			2.9p	7.3p
Average number of shares				529.2m			625.3m	605.1m
Ordinary dividend	9			0.86p			0.78p	2.40p

Consolidated profit and loss account

		Year ended 30.9.03 (restated)		
	Note	Before exceptional items and goodwill amortisation £m	Exceptional items and goodwill amortisation (note 4) £m	Total £m
Turnover				
Total turnover		1,644.8	–	1,644.8
Less share of joint ventures		(321.0)	–	(321.0)
Group turnover	2	1,323.8	–	1,323.8
Continuing operations		1,269.9	–	1,269.9
Discontinued operations	3	53.9	–	53.9
Group turnover	2	1,323.8	–	1,323.8
Operating profit				
Continuing operations		73.7	(12.5)	61.2
Discontinued operations	3	(7.0)	–	(7.0)
Group operating profit		66.7	(12.5)	54.2
Share of joint ventures and associates				
Continuing operations		6.5	–	6.5
Discontinued operations	3	7.0	(0.1)	6.9
Total operating profit	2	80.2	(12.6)	67.6
Non operating exceptional items	4	–	(0.8)	(0.8)
Profit on ordinary activities before interest and taxation		80.2	(13.4)	66.8
Net interest	5	(17.3)	–	(17.3)
Profit on ordinary activities before taxation		62.9	(13.4)	49.5
Taxation	6	(18.3)	14.4	(3.9)
Profit on ordinary activities after taxation		44.6	1.0	45.6
Attributable to minorities		(1.1)	–	(1.1)
Profit for the period		43.5	1.0	44.5
Ordinary dividend	9	(12.8)	–	(12.8)
Special dividend	9	–	(75.0)	(75.0)
Retained earnings (deficit)		30.7	(74.0)	(43.3)
Per share data				
Basic earnings	7			7.4p
Diluted earnings	7			7.4p
Normalised earnings	7			7.3p
Average number of shares				605.1m
Ordinary dividend	9			2.40p

Consolidated balance sheet

	31.3.04	31.3.03 (restated)	30.9.03 (restated)
	£m	£m	£m
Intangible fixed assets			
Goodwill	209.4	231.2	219.2
Development expenditure	—	14.0	—
Tangible fixed assets	167.8	180.0	177.1
Investments			
Joint ventures	6.7	56.1	6.8
Associates	8.4	5.7	8.6
Total fixed assets	392.3	487.0	411.7
Stocks	7.1	16.4	6.3
Debtors	219.7	228.6	222.0
Creditors	(250.4)	(246.3)	(253.8)
Net current liabilities excluding net borrowings	(23.6)	(1.3)	(25.5)
Bank and deposit balances	69.3	70.6	73.5
Bank overdrafts	—	(0.5)	(6.8)
Short term loans and finance leases	(64.2)	(20.7)	(66.1)
Long term loans and finance leases	(95.6)	(273.2)	(115.1)
Net borrowings	(90.5)	(223.8)	(114.5)
Provisions	(4.0)	(5.6)	(4.0)
Net assets	274.2	256.3	267.7
Capital and reserves			
Called up share capital	31.4	31.3	31.3
Reserves	236.0	219.6	230.0
Equity shareholders' funds (note 8)	267.4	250.9	261.3
Equity minority interests	6.8	5.4	6.4
	274.2	256.3	267.7

Consolidated statement of total recognised gains and losses

	Six months ended 31.3.04	Six months ended 31.3.03	Year ended 30.9.03
	£m	£m	£m
Profit (loss) for the period after taxation and minority interests	16.7	(8.4)	44.5
Translation differences on foreign currency net investments	(8.1)	(2.7)	(5.1)
Total recognised gains (losses) since last annual report	8.6	(11.1)	39.4

Consolidated cash flow

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 £m
Cash flow from operating activities			
Operating profit after exceptional items	29.7	6.8	54.2
Depreciation	17.7	17.1	35.2
Profit on sale of fixed assets	–	(0.4)	(0.3)
Amortisation of goodwill	6.0	6.0	12.5
Exceptional impairment of intangible fixed assets	–	12.3	–
Increase in working capital and provisions	(7.1)	(12.5)	(4.7)
Net cash flow from operating activities	46.3	29.3	96.9
Dividends from associates and joint ventures	0.8	0.6	1.3
Net cash flow from returns on investments and servicing of finance	(4.5)	(6.9)	(13.8)
Taxation	(12.0)	0.4	(5.9)
Net cash flow from capital expenditure	(11.0)	(27.2)	(39.7)
Net cash flow from acquisitions and disposals	(2.0)	(6.7)	156.0
Ordinary dividend paid	–	–	(12.9)
Special dividend paid	–	–	(75.0)
Cash flow before use of liquid resources and financing	17.6	(10.5)	106.9
Financing			
Issue of new share capital	1.7	–	–
(Decrease) increase in loans	(14.6)	17.0	(101.1)
Capital element of finance lease rental payments	(1.2)	(1.0)	(1.3)
Cash flow from financing	(14.1)	16.0	(102.4)
Increase in cash in period	3.5	5.5	4.5
Reconciliation of net cash flow to movement in net debt			
Increase in cash in period	3.5	5.5	4.5
Cash flow from decrease (increase) in debt and lease financing	15.8	(16.0)	102.4
Borrowings acquired on acquisition of subsidiaries	–	–	(1.8)
New finance leases	(2.6)	(2.3)	(5.2)
Movement in net debt in period	16.7	(12.8)	99.9
Exchange movements	7.3	(12.5)	(15.9)
Net debt at start of period	(114.5)	(198.5)	(198.5)
Net debt at end of period	(90.5)	(223.8)	(114.5)

NOTES TO THE INTERIM ANNOUNCEMENT

1. Basis of preparation and prior year adjustment

The financial information set out in this announcement does not constitute the company's statutory accounts. The financial information for the year ended 30 September 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts and their report was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. No audit has been performed on the accounts for the six months ended 31 March 2004 or the six months ended 31 March 2003, but the financial information has been reviewed by the company's auditors, Baker Tilly, and their report is reproduced at the end of this announcement.

The interim accounts have been prepared in accordance with the same accounting policies as the statutory accounts for the year ended 30 September 2003 except that they comply with the new UITF Abstract 38. This abstract requires that the cost of shares in the company purchased by an employee benefit trust for an employee remuneration scheme, net of any amortisation charged, is shown as a deduction from shareholders' funds rather than as an investment. Consequently, the reported net assets of the group at 30 September 2003 have been reduced by £2.0m, being £2.4m previously shown as investment in own shares less £0.4m previously included within creditors.

The comparative results for the six months to 31 March 2003 have been restated from those previously reported to reflect the reclassification at 30 September 2003 of the company's investment in Bridgend Custodial Services from an associate to a joint venture. The carrying value of the investment at 31 March 2003 was £6.9m and the increase in reported turnover for the six months to 31 March 2003 is £3.6m.

Transactions denominated in foreign currencies are translated at the average rates applicable to the accounting period. Assets and liabilities of foreign subsidiaries, associate undertakings and joint ventures, denominated in foreign currencies, are translated into sterling at rates of exchange ruling at balance sheet dates. Differences arising thereon are taken directly to reserves, together with exchange adjustments on borrowings used to fund investments. Other exchange differences are taken to the profit and loss account.

2. BUSINESS SECTOR AND GEOGRAPHICAL ANALYSIS

	Six months ended 31.3.04	Six months ended 31.3.03 (restated)	Year ended 30.9.03
	£m	£m	£m
Group turnover			
United Kingdom	298.5	279.8	569.8
Europe, Middle East and Africa	236.2	196.5	448.9
Americas	83.0	88.8	177.6
Asia	42.0	39.1	80.8
	659.7	604.2	1,277.1
Less security joint ventures (UK)	(3.5)	(3.6)	(7.2)
Continuing operations (including acquisitions)	656.2	600.6	1,269.9
Discontinued operations	–	50.9	53.9
Total	656.2	651.5	1,323.8
Operating profit before exceptional items and goodwill amortisation			
United Kingdom	26.7	24.6	54.6
Europe, Middle East and Africa	8.9	7.2	18.8
Americas	0.1	0.9	0.6
Asia	3.3	2.6	6.2
Continuing operations (including acquisitions)	39.0	35.3	80.2
Discontinued operations	–	(6.7)	(7.0)
Discontinued joint venture operations	–	3.8	7.0
Total	39.0	32.4	80.2

3. DISCONTINUED OPERATIONS

Discontinued operations for 2003 represent the aviation security activities of Argenbright Security (exited February 2003), the operations of Securicor Wireless Technology (sold December 2002), the operations of Securicor Information Systems (sold May 2003), the operations of Securicor Cash Machine (sold June 2003), operations in Angola, Equatorial Guinea and Qatar (exited during 2003) and the group's share of the Distribution joint venture with Deutsche Post (sold July 2003).

4. EXCEPTIONAL ITEMS

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 £m
Within group operating profit (loss)			
Impairment of intangible fixed asset at Securicor Information Systems	–	(12.3)	–
Non operating items			
Profit (loss) on sale or closure of operations			
Securicor Distribution	–	–	65.7
Securicor Information Systems	–	–	(30.5)
Other	–	(5.5)	(7.4)
Impairment of goodwill arising on acquisition of Argenbright Security associated with exit from aviation security activities	–	–	(28.6)
	–	(5.5)	(0.8)

Goodwill amortisation (including share of joint ventures and associates) was £6.0m in the six months to 31 March 2004, £6.1m in the six months to 31 March 2003 and £12.6m in the year to 30 September 2003.

5. NET INTEREST

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 £m
Group	3.0	6.9	13.2
Share of joint ventures and associates – continuing	1.6	1.7	3.4
Share of joint venture – discontinued	–	0.6	0.7
Net interest	4.6	9.2	17.3

6. TAXATION

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 £m
Corporation tax	11.1	7.1	22.3
Deferred tax	(0.8)	(1.3)	(6.9)
Associates and joint ventures			
Corporation tax	0.4	1.4	2.9
Deferred tax	–	–	–
Exceptional items and goodwill			
Corporation tax	–	–	(12.6)
Deferred tax	–	–	(1.8)
Total taxation charge	10.7	7.2	3.9

7. EARNINGS PER SHARE

	Six months ended 31.3.04 £m	Six months ended 31.3.03 (restated) £m	Year ended 30.9.03 £m
Basic			
Profit (loss) after taxation	17.7	(7.9)	45.6
Minority interests	(1.0)	(0.5)	(1.1)
Profit (loss) attributable to shareholders	16.7	(8.4)	44.5
Weighted average number of shares outstanding	529.2m	625.3m	605.1m
Basic earnings (loss) per share	3.2p	(1.3)p	7.4p
Diluted			
Diluted earnings (loss) per share	3.2p	(1.3)p	7.4p
Normalised earnings (before exceptional items, goodwill amortisation and discontinued operations)			
Profit (loss) attributable to shareholders	16.7	(8.4)	44.5
Exceptional items, goodwill amortisation and discontinued operations (net of tax and including discontinued joint venture interest charges)	6.0	26.3	(0.4)
Adjusted attributable profit	22.7	17.9	44.1
Weighted average number of shares outstanding	529.2m	625.3m	605.1m
Normalised earnings per share	4.3p	2.9p	7.3p

8. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 (restated) £m
Profit (loss) on ordinary activities after taxation and minority interests	16.7	(8.4)	44.5
Dividends	(4.6)	(4.9)	(87.8)
Retained earnings (deficit)	12.1	(13.3)	(43.3)
Translation differences on foreign currency net investments	(8.1)	(2.7)	(5.1)
Proceeds of share capital issued	1.7	–	–
Purchase of own shares by employee benefit trust	–	–	(2.4)
Amortisation of own shares held by employee benefit trust	0.4	–	0.4
Write-back of goodwill on disposals previously written off	–	–	44.8
	6.1	(16.0)	(5.6)
Equity shareholders' funds at start of period (30 September 2003: £263.3m before the deduction of the prior year adjustment of £2.0m described in note 1)	261.3	266.9	266.9
Equity shareholders' funds at end of period	267.4	250.9	261.3

9. DIVIDENDS

	Six months ended 31.3.04 £m	Six months ended 31.3.03 £m	Year ended 30.9.03 £m
Ordinary dividend			
Interim 0.86p (2003: 0.78p)	4.6	4.9	4.2
Final (2003: 1.62p)			8.6
Total (2003: 2.40p)			12.8
Special dividend (2003 : 12.0p)			75.0

Following the payment of the special dividend on 18 July 2003, the group effected a 17 for 20 share consolidation. The interim dividend accrual of £4.9m at 31 March 2003 was calculated on the basis of the number of shares in issue at that date, but the £4.2m paid was based on the number of shares in issue after the consolidation.

The 2004 interim dividend will be paid on 30 June 2004 to shareholders on the register on 4 June 2004.

10. CONTINGENT LIABILITIES

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

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

Argenbright, which is a stand-alone limited liability corporation, is being sued and a number of lawsuits have been served upon it. Securicor plc itself has been named in the lawsuits.

At 11 September 2001, Argenbright and the company had in place joint aviation liability insurance which included cover for acts of terrorism and which provided insurance cover of US$1bn for each of the two flights referred to above.

The directors are confident that, if there were to be awards of damages against Argenbright, they would be below the limits of the available insurance.

The company has proposed that its business be merged with the security business of Group 4 Falck A/S. The proposal requires approval from the shareholders of both companies. In the event that this approval is not obtained an exceptional charge to the profit and loss account of approximately £12m would arise in respect of committed transaction costs. Should the company decide not to proceed with the proposed merger, a break fee of £6.3m would be payable to Group 4 Falck A/S.

Independent review report to Securicor plc

We have been instructed by the company to review the financial information for the six months ended 31 March 2004, which comprises the consolidated profit and loss account, balance sheet, statement of recognised gains and losses and cash flow together with the related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4:Review of Interim Financial Statements issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2004.

Baker Tilly
Chartered Accountants
2 Bloomsbury Street, London WC1B 3ST

10 May 2004"

PART 5

C. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SECURICOR

You should read the following in conjunction with the consolidated financial information relating to Securicor contained in Part 5A and Part 5B of this document, and the related notes to the consolidated financial information. Unless otherwise indicated, the financial information included in this section has been extracted without material adjustment from the consolidated financial information included in Part 5A and Part 5B. The consolidated financial information on Securicor is prepared in accordance with UK GAAP. You should read the whole of this document and not rely solely on key or summary information.

The following discussion includes forward-looking statements which involve risks and uncertainties. You should review Part 8 ("Risk Factors") of this document for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

Overview

Securicor operates in approximately 50 countries worldwide and manages its activities in four geographic regions: the United Kingdom; Europe, the Middle East and Africa; Asia; and the Americas, and it operates in three key markets: security, cash services and justice services.

In the United Kingdom, Securicor operates in all three segments, with cash services making up approximately half of its operations. Securicor's European, Middle East and Africa operations comprise security and cash services businesses in a number of countries, including Germany, the Netherlands and South Africa. Securicor's Asia operations include security and cash services businesses in Hong Kong, Thailand and Taiwan, as well as cash services operations in China. In the Americas, Securicor's operations include security and justice services activities in the United States, cash services operations in Canada and both security and cash services businesses in the Caribbean and Central America.

The following table shows the percentage breakdown of Securicor's turnover from continuing operations by geographic region for the financial years ended 30 September 2003 and 2002.

Turnover % by geography	Year ended 30 September 2003	2002
	(%)	
United Kingdom	45	44
Europe, Middle East and Africa	35	33
Americas	14	17
Asia	6	6

The following table shows the percentage breakdown of Securicor's turnover from continuing operations by product for the financial years ended 30 September 2003 and 2002.

Turnover % by product	Year ended 30 September 2003	2002
	(%)	
Security	53	60
Cash services	39	33
Justice	8	7

In the financial years ended 30 September 2003 and 2002, Securicor's total turnover (including the Securicor Group's share of turnover from security joint ventures) was £1,331.0 million and £1,412.4 million, respectively. Securicor Group turnover (excluding the Securicor Group's share of turnover from security joint ventures) was £1,323.8 million and £1,400.1 million, respectively. Securicor Group turnover from continuing operations, which excludes the Securicor Group's shares of turnover from businesses disposed of during the financial year, as well as turnover from joint ventures, was £1,269.9 million and £1,197.9 million, respectively. Operating profit before interest, taxation, goodwill amortisation and exceptional items (or EBITA) was £80.2 million and £85.5 million for the financial years ended 30 September 2003 and 2002, respectively; and operating profit from continuing operations before interest, taxation, goodwill amortisation and exceptional items (or EBITA from continuing operations) was £80.2 million and £83.0 million for the financial years ended 2003 and 2002, respectively.

Factors Affecting Results of Operations

Discontinued operations

Until 2002, Securicor operated in three sectors: security (comprising cash services, manned guarding and justice businesses), communications (which included operations in mobile communications – including a 40% holding in BT Cellnet, which Securicor sold in 1999 – wireless technology and information systems), and distribution (comprising mainly parcel delivery services). Over the last three financial years Securicor sold or exited several businesses as part of its strategy to transform its business into a focused security group. In September 2001 Securicor sold its US business of Securicor Wireless, a wireless technology business, for a nominal sum. Securicor continued its exit from the communications sector in May 2002 with the closure of SafeDoor, the on-line shopping service launched at the end of 2000. Securicor completed its exit from the communications sector in May 2003 with the sale of Securicor Information Systems, a developer of information management software for public authorities, for £25.1 million to Securicor Information System's then-existing management team. In July 2003, Securicor sold its remaining 50% interest in its distribution division to Deutsche Post for €247 million (£167 million).

In 2003, Securicor also completed the exit from its aviation security activities in the United States, which it operated through Argenbright, following the federalisation of passenger screening activity by the US government in 2002. Securicor also sold Securicor Cash Machine, an ATM provider, for £5.0 million in June 2003. During 2003, the company also exited its security businesses in Angola, Equatorial Guinea and Qatar.

Acquisitions

Securicor made several significant acquisitions during the last three financial years. In the financial year ended 30 September 2001 acquisitions included Gray, the largest security business in South Africa, Argenbright in the United States, an aviation security and commercial guarding services provider, ADI, a provider of aviation security services in Europe, Randon, a market-leading manned guarding business in the Netherlands and several cash services businesses in Germany.

In the financial year ended 30 September 2002 acquisitions included the remaining 50% share in Jardine Securicor, a provider of security services in a number of countries in Asia, as a result of which this business, previously accounted for as a joint venture, became a wholly-owned subsidiary of Securicor.

In the financial year ended 30 September 2003 acquisitions included the remaining 75% interest in Geldnet, the Dutch cash services company, as a result of which Geldnet, previously accounted for as an associated company, became a wholly-owned subsidiary of Securicor, and the merger of Securicor's associate in Malaysia with Safeguards Corporation, a provider of manned guarding and cash services businesses.

Competitive pressures in the security market

The global security market is highly fragmented, with the top five companies by market capitalisation controlling less than 30% of the global market, which can give rise to pressure on margins.

Outsourcing

Some of Securicor's customers in the cash services business are financial institutions that have elected to outsource their cash processing and cash management functions. Securicor's customers in the justice business are government departments that have elected to outsource certain custodial and monitoring functions. The extent of outsourcing in both these business areas differs across the global security market. Although there is potential for the extension of outsourcing opportunities in many new markets, there is also a risk that the existing trend towards outsourcing in certain of Securicor's cash services and justice markets will reverse.

Regulatory conditions that affect Securicor's markets

In 2002, in response to the terrorist attacks of 11 September 2001, the US government federalised the process of aviation passenger screening, a service which formed an integral part of Securicor's US aviation security business, Argenbright. Consequently, Securicor exited the US aviation security business during the financial year ended 30 September 2003. There is a risk that, in the event of further terrorist attacks, other markets in which Securicor operates may be federalised or become subject to increased regulation.

Securicor may also be affected by a recent trend in certain European jurisdictions towards the licensing of individual security guards, as described in Part 8(4) of this document.

Economic conditions that affect Securicor's markets

As an international business, Securicor's operations are affected by global, regional, industrial, economic and political conditions. Generally, Securicor's industry and geographic diversity has helped to limit the impact of any one industry or the economy of any single country on its consolidated results. However, Securicor's results are particularly impacted by economic and market conditions in the United Kingdom, as approximately 45% of its continuing turnover is derived from its UK operations.

Exchange rates

For a discussion of Securicor's exposure to currency and interest rate risk and its efforts to reduce this exposure, see "– Disclosure About Market Risk" below.

Significant Accounting Policies

Securicor's accounting policies are described in the consolidated financial information of Securicor contained in Part 5A of this document. Securicor prepares its financial statements in conformity with UK GAAP, which requires it to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Securicor considers the following policies to be the most significant in understanding the judgments that are involved in preparing its financial statements and the uncertainties that could impact its results of operations and financial condition.

Deferred taxation

In accordance with Financial Reporting Standard 19 (FRS 19), deferred tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, except that a net deferred tax asset is recognised only when it can be regarded as more likely than not that it will be recovered. Provision is made for deferred tax that would arise upon the remittance of earnings from overseas subsidiaries only to the extent that dividends have been accrued as receivable. Deferred tax is provided at current rates and is not discounted. Deferred tax assets and liabilities are offset where they relate to taxes levied by the same tax authority and arise in the same taxable entity or group.

Foreign currencies

Transactions denominated in foreign currencies are translated at the average rate applicable to the accounting period. Assets and liabilities denominated in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet dates. Foreign exchange adjustments, including those arising on consolidation and on borrowings arranged to finance overseas investments, are transferred to reserves. All other exchange adjustments are taken to the profit and loss account.

Goodwill and amortisation

Goodwill, being the excess of the cost of an acquisition over the fair value attributed to the net tangible assets at acquisition, is capitalised and amortised over its useful economic life, which is expected not to exceed twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions made on or before 30 September 1998 was charged directly to reserves. The profit or loss on disposal or closure of a business includes any attributable goodwill previously charged to reserves.

Pensions

Securicor operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal UK scheme is of a defined benefit structure. The regular cost of providing benefits is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the schemes are allocated to operating profit over the expected remaining service lives of the members.

A defined contribution scheme, which is not contracted out, was established in 1996 and is the main scheme for new UK employees.

The UK Accounting Standards Board issued Financial Reporting Standard 17 (FRS 17) relating to retirement benefits in November 2000. FRS17 requires that the surplus or deficit in a defined benefit scheme be recognised, net of associated tax, within the employer's balance sheet, calculated in accordance with the methodology specified in the standard. The requirements of FRS 17 must be fully adopted starting in 2005. As an interim measure, Securicor discloses the effect that implementation of FRS17 would have on its balance sheet if the standard had been in place during the period.

Material Items Affecting Results of Operations

Turnover

In Securicor's consolidated profit and loss accounts, the turnover presentation is separated into total turnover, group turnover and group turnover from continuing operations. Total turnover incorporates turnover from the accounts of Securicor, its subsidiary undertakings and Securicor's share of the turnover of its joint ventures. Securicor Group turnover excludes the turnover of Securicor's joint ventures and represents sales, excluding value added tax, by Securicor Group companies to external customers. Securicor Group turnover from continuing operations represents group turnover, excluding the turnover contribution from businesses disposed of during the financial period.

Security

Approximately 80% of turnover in the security segment is generated from manned security services, including traditional guarding and reception services. Approximately 12% of security turnover is generated through aviation security services. The security segment's remaining turnover is generated from other services including electronic security and consultancy.

Cash Services

Armoured vehicle transportation of cash and valuables, including ATM replenishment and maintenance, constitutes approximately 89% of Securicor's cash services global turnover. The remaining 11% of turnover is generated by cash management services, including the management of commercial and central bank cash stocks and the counting and reconciliation of bank and retailer cash.

Justice

Justice services turnover is generated principally by the operation and management of prisons and juvenile detention facilities, electronic monitoring operations, the provision of electronic monitoring equipment and the London metropolitan court escorting contract (which will terminate in August 2004).

Cost of Sales

Cost of sales represents costs directly incurred in the provision of services to customers, including labour costs, vehicle costs, costs of sub-contracted work and insurance.

Results of Operations

Six months ended 31 March 2004 compared to six months ended 31 March 2003

Turnover

The following table shows Securicor's turnover by geographic region for the six months ended 31 March 2004 and the six months ended 31 March 2003 and the percentage change between the periods.

	Six months ended 31 March		% Change
	2004	2003	
Turnover	(£ millions)		
Continuing operations:			
United Kingdom	298.5	279.8	6.7
Europe, Middle East and Africa	236.2	196.5	20.2
Americas	83.0	88.8	(6.5)
Asia	42.0	39.1	7.4
Continuing total turnover	**659.7**	**604.2**	**9.2**
Discontinued group operations	–	50.9	–
Less: joint venture UK	(3.5)	(3.6)	(2.7)
Group turnover	**656.2**	**651.5**	**0.7**

Securicor's continuing total turnover increased by £55.5 million, or 9.2%, from £604.2 million for the six months ended 31 March 2003 to £659.7 million for the six months ended 31 March 2004. Of this increase, organic turnover growth accounted for £31.5 million, or 5.0%, as a result of strong growth in the UK and Asia, offset by slow growth in Europe, Middle East and Africa and flat growth in the Americas. £27.6 million of the increase in continuing total turnover was attributable to acquisitions made during 2003, principally in Europe, Middle East and Africa. Net currency exchange movements, including the fall in the value of the US dollar against sterling, had a negative impact of £3.6 million. Group turnover, excluding the turnover contribution from associates and joint ventures and including the contribution from discontinued group operations, increased by £4.7 million, or 0.7%, from £651.5 million for the six months ended 31 March 2003 to £656.2 million for the six months ended 31 March 2004.

Turnover in the six months ended 31 March 2003 from discontinued operations amounted to £33.2 million in the United Kingdom (primarily from Securicor Information Systems), £1.9 million in Europe, Middle East and Africa and £15.8 million in the Americas (from the US aviation security services of Argenbright).

United Kingdom

Turnover from continuing operations in the United Kingdom (including turnover from joint ventures) increased by £18.7 million, or 6.7%, from £279.8 million in the six months ended 31 March 2003 to £298.5 million in the six months ended 31 March 2004. Most of this increase was due to organic growth, which was 7.8%, reflecting a strong performance in the cash services sector. The increase from organic growth was offset slightly by the negative impact of exchange rate differences on businesses reporting in US dollars.

Continuing turnover from the UK's cash services businesses increased 6.6% in the period, due to the retention of major contracts with a number of key financial institutions and high street retailers and from targeted price increases. The UK's three major cash processing contracts – with Alliance & Leicester, Clydesdale and Lloyds TSB – produced a 27% increase in turnover over the corresponding period in 2003. ATM-related turnover growth returned to previous levels and showed a 25% year-on-year gain following a disappointing performance in 2003, in part due to increased repair and maintenance activity. However, there was little increase in cash transportation revenues generally amidst challenging market conditions as Securicor's customers sought to minimise costs.

Securicor includes in its turnover reported for the United Kingdom revenues from its international valuable transport businesses, which are headquartered in the United Kingdom. Revenue from the international transport of valuable items improved for the period, particularly in Asia.

Turnover for Securicor's UK security operations increased by 5% due to an improved contract retention performance, focus on service delivery and strong development in specific market sectors, particularly in aviation, despite ongoing market pressures in manned guarding. Securicor's UK aviation operations benefited from new business in 2003 with Cardiff International Airport and Virgin Atlantic and produced a 23% year-on-year increase. The trend continued into 2004, with both the States of Jersey Airport and London City Airport contracts being retained.

In the UK's justice operations, strong revenue growth was driven by the electronic monitoring business, where the monitored curfew base increased by 45% compared with the same period in 2003. The company benefited from the successful entry into new markets in immigrant repatriation and police support services. UK justice turnover also includes revenue from two US justice services businesses, Securicor EMS and Securicor New Century. Both businesses performed well in the period, with turnover in New Century growing by 35% following the increase in 2003 in the number of youth custody and treatment facilities that it operates in Florida.

Europe, Middle East and Africa

Turnover from continuing operations in Europe, Middle East and Africa increased by £39.7 million, or 20.2%, from £196.5 million in the six months ended 31 March 2003 to £236.2 million in the six months ended 31 March 2004. This increase was mainly attributable to the current period impact from the acquisitions in 2003 of the remaining 75% interest in Geldnet, the Netherlands cash services business, and a security and cash services business in Botswana. The favourable impact of exchange rate movements, in particular the euro against sterling, also contributed to the increase. Organic growth was 2.2%, due primarily to solid growth across most of the businesses in Africa, particularly in South Africa, Botswana and Malawi, offset by flat organic growth in Europe, mainly due to economic pressures in the Netherlands, the loss of an aviation security contract in Germany and competitive pressures in the German cash services market.

Americas

Turnover from continuing operations in the Americas decreased by £5.8 million, or 6.5%, from £88.8 million in the six months ended 31 March 2003 to £83.0 million in the six months ended 31 March 2004. This was due primarily to the negative impact of exchange rate movements, mainly the decline in the US dollar against sterling, and slow organic growth of 0.2% due mainly to tough trading conditions in manned security in the US, with reduced volumes of short-term, non-contractual work. In the Canadian cash business, sales were flat as a result of the reduction in contracted work for Royal Bank of Canada. Most Caribbean businesses showed good growth, other than Jamaica, which in 2003 lost its major cash services customer.

Asia

Turnover in Asia increased by £2.9 million, or 7.4%, from £39.1 million in the six months ended 31 March 2003 to £42.0 million in the six months ended 31 March 2004, due to strong organic growth and acquisitions made during the period, offset by adverse exchange rate movements. Organic growth was 14.1%, achieved against continued deflationary pressures across much of the region. Growth resulted in part from the development of both the electronic security systems and the risk management solutions businesses. The increase in turnover was offset by the effect of a weakening Hong Kong dollar against sterling.

Gross Profit

The following table shows Securicor's gross profit for the six months ended 31 March 2004 and the six months ended 31 March 2003 and the percentage change between the periods.

	Six months ended 31 March 2004	2003	% Change
	(£ millions)		
Turnover	656.2	651.5	0.7
Cost of sales	(492.0)	(498.1)	(1.2)
Gross profit	164.2	153.4	7.0

Cost of sales decreased by £6.1 million, or 1.2%, from £498.1 million for the six months ended 31 March 2003 to £492.0 million for the six months ended 31 March 2004, due mainly to the impact of businesses discontinued in 2003, offset by the 2004 impact of acquisitions made in 2003.

Gross profit for the group increased by £10.8 million, or 7.0%, from £153.4 million in the six months ended 31 March 2003 to £164.2 million in the six months ended 31 March 2004. The increase was due mainly to the effect of acquisitions and disposals during the period, as the discontinued US aviation and Securicor Information Systems businesses operated at lower gross margins than the acquired Geldnet cash business.

Operating Profit

The following table shows Securicor's operating profit for the six months ended 31 March 2004 and the six months ended 31 March 2003 and the percentage change between the periods.

	Six months ended 31 March 2004	2003	% Change
Operating profit	(£ millions)		
Gross profit	164.2	153.4	7.0
Administration expense	(128.5)	(128.3)	0.2
Goodwill amortisation	(6.0)	(6.0)	–
Operating exceptional items	–	(12.3)	–
Group operating profit	29.7	6.8	336.8
Continuing operations	35.7	31.8	12.3
Discontinued operations	–	(6.7)	–
Goodwill amortisation	(6.0)	(6.0)	–
Operating exceptional items	–	(12.3)	–
Group operating profit	**29.7**	**6.8**	**336.8**
Share of joint ventures and associates			
Continuing operations	3.3	3.5	(5.7)
Discontinued operations	–	3.8	–
Goodwill amortisation	–	(0.1)	–
Total operating profit	**33.0**	**14.0**	**135.7**

Total operating profit, including results of joint ventures and associates, increased by £19.0 million, or 135.7%, from £14.0 million in the six months ended 31 March 2003 to £33.0 million in the six months ended 31 March 2004, primarily arising from lower operating profit for the period in 2003 due to a loss on the discontinued operations of the US aviation business and an exceptional item of £12.3 million, resulting from a charge for impairment of an intangible fixed asset. The intangible fixed asset represented an expenditure incurred in connection with the development of software products at Securicor Information Systems.

Operating profit from the continuing operations of joint ventures and associates decreased by £0.2 million from £3.5 million in the six months ended 31 March 2003 to £3.3 million in the six months ended 31 March 2004. The decrease resulted from Securicor's acquisition of the remaining 75% interest in Geldnet, which was accounted for as an associate for the six months ended 31 March 2003.

Securicor group operating profit from continuing operations increased by £3.9 million, or 12.3%, from £31.8 million in the six months ended 31 March 2003 to £35.7 million in the six months ended 31 March 2004 due to the profit contribution from the Geldnet acquisition in Europe, increased profits in Asia, including the impact of the merger of Securicor's Malaysian associate with Safeguards and increased profit in the cash business in the United Kingdom, offset by decreased profits in the Americas due to currency movements.

Total operating profit from continuing operations excluding goodwill amortisation and exceptional items (or EBITA from continuing operations) increased by £3.7 million, or 10.5%, from £35.3 million for the six months ended 31 March 2003 to £39.0 million for the six months ended 31 March 2004.

Profit on Ordinary Activities Before Taxation

The following table shows Securicor's profit on ordinary activities for the six months ended 31 March 2004 and the six months ended 31 March 2003 and the percentage change between the periods.

	Six months ended 31 March		% Change
	2004	**2003**	
Profit on ordinary activities before taxation	**(£ millions)**		
Operating profit	33.0	14.0	135.7
Loss on sale or closure of operations	–	(5.5)	–
Profit on ordinary activities before interest and taxation	33.0	8.5	288.2
Net interest	(4.6)	(9.2)	(50.0)
Profit/(loss) on ordinary activities before taxation	**28.4**	**(0.7)**	**–**

Profit/(loss) on ordinary activities before taxation increased by £29.1 million from a loss of £0.7 million in the six months ended 31 March 2003 to a profit of £28.4 million in the six months ended 31 March 2004. This was due to the increase in operating profit over the same period and a charge of £5.5 million in 2003 in respect of (i) the sale of a vehicle management business that was part of Securicor's distribution joint venture and (ii) the writing-off of deferred consideration in respect of previously-sold businesses. A lower interest charge in 2004, primarily as a consequence of the proceeds from the disposal of the 50% interest in Securicor's distribution joint venture received towards the end of the 2003 financial year, also contributed to the increase in profit. Excluding goodwill amortisation and exceptional items, profit on ordinary activities before taxation amounted to £34.4 million in the six months ended 31 March 2004, compared to £23.2 million in the six months ended 31 March 2003.

Profit / (loss) for the period

The following table shows Securicor's profit/(loss) for the six months ended 31 March 2004 and the six months ended 31 March 2003 and the percentage change between the periods.

	Six months ended 31 March		% Change
	2004	**2003**	
	(£ millions)		
Profit/(loss) on ordinary activities before taxation	28.4	(0.7)	–
Taxation	(10.7)	(7.2)	48.6
Profit/(loss) on ordinary activities after taxation	17.7	(7.9)	–
Minority interests	(1.0)	(0.5)	100.0
Profit/(loss) for the period	16.7	(8.4)	–

Profit/(loss) increased by £25.1 million, from a loss of £8.4 million in the six months ended 31 March 2003 to a profit of £16.7 million in the six months ended 31 March 2004. This was largely due to the £29.1 million movement in profit/(loss) on ordinary activities before taxation. Goodwill amortisation and exceptional items were not subject to taxation, and the taxation charge increase of £3.5 million for the period reflected the £11.2 million increase in the profit on ordinary activities before taxation excluding these items.

Dividends

Ordinary dividends per share increased by 10.3% from 0.78p in the six months ended 31 March 2003 to 0.86p in the six months ended 31 March 2004. Securicor paid a special dividend of £75 million in July 2003 following the disposal of its 50% interest in its distribution joint venture business with Deutsche Post. This special dividend was accompanied by a reduction in the number of Securicor's outstanding shares through a 17-for-20 share consolidation. As a result, the total cost of dividends declared during the period decreased by £0.3 million.

Year ended 30 September 2003 compared to year ended 30 September 2002, and year ended 30 September 2002 compared to year ended 30 September 2001

Securicor's results for the three financial years ended 30 September 2003, 2002 and 2001 are discussed here in accordance with their presentation in Part 5A of this document. The presentation in Part 5A of this document differs from that in the published statutory accounts for these years in the following respects:

(i) Turnover, profit and capital employed for the financial years ended 30 September 2002 and 2001 are presented in Part 5A of this document as continuing and discontinued operations to reflect businesses that were continuing at 30 September 2003.

(ii) Turnover for the financial year ended 30 September 2001 is presented in Part 5A of this document to include Securicor's share of the turnover of Bridgend Custodial Services, which in the published financials was accounted for as an associate using the net equity method but for the financial year ended 30 September 2003 (including the comparative presentation for the 2002 financial year) was accounted for as a joint venture using the gross equity method.

(iii) The balance sheet as at 30 September 2003 is presented in Part 5A of this document in compliance with the new Urgent Issues Task Force Abstract 38, which requires that the cost of shares in the company purchased in 2003 by an employee benefit trust for an employee remuneration scheme, net of any amortisation charged, is shown as a deduction from shareholders' funds rather than as an investment.

Turnover

The following table shows Securicor's turnover by geographic region for each of the years ended 30 September 2003, 2002 and 2001 and the percentage change between the periods.

	Year ended 30 September			% Change	
	2003	**2002**	**2001**	**2003/2002**	**2002/2001**
Turnover		**(£ millions)**			
Continuing operations :					
United Kingdom	569.8	537.1	503.0	6.1	6.8
Europe, Middle East and Africa	448.9	392.3	283.5	14.4	38.4
Americas	177.6	209.9	181.1	(15.4)	15.9
Asia	80.8	70.9	37.9	14.0	87.1
Continuing total turnover	1,277.1	1,210.2	1,005.5	5.5	20.4
Discontinued group operations	53.9	202.2	175.7	(73.3)	15.1
Less: joint venture UK	(7.2)	(7.5)	(7.5)	(4.0)	–
Less: joint venture Asia	–	(4.8)	(37.9)	–	(87.3)
Group turnover	**1,323.8**	**1,400.1**	**1,135.8**	**(5.4)**	**23.3**

Financial Year 2003 compared to Financial Year 2002

Securicor's continuing total turnover increased by £66.9 million, or 5.5%, from £1,210.2 million in the financial year ended 30 September 2002 to £1,277.1 million in the financial year ended 30 September 2003. Of this increase, £38.9 million was attributable to acquisitions made during 2003, principally the acquisition of Geldnet in Europe and other acquisitions in Africa and Asia, and £10.5 million attributable to acquisitions made during 2002, principally the acquisition of the remaining 50% of Securicor's cash services and guarding joint venture business in Asia. Net currency exchange movements, including the increase in the value of the euro against sterling, offset by negative movements in the US dollar, Asian currencies (including the Hong Kong dollar) and Caribbean currencies, had a positive impact of £8.6 million. Turnover was reduced by £34.4 million in the Americas due to the impact on US commercial guarding work arising out of the federalisation of passenger screening work at US airports, and by £12.0 million in Europe, Middle East and Africa in respect of non-recurring euro introduction activity in 2002. Underlying organic turnover growth, excluding the United States, was £55.3 million, or 5.1%. Organic growth was strong in the United Kingdom, Asia and the Americas (excluding the United States) and slow in Europe, Middle East and Africa.

Group turnover decreased by £76.3 million, or 5.4%, from £1,400.1 million in the financial year ended 30 September 2002 to £1,323.8 million in the financial year ended 30 September 2003. Turnover from discontinued operations was £53.9 million for the 2003 financial year and £202.2 million for the 2002 financial year. Discontinued operations included Securicor Information Systems and Securicor Cash Machine in the United Kingdom, businesses in Angola, Equatorial Guinea and Qatar and the aviation security activities of Argenbright in the United States.

Financial Year 2002 compared to Financial Year 2001

Securicor's continuing total turnover increased by £204.7 million, or 20.4%, from £1,005.5 million in the financial year ended 30 September 2001 to £1,210.2 million in the financial year ended 30 September 2002. Of this increase, £34.6 million was attributable to acquisitions made during 2002, principally the acquisition of Securicor's cash services and manned guarding business in Asia, and £104.5 million attributable to acquisitions made during 2001 in the United Kingdom, Europe, the Middle East and Africa and in the Americas. Underlying organic turnover growth was £65.5 million, or 7.0%, and was strong in Europe, Middle East and Africa and in the Americas (excluding the United States). Turnover was also increased by £12.0 million in Europe, Middle East and Africa in respect of non-recurring euro introduction activity in 2002. Net currency exchange movements, primarily the decrease in the value of the South African rand against sterling, had a negative impact of £11.9 million.

United Kingdom

Financial Year 2003 compared to Financial Year 2002

Turnover in the United Kingdom increased by £32.7 million, or 6.1%, from £537.1 million in the financial year ended 30 September 2002 to £569.8 million in the financial year ended 30 September 2003 due primarily to organic growth, offset slightly by adverse exchange rate movements in businesses reporting in US dollars. Organic growth for the financial year was 6.9%. The increase is due primarily to a strong performance in the UK's justice operations and the roll-out of cash processing contracts won in 2002 in the cash services sector.

In the cash services sector, there was only a marginal increase in cash transportation revenues, and ATM sales slowed from the high levels of year-on-year growth seen previously. However, the roll-out of the cash processing contracts with Alliance & Leicester, Clydesdale and Lloyds TSB supported good overall turnover growth in the cash businesses. Sales revenue fell slightly in the security business due to acute pricing pressures, although growth was strong in the aviation sector where major accounts were retained and new contracts won with Virgin Atlantic and Cardiff International Airport. There was very strong sales growth within the justice business, particularly from electronic monitoring.

Financial Year 2002 compared to Financial Year 2001

Turnover in the United Kingdom increased by £34.1 million, or 6.8%, from £503.0 million in the financial year ended 30 September 2001 to £537.1 million in the financial year ended 30 September 2002. Organic growth for the year of 6.5% contributed to the increase, due primarily to growth in the cash business from ATM sales and the commencement of major new cash processing contracts with Alliance & Leicester, Clydesdale and Lloyds TSB. Turnover also increased in aviation security, the international transport of valuable items and in the electronic monitoring business within justice services due to an increase in the use of home detention curfews. Commercial manned guarding turnover declined in a highly-competitive market.

Europe, Middle East and Africa

Financial Year 2003 compared to Financial Year 2002

Turnover in Europe, Middle East and Africa increased by £56.6 million, or 14.4%, from £392.3 million in the financial year ended 30 September 2002 to £448.9 million in the financial year ended 30 September 2003. The increase was largely attributable to the impact of the acquisitions of Geldnet in the Netherlands and the security and cash services business in Botswana, favourable exchange rate movements with the increase in the value of the euro against sterling, offset by the non-recurring euro introduction activity in 2002. Underlying organic growth was 1.8%.

The European market was relatively flat with both the cash and security businesses in Germany experiencing a decline in revenues, where the market was extremely challenging, and negative growth in Ireland, mainly due to increased competition and slowing economic growth. The decline in the German and Irish markets was offset by an increase in revenues from the security business in the Netherlands due to growth in outsourcing by the Dutch government and to a lesser extent by increased revenues from Securicor's operations in the Middle East, which experienced increased demand for security solutions following the Iraq war. Growth was very strong across most of the African businesses, particularly in Nigeria and Zambia.

Financial Year 2002 compared to Financial Year 2001

Turnover in Europe, Middle East and Africa increased by £108.8 million, or 38.4%, from £283.5 million in the financial year ended 30 September 2001 to £392.3 million in the financial year ended 30 September 2002, principally due to acquisitions in 2001 of Randon in the Netherlands, Gray in South Africa and several German cash services businesses, and to the introduction of the euro, which generated turnover of approximately £12.0 million in 2002. The increase was also due to organic growth, which was 6.0% for the year, generated particularly from a management contract outsourced in the Netherlands for security at a number of detention centres. This increase was offset by negative exchange rate movements in the South African rand against sterling.

Revenue increased from businesses in Jersey, Guernsey, Isle of Man, Ireland, Luxembourg, Kenya and the Middle East, but this was partially offset by a decline in revenues in both the cash services and the integrated security businesses in Germany due to market pressure and a declining German economy.

Americas

Financial Year 2003 compared to Financial Year 2002

Turnover in the Americas decreased by £32.3 million, or 15.4%, from £209.9 million in the financial year ended 30 September 2002 to £177.6 million in the financial year ended 30 September 2003, primarily as a result of the loss of commercial guarding work in the United States indirectly resulting from the federalisation of passenger screening work at US airports following the 11 September 2001 attacks. The exchange rate impact was also adverse due to a declining US dollar against sterling.

Excluding the United States, organic growth was 8.3% for the financial year ended 30 September 2003. Revenue growth was good in Canada cash services, as a result of the price increase strategy adopted in 2002, as well as the retention of major contracts. Revenue growth was also solid in the Caribbean.

Financial Year 2002 compared to Financial Year 2001

Turnover in the Americas increased by £28.8 million, or 15.9%, from £181.1 million in the financial year ended 30 September 2001 to £209.9 million in the financial year ended 30 September 2002, primarily as a result of the acquisition of Argenbright in 2001. Organic growth of 15.9% also contributed to the increase, primarily resulting from solid growth in Canada and across most of the Caribbean businesses. This increase was offset slightly by negative exchange rate movements resulting from a weakening Canadian dollar against sterling.

Asia

Financial Year 2003 compared to Financial Year 2002

Turnover in Asia increased by £9.9 million, or 14.0%, from £70.9 million in the financial year ended 30 September 2002 to £80.8 million in the financial year ended 30 September 2003 due largely to the full-year impact in 2003 of the consolidation of the Asian security and cash services joint venture business during 2002, offset by adverse exchange rate movements in several Asian currencies, including the Hong Kong dollar. The increase was also aided by organic growth of 6.8%, achieved against the deflationary market environment and the outbreak of the SARS virus, primarily as a result of contract wins in cash handling and security services in Hong Kong and a widening of product offerings, including alarm monitoring and differentiated guarding activities, in Thailand, Taiwan and Macau.

Financial Year 2002 compared to Financial Year 2001

Continuing turnover in Asia increased by £33.0 million, or 87.1%, from £37.9 million in the financial year ended 30 September 2001 to £70.9 million in the financial year ended 30 September 2002, due to the full consolidation of the Asia business after its conversion from a joint venture to a 100% subsidiary in 2002. Turnover growth in both cash services and security was difficult in a deflationary environment, although there was growth in revenues in businesses in Taiwan, Thailand and Indonesia due to the development of new product offerings.

Gross Profit

The following table shows Securicor's gross profit for each of the years ended 30 September 2003, 2002 and 2001 and the percentage change between the periods.

	Year ended 30 September			% Change	
	2003	2002	2001	2003/2002	2002/2001
		(£ millions)			
Turnover	1,323.8	1,400.1	1,135.8	(5.4)	23.3
Cost of sales	(996.7)	(1,081.4)	(877.4)	(7.8)	23.3
Gross profit	**327.1**	**318.7**	**258.4**	2.6	23.3

Financial Year 2003 compared to Financial Year 2002

Cost of sales decreased by £84.7 million, or 7.8%, from £1,081.4 million in the financial year ended 30 September 2002 to £996.7 million in the financial year ended 30 September 2003, primarily due to the federalisation of passenger screening in the United States in 2002 and Securicor's subsequent withdrawal from the US aviation services market.

Gross profit increased by £8.4 million, or 2.6%, from £318.7 million in the financial year ended 30 September 2002 to £327.1 million in the financial year ended 30 September 2003, as the discontinued US aviation security business was relatively low-margin, and the Geldnet acquisition was in the higher-margin cash services sector.

Financial Year 2002 compared to Financial Year 2001

Cost of sales increased by £204.0 million, or 23.3%, from £877.4 million in the financial year ended 30 September 2001 to £1,081.4 million in the financial year ended 30 September 2002. This increase was in line with the increase in turnover during the period and was primarily due to the full-year impact of the acquisitions in 2001 in the United States, Europe and Africa and the consolidation of the cash services and security joint venture in Asia in 2002.

Gross profit increased by £60.3 million, or 23.3%, from £258.4 million in the financial year ended 30 September 2001 to £318.7 million in the financial year ended 30 September 2002 in line with the increase in turnover.

Operating Profit

The following table shows Securicor's operating profit for each of the years ended 30 September 2003, 2002 and 2001 and the percentage change between the periods.

	Year ended 30 September			% Change	
	2003	**2002**	**2001**	**2003/2002**	**2002/2001**
Operating profit		**(£ millions)**			
Gross profit	327.1	318.7	258.4	2.6	23.3
Administration expense	(260.4)	(246.6)	(217.7)	5.6	13.3
Goodwill amortisation	(12.5)	(11.3)	(7.3)	10.6	54.8
Operating exceptional items	–	(76.0)	–	–	–
Group operating profit/(loss)	**54.2**	**(15.2)**	**33.4**	–	–
Continuing operations	73.7	76.7	62.0	(3.9)	23.7
Discontinued operations	(7.0)	(4.6)	(21.3)	52.2	(78.4)
Goodwill amortisation	(12.5)	(11.3)	(7.3)	10.6	54.8
Operating exceptional items	–	(76.0)	–	–	–
Group operating profit/(loss)	54.2	(15.2)	33.4	–	–
Share of joint ventures and associates :					
Continuing operations	6.5	6.3	6.8	3.2	(7.4)
Discontinued operations	7.0	7.1	6.1	(1.4)	16.4
Goodwill amortisation	(0.1)	(0.1)	(0.5)	–	(80.0)
Total operating profit/(loss)	67.6	(1.9)	45.8	–	–

Financial Year 2003 compared to Financial Year 2002

Total operating profit for the year ended 30 September 2003 was £67.6 million compared to a loss of £1.9 million for the year ended 30 September 2002, due principally to exceptional charges of £76.0 million in 2002 in respect of the impairment of goodwill and restructuring costs at Argenbright arising as a result of the federalisation of passenger screening by the US government, as well as the impairment of an intangible fixed asset at Securicor Information Systems.

Securicor's profit from continuing joint ventures and associates increased by £0.2 million, or 3.2%, from £6.3 million in the financial year ended 30 September 2002 to £6.5 million in the financial year ended 30 September 2003, primarily due to the net impact of the acquisition of 100% of Geldnet and the merger of the Malaysian operations with Safeguards.

Total operating profit from continuing operations excluding goodwill amortisation and exceptional items amounted to £80.2 million in the financial year ended 30 September 2003 compared to £83.0 million in the financial year ended 30 September 2002. The decrease was due primarily to the non-recurring impact of the introduction of the euro in 2002.

Administration expenses increased by 5.6% in the financial year ended 30 September 2003 as compared to the financial year 2002. This was mainly due to the impact of the acquisition of Geldnet, a cash business in which overheads (and gross margin) are relatively high. Ongoing administration costs in the United States were reduced as a result of the reorganisation of the business following the federalisation of passenger screening in 2002 and the subsequent exit from the aviation sector in 2003. However, during this reorganisation process, the business experienced additional costs and timing delays between the reduction in turnover and the reduction in the associated overhead. Administration expenses as a proportion of turnover increased from 17.6% to 19.7%.

Financial Year 2002 compared to Financial Year 2001

Securicor incurred a total operating loss of £1.9 million in the financial year ended 30 September 2002 compared to a profit of £45.8 million for the financial year 2001, due principally to exceptional charges of £76.0 million in 2002, including a £33.0 million charge relating to the impairment of goodwill and £4.1 million of restructuring costs at Argenbright arising as a result of the federalisation of passenger screening by the US government. The £76.0 million exceptional item also included a £36.3 million charge for the impairment of an intangible fixed asset at Securicor Information Systems and a £2.6 million charge for impairment of a fixed asset and associated costs at Securicor Wireless Technology.

Securicor's profit from continuing joint ventures and associates in the year ended 30 September 2002 declined by 7.4%, primarily due to the impact of the conversion of the Asian operations into a consolidated subsidiary of Securicor.

Total operating profit from continuing operations excluding goodwill amortisation and exceptional items amounted to £83.0 million in the financial year ended 30 September 2002 compared to £68.8 million in the financial year ended 30 September 2001, with the most significant contributing factors being the acquisition in 2001 and growth in 2002 of the manned security business in the Netherlands.

Administration expenses increased by 13.3% in the financial year ended 30 September 2002 as compared to the financial year 2001. This was mainly due to the full year impact of the acquisitions made in 2001 and 2002. Administration expenses as a proportion of turnover decreased from 19.2% to 17.6%.

Profit on Ordinary Activities Before Taxation

The following table shows Securicor's profit on ordinary activities before taxation for each of the years ended 30 September 2003, 2002 and 2001.

	Year ended 30 September		
	2003	**2002**	**2001**
	(£ millions)		
Operating profit/(loss)	67.6	(1.9)	45.8
Loss on sale or closure of operations	(0.8)	(4.3)	(44.1)
Loss on sale of fixed assets	–	(0.7)	–
Profit/loss on ordinary activities before interest and taxation	**66.8**	**(6.9)**	**1.7**
Net interest	(17.3)	(17.7)	(14.5)
Profit/loss on ordinary activities before taxation	**49.5**	**(24.6)**	**(12.8)**

Financial Year 2003 compared to Financial Year 2002

Profit on ordinary activities before taxation was £49.5 million in the financial year ended 30 September 2003 as compared to a loss of £24.6 million in the financial year ended 30 September 2002, mainly due to the increase in operating profit/(loss) over the same period. The loss on sale or closure of operations of £0.8 million for the financial year ended 30 September 2003 resulted from the net impact of the profit from the sale of Securicor's distribution joint venture and the loss from the sale of Securicor Information Systems, as well as the impairment of goodwill arising out of the acquisition of Argenbright and the related exit from its aviation security activities. The loss on sale or closure of operations of £4.3 million for the financial year ended 30 September 2002 resulted primarily from the loss on the closure of SafeDoor.

Financial Year 2002 compared to Financial Year 2001

Loss on ordinary activities before taxation was £24.6 million in the financial year ended 30 September 2002 as compared to £12.8 million in the financial year ended 30 September 2001 as the decrease in operating profit was largely offset by the non-operating exceptional charges in 2001, principally in respect of the disposal of the loss-making Securicor Wireless in the US for a nominal sum.

Profit/(loss)

The following table shows Securicor's profit / (loss) for each of the years ended 30 September 2003, 2002 and 2001.

	Year ended 30 September		
	2003	2002	2001
	(£ millions)		
Profit/(loss) on ordinary activities before taxation	**49.5**	**(24.6)**	**(12.8)**
Taxation	(3.9)	(16.8)	(12.7)
Profit/(loss) on ordinary activities after taxation	**45.6**	**(41.4)**	**(25.5)**
Minority interests	(1.1)	(1.4)	(2.1)
Profit/(loss) for the year	44.5	(42.8)	(27.6)

Financial Year 2003 compared to Financial Year 2002

Profit on ordinary activities after taxation for the financial year ended 30 September 2003 was £45.6 million compared to a loss of £41.4 million for the financial year ended 30 September 2002. This was mainly due to the increase in profit before tax. The increase was also due to a tax charge in 2003 that was £12.9 million lower than that in 2002, with exceptional charges in 2003 attracting tax relief of £14.4 million compared to £4.2 million in 2002 and a credit arising upon the final settlement of prior year tax computations.

Financial Year 2002 compared to Financial Year 2001

Loss on ordinary activities after taxation for the financial year ended 30 September 2002 was £41.4 million compared to £25.5 million for the financial year ended 30 September 2001, largely due to the increase in the loss before taxation.

Dividends

Total ordinary dividends paid for the financial year ended 30 September 2003 were 2.40p per ordinary share, amounting to £12.8 million. A special dividend of 12.0p per ordinary share, being £75 million in aggregate, was also paid in the 2003 financial year. Total ordinary dividends of 2.11p per ordinary share, or £13.2 million were paid in the financial year ended 30 September 2002. In the financial year ended 30 September 2001, total ordinary dividends paid were 1.65p per ordinary share, or £10.3 million.

Liquidity and Capital Resources

Capital Availability and Requirements

The following table shows Securicor's net debt at 30 September 2003.

Net debt	**(£ millions)**
Long-term borrowings	
Secured	0.5
Unsecured	106.1
Finance leases	10.6
Less repayable within one year	(2.1)
Total long-term borrowings	115.1
Short-term borrowings	
Secured	6.8
Unsecured	64.0
Finance leases	2.1
Total short-term borrowings	72.9
Total borrowings	188.0
Bank and deposit balances	(73.5)
Net debt	114.5

As of 30 September 2003, Securicor had committed or guaranteed credit lines in place totalling £321 million. The facilities comprised a £123 million term loan from four major UK banks, repayable in tranches in December 2003, December 2004 and December 2005, £80 million available by way of a revolving credit facility with the same four banks, committed until December 2005, and a further £118 million repayable in December 2003 and throughout 2004.

As at 30 September 2003 net debt of £114.5 million represented a gearing of 42%.

There were no material commitments for capital expenditure outstanding at 30 September 2003.

Analysis of Cash Flows

The following table shows Securicor's cash flows for the financial years to 30 September 2003, 2002 and 2001.

	Year ended 30 September		
	2003	2002	2001
Cash flow		(£ millions)	
Net cash flow from operating activities	96.9	127.4	46.0
Dividends from associates and joint ventures	1.3	2.2	1.3
Net cash flow from returns on investments and servicing of finance	(13.8)	(13.5)	(9.5)
Taxation	(5.9)	(13.1)	(7.9)
Net cash flow from capital expenditure	(39.7)	(56.9)	(58.4)
Net cash flow from acquisition and disposals	156.0	(47.7)	(198.4)
Ordinary dividends paid	(12.9)	(10.7)	(9.6)
Special dividends paid	(75.0)	–	–
Cash flow before use of liquid resources and financing	**106.9**	**(12.3)**	**(236.5)**
Financing:			
– Share issue	–	3.6	3.5
– (Decrease)/increase in loans	(101.1)	42.6	212.2
– Capital element of finance lease rental payments	(1.3)	(0.7)	(0.8)
Net cash flow from financing	**(102.4)**	**45.5**	**214.9**
Increase in cash in the year	**4.5**	**33.2**	**(21.6)**

Net cash flow from operating activities. Securicor's principal source of liquidity is cash flow generated from its operations. The following table shows net cash flows from operating activities for the years ended 30 September 2003, 2002 and 2001.

	Year ended 30 September		
	2003	2002	2001
Net cash flow from operating activities		(£ millions)	
Group operating profit/(loss)	54.2	(15.2)	33.4
Adjustment for non-cash profit and loss account items	47.4	114.1	33.3
	101.6	98.9	66.7
Working capital movement	(4.7)	28.5	(20.7)
	96.9	**127.4**	**46.0**

The decrease of £30.5 million in net cash flow from operating activities in the financial year ended 30 September 2003 compared to the financial year ended 30 September 2002 is largely attributable to the strong working capital inflow in 2002. The increase in net cash flow from operating activities in the financial year ended 30 September 2002 compared to the financial year ended 30 September 2001 is attributable both to an increase in cash generated from profit and the working capital inflow in 2002 compared to an outflow in 2001.

Dividends from associates and joint ventures. Dividends received from associates and joint ventures for the years ended 30 September 2003, 2002 and 2001 were £1.3 million, £2.2 million and £1.3 million, respectively.

Net cash flow from returns on investment and servicing of finance. Net cash flow from returns on investment and servicing of finance principally comprises the interest paid and received in respect of Securicor's net debt. The increase in the amount paid from £9.5 million in the financial year ended 30 September

2001 to £13.5 million in the financial year ended 30 September 2002 was due to the significant acquisitions made in both 2001 and 2002.

Taxation. Taxation paid broadly increases and decreases in line with operating profit. However, in the financial year ended 2003, the amount of tax paid was reduced by approximately £10 million due to the final settlement of prior year estimated tax computations.

Net cash flow from capital expenditure. Net outflow from capital expenditure reduced from £56.9 million in the financial year ended 30 September 2002 to £39.7 million in the financial year ended 30 September 2003 due to the completion of Securicor's exit from capital-intensive businesses in the communications sector and a tightening of controls on capital expenditure. Net outflow from capital expenditure in the financial year ended 30 September 2002 was at a similar level to that in the financial year ended 30 September 2001, with a reduction in capital expenditure in communications businesses offset by an investment in assets for cash processing businesses.

Net cash flow from acquisitions and disposals. Net cash inflow from acquisitions and disposals was £156 million in the financial year ended 30 September 2003, including £156.9 million (net of associated costs) on the disposal of the remaining 50% of the distribution joint venture. Securicor returned £75 million of the proceeds to shareholders by way of a special dividend. £25.1 million was received on the disposal of Securicor Information Systems and £14.4 million was paid for the acquisition of the remaining 75% of Geldnet. Net cash outflows were £47.7 million in the financial year ended 30 September 2002, including £25.6 million in connection with the acquisition of the remaining 50% of the Asia joint venture, and £198.4 million in the financial year ended 30 September 2001, including £132.8 million on the acquisition of Argenbright and ADI, £34.5 million on the acquisition of Gray in South Africa and £26.6 million on the acquisition of Randon in the Netherlands.

Dividends paid. Securicor paid ordinary dividends of £12.9 million, £10.7 million and £9.6 million to shareholders in the financial years ended 30 September 2003, 2002 and 2001, respectively. In the financial year ended 30 September 2003, Securicor also returned to shareholders by way of a special dividend £75 million of the proceeds from the sale of the remaining 50% of its distribution division to Deutsche Post.

Financing. The decrease in loans of £101.1 million in the financial year ended 30 September 2003 resulted principally from the repayment of borrowings with the proceeds from the disposal of the remaining 50% of the distribution joint venture, after the payment of the special dividend. The increase in loans of £42.6 million in the financial year ended 30 September 2002 arose from additional facilities obtained to finance the acquisition of the remaining 50% of the Asian joint venture. The increase in loans of £212.2 million in the financial year ended 30 September 2001 arose from facilities obtained to finance the acquisitions of Argenbright, ADI, Randon and Gray.

Significant contractual obligations

The following table sets forth Securicor's contractual obligations and their maturity dates at 30 September 2003:

Contractual Obligations	Payments due by period Total	Less than 1 year	1-3 years (£ millions)	3-5 years	More than 5 years
Long-term debt obligations[1]	177.4	70.8	106.6	–	–
Finance lease obligations[2]	10.6	2.1	4.2	3.0	1.3
Operating lease obligations[2]	73.0	33.0	22.0	11.0	7.0
Total	261.0	105.9	132.8	14.0	8.3

(1) Repayment of borrowing facilities, excluding interest, assuming no renewal of facilities existing at 30 September 2003.

(2) Excluding interest payments.

Long-term debt obligations reflect the repayment of borrowing facilities existing at 30 September 2003, excluding interest, assuming that these facilities will not be renewed if the proposed merger with Group 4 Falck security business is completed. Finance leases are those which transfer substantially all the risks and rewards of ownership of an asset to the lessee and are therefore, in accordance with Statement of Standard Accounting Practice 21 (SSAP21), recognised as liabilities in the balance sheet. The associated asset is capitalised. Depreciation of the asset is charged to operating profit and the financing cost of the lease is charged as interest. Operating leases are, in accordance with SSAP21, not recognised as liabilities in the balance sheet, and operating lease costs, including any interest element, are charged to operating profit as incurred.

Contingent Liabilities

At 30 September 2003 the net deficit on Securicor's UK defined benefit pension scheme, calculated using the methodology specified in the accounting standard FRS17, was £94.5 million. In accordance with the transitional rules of FRS17, the net pension deficit is not reported within Securicor's net assets but disclosed by way of note.

Securicor extends a variety of contractual guaranties to customers for its performance obligations in the normal course of business. Securicor also has obligations arising from sales of certain businesses and assets, including representations and warranties and related indemnities.

Disclosures about Market Risk

Currency risk

Securicor conducts business in many currencies and publishes its financial statements in sterling. Consequently, it is subject to foreign exchange risk due to the translation of the earnings and the carrying value of net assets of its foreign subsidiaries. A little less than 50% of Securicor's earnings from continuing operations are denominated in foreign currencies. The foreign currencies in which Securicor's results are earned include the euro, US dollar, Canadian dollar, South African rand and Hong Kong dollar. This range of currencies reduces the sensitivity of Securicor's results to currency movements as it would be highly unusual for all to move in the same direction against sterling. Securicor hedges a substantial portion of its exposure to fluctuations in the translation into sterling of its foreign net assets by holding borrowings in foreign currencies. At 30 September 2003, Securicor's US dollar and euro net assets (after impairment of goodwill in respect of the US aviation security activities) before net borrowings were approximately 120% and 100% hedged by net borrowings respectively.

Interest rate risk

Securicor has an exposure to interest rate risk and within this category of market risk is most vulnerable to changes in the US dollar, sterling and euro interest rates. To manage interest rate risk, Securicor operates its proportion of fixed to variable rate borrowing within limits approved by the directors, primarily by utilising interest rate swaps and, where appropriate, forward rate agreements to manage short-term interest rate exposures. At 30 September 2003, Securicor had no existing swaps or forward rate agreements.

PART 6
FINANCIAL INFORMATION ON GROUP 4 SECURICOR

The following is the full text of a report on Group 4 Securicor plc from PricewaterhouseCoopers LLP, the Joint Reporting Accountants, to the Directors of Group 4 Securicor plc, Cazenove & Co. Ltd, Morgan Stanley & Co. Limited and UBS Limited.

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4 June 2004

Dear Sirs

Group 4 Securicor plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 4 June 2004 (the "Listing Particulars") of Group 4 Securicor plc (the "Company").

The Company was incorporated as Precis (2395) Limited on 11 December 2003, changed its name to Group 4 Securicor Limited with effect from 19 February 2004 and was re-registered as a public limited company on 14 May 2004. The Company has not yet started to trade and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company, to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The directors of the Company are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting polices are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of the Company as at the date stated.

Financial information

The balance sheet of the Company at 12 May 2004 is as follows:

	Notes	£
Current assets		
Debtors – called-up share capital not paid		49,998
Cash		2
Net current assets		50,000
Net assets		50,000
Represented by:		
Capital and reserves		
Called up share capital		
– equity	2	2
– non-equity	2	49,998
Shareholder's funds		50,000

Notes to the financial information

1. Accounting policies

The financial information has been prepared in accordance with applicable UK accounting standards using the historical cost convention.

2. *Share capital*

	Ordinary shares £1 £	Ordinary shares 5p £	Redeemable preference shares £1 £	Total £
Authorised				
On incorporation	100	–	–	100
6 May 2004				
– 49,900 £1 ordinary shares created	49,900	–	–	49,900
– 49,998 ordinary shares converted to redeemable preference £1	(49,998)	–	49,998	–
– £1 ordinary shares subdivided into 5 pence ordinary shares	(2)	2	–	–
12 May 2004	–	2	49,998	50,000
Allotted and called up				
On incorporation	2	–	–	2
11 May 2004				
– 49,998 £1 preference shares issued	–	–	49,998	49,998
– sub-division to 5 pence ordinary shares	(2)	2	–	–
12 May 2004	–	2	49,998	50,000

On incorporation, the authorised share capital of the Company was £100 divided into 100 ordinary shares with a nominal value of £1 each, of which two (the subscriber shares) were issued nil paid to Peregrine Secretarial Services Limited, the sole member and sole director of the Company.

On 6 May 2004, the authorised share capital of the Company was increased from £100 to £50,000 by the creation of 49,900 ordinary shares of £1 each; 49,998 of the authorised but unissued ordinary shares of £1 each were re-designated and converted into 49,998 non-voting, non-dividend bearing redeemable preference shares of £1 each (the "Redeemable Preference Shares"); and each of the two issued ordinary shares of £1 were subdivided into 20 ordinary shares of 5 pence each. Also on 6 May 2004, Peregrine Secretarial Services Limited transferred one subscriber share fully paid to each of S N Youdale and A J Levitt.

On 11 May 2004 the Company allotted 49,998 Redeemable Preference Shares fully paid to Securicor plc.

3. *Subsequent events*

On 14 May 2004 Group 4 Securicor Limited was re-registered as a public limited company.

On 1 June 2004 the Company entered into a new facility agreement in the amount of £1,000,000,000.

On 2 June 2004 the Company become a party to the Merger Agreement dated 24 February 2004 between Group 4 Falck A/S and Securicor plc.

On 2 June 2004 the Company increased its authorised share capital from £50,000 to £500,000,000 by the creation of 9,999,000,000 ordinary shares of 5 pence each. Immediately upon creation a share consolidation was undertaken whereby every 5 ordinary shares of 5 pence each were consolidated into one ordinary share of 25 pence each.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 7

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON GROUP 4 SECURICOR

The following unaudited pro forma financial information has been produced to illustrate the effect on the profit and loss account of Group 4 Securicor as if the Merger had occurred on 1 January 2003, and on the net assets as if the Merger had occurred as at 31 December 2003.

The pro forma financial information is based on information extracted without material adjustment from the following sources:

(i) the financial information relating to Group 4 Securicor for the period ended 12 May 2004 extracted from the accountants' report included in Part 6 of this document;

(ii) the financial information relating to the Group 4 Falck's security business for the year ended 31 December 2003 extracted from the accountants' report included in Part 3A of this document;

(iii) the financial information relating to Securicor for the year ended 30 September 2003 extracted from the comparative table included in Part 5A of this document;

(iv) the interim financial information relating to Securicor as at 31 March 2004 extracted from Part 5B to this document; and

(v) the segmental information on Securicor extracted from the joint press announcement by Group 4 Falck and Securicor dated 24 February 2004.

The following adjustments have been made:

1. The combination of Group 4 Securicor and Group 4 Falck's security business, merger accounted in accordance with the provisions of FRS 6: Acquisitions and mergers relating to business combinations effected by using a new parent company. Consequently no goodwill arises on this combination.

2. The net assets of Securicor.

3. The estimated goodwill arising on the acquisition of Securicor of £388.1m calculated as:

    (a) the aggregate of the market value of Securicor of £629.3m based on the closing share price of £1.18 as at close of business on 1 June 2004 and the estimated transaction costs of £33m; less

    (b) the net assets of Securicor as at 31 March 2004 of £274.2m.

4. The estimated cash payable to Falck of £49.3m (DKK 522m) to settle inter-company indebtedness pursuant to the Merger Agreement so as to provide Falck with a deemed net cash position of £44m as at 1 January 2004, and the estimated costs of the transaction of £33.0m (which have been reflected in calculating goodwill), in aggregate £82.3m.

5. No adjustments are considered necessary to the pro forma profit and loss account on the basis that the transaction costs are included in the calculation of goodwill. No goodwill amortisation charge arises on the basis of the accounting policy adopted by Group 4 Securicor (see note 8 below).

The pro forma financial information takes no account of:

(a) any cost synergies, merger/integration costs or additional goodwill amortisation which may arise from the Merger; or

(b) the divestments required by the European Commission; or

(c) trading or other transactions by either:

(i) Group 4 Falck's security business since 31 December 2003; or

(ii) Securicor since 30 September 2003 except, in respect of the pro forma net assets, in so far as is reflected in the net assets of Securicor as at 31 March 2004.

The pro forma statements of net assets and profit and loss have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the financial position or results of the Group 4 Securicor Group.

PRO FORMA PROFIT AND LOSS ACCOUNT

	Group 4 Falck's security business year ended 31 December 2003 £m	Securicor year ended 30 September 2003 £m	Adjustments £m	Pro forma £m
Turnover				
Total turnover	2,569.5	1,644.8	–	4,214.3
Less share of joint ventures	–	(321.0)	–	(321.0)
Group turnover	2,569.5	1,323.8	–	3,893.3
Continuing operations	2,564.0	1,231.0	–	3,795.0
Acquisitions	5.5	38.9	–	44.4
Discontinued operations	–	53.9	–	53.9
Group turnover	2,569.5	1,323.8		3,893.3
Group operating profit/(loss)				
Continuing operations	67.6	58.3	–	125.9
Acquisitions	(0.7)	2.9	–	2.2
Discontinued operations	–	(7.0)	–	(7.0)
Operating profit before exceptional items	82.2	54.2	–	136.4
Exceptional items	(15.3)	–	–	(15.3)
	66.9	54.2	–	121.1
Share of operating profit in joint ventures and associates				
Continuing operations	1.7	5.4	–	7.1
Acquisitions	–	1.1	–	1.1
Discontinued operations	–	6.9	–	6.9
	68.6	67.6	–	136.2
Profit/(loss) on sale or closure of operations	2.2	(0.8)	–	1.4
Profit on ordinary activities before interest and taxation	70.8	66.8	–	137.6
Net interest:				
– Group	(20.4)	(13.2)	–	(33.6)
– Joint ventures and associates (continuing)	0.2	(3.4)	–	(3.2)
– Joint ventures (discontinued)	–	(0.7)	–	(0.7)
– Exceptional	(7.3)	–	–	(7.3)
	(27.5)	(17.3)	–	(44.8)
Profit on ordinary activities before taxation	43.3	49.5	–	92.8
Taxation – current	(30.6)	(18.3)	–	(48.9)
– exceptional	(15.8)	14.4	–	(1.4)
Profit/(loss) on ordinary activities after taxation	(3.1)	45.6	–	42.5
Minority interests	(6.5)	(1.1)	–	(7.6)
Profit/(loss) for the year	(9.6)	44.5	–	34.9

Pro forma earnings per share (note 5)	
– basic	2.77 pence
– normalised	8.35 pence

PRO FORMA NET ASSETS

		Adjustments			
		1	2	3, 4	
	Group 4 Securicor at 12 May 2004 £m	Group 4 Falck's security business at 31 December 2003 £m	Securicor at 31 March 2004 £m	Other adjustments £m	Pro forma £m
Fixed assets					
Intangible assets	–	534.5	209.4	388.1	1,132.0
Tangible assets	–	159.8	167.8	–	327.6
Investment in joint ventures – net investment	–	–	6.7	–	6.7
Investment in associated undertakings	–	2.7	8.4	–	11.1
	–	697.0	392.3	388.1	1,477.4
Current assets					
Stocks	–	29.6	7.1	–	36.7
Debtors		520.3	219.7	–	740.0
Investments	–	53.1	–	–	53.1
Bank and deposit balances	–	62.7	69.3	–	132.0
	–	665.7	296.1	–	961.8
Creditors: amounts falling due within one year					
Borrowings	–	(72.2)	(64.2)	(82.3)	(218.7)
Other	–	(443.2)	(250.4)	49.3	(644.3)
	–	(515.4)	(314.6)	(33.0)	(863.0)
Net current (liabilities)/ assets	–	150.3	(18.5)	(33.0)	98.8
Total assets less current liabilities	–	847.3	373.8	355.1	1,576.2
Creditors: amounts falling due after more than one year					
Borrowings	–	(379.4)	(95.6)	–	(475.0)
Other	–	(17.4)	–	–	(17.4)
	–	(396.8)	(95.6)	–	(492.4)
Provision for liabilities and charges	–	(126.9)	(4.0)	–	(130.9)
Net assets	–	323.6	274.2	355.1	952.9

Notes to the unaudited pro forma financial information

1. The pro forma profit and loss account of the Group 4 Securicor Group is shown as if the Company had acquired the entire issued share capital of Group 4 Falck's security business and Securicor on 1 January 2003, and is based on the profit and loss accounts for the following periods:

   a. Group 4 Securicor, the period ended 14 May 2004 during which it has not traded;

   b. Group 4 Falck's security business, the year ended 31 December 2003 translated at the average exchange rate of £1=DKK10.746;

   c. Securicor, the year ended 30 September 2003

2. The pro forma statement of net assets of the Group 4 Securicor Group is shown as if the Company had acquired the entire issued share capital of Group 4 Falck's security business and Securicor on 31 December 2003, and is based on the balance sheets as at the following dates:

   a. Group 4 Securicor, 12 May 2004;

   b. Group 4 Falck's security business, 31 December 2003 translated at the year end exchange rate of £1=DKK10.580;

   c. Securicor, 31 March 2004

3. The pro forma statement of net assets of the Group is shown as if the Merger had taken place on 31 December 2003. The pro-forma assumes that the Recommended Offer is accepted in full.

4. No adjustment has been made to reflect the fair values of any of the assets or liabilities.

5. The pro forma earnings per share calculations are set out below, based on the approximate 1,260,000,000 Group 4 Securicor Shares to be issued pursuant to the Scheme and the Merger, assuming the Recommended Offer is accepted in full.

Basic

Pro forma profit for the financial year (£m)	34.9
Number of shares (m)	1,260.0
Earnings per share (pence)	2.77

Normalised

Normalised earnings before goodwill amortisation, discontinued activities and exceptional items

Pro forma profit for the financial year (£m)	34.9
Exceptional items, goodwill and discontinued operations (all net of tax)	
Group 4 Falck's security business (£m)	70.7
Securicor (£m)	(0.4)
	105.2
Number of shares (m)	1,260.0
Earnings per share (pence)	8.35

Notes to the unaudited pro forma financial information (continued)

6. Pro forma segmental turnover from continuing operations

Business Division	Group 4 Falck's security business	Securicor	Pro forma	%
	£m	£m	£m	
Manned Security	2,011	671	2,682	69.9%
Security Systems	331	—	331	8.6%
Cash Services	210	503	713	18.6%
Justice Services	—	96	96	2.5%
Other Services	17	—	17	0.4%
	2,569	1,270	3,839	100.0%

7. Pro forma earnings before interest, taxation and amortisation (EBITA) before exceptional items from continuing operations is calculated as follows:

	Group 4 Falck's security business	Securicor	Pro forma
	£m	£m	£m
Operating profit before exceptional items	82.2	54.2	136.4
Add: Loss on discontinued operations	—	7.0	7.0
Operating profit before exceptional items (continuing)	82.2	61.2	143.4
Amortisation	34.6	12.5	47.1
Share of associates and joint ventures (continuing)	1.7	6.5	8.2
	118.5	80.2	198.7

8. No account is taken of any additional goodwill amortisation arising from the Merger as such goodwill will be considered to have an indefinite economic life. Accordingly it will be subject to annual impairment reviews, as permitted by FRS 10.

The following is the full text of a report on the unaudited Pro Forma Financial Information from Baker Tilly, the Joint Reporting Accountants, to the Directors of the Company, Cazenove & Co. Ltd, Morgan Stanley & Co. Limited and UBS Limited.

"The Directors
Group 4 Securicor plc
Sutton Park House
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Cazenove & Co. Ltd
20 Moorgate
London EC2R 6DA

BAKER TILLY
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Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

UBS Limited
1 Finsbury Avenue
London EC2M 2PP

Dear Sirs

4 June, 2004

GROUP 4 SECURICOR PLC ("Group 4 Securicor")

Introduction

We report on the unaudited pro forma financial information on Group 4 Securicor (the "Pro Forma Financial Information"), which has been prepared for illustrative purposes only, to provide information about how the merger of Group 4 Falck A/S's security business and Securicor plc ("Merger") might have affected the financial information presented.

Responsibility

It is the responsibility of the directors of Group 4 Securicor to prepare the Pro Forma Financial Information in accordance with paragraph 12.29 of the Listing Rules issued by the Financial Services Authority ("Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed. We do not accept responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of Group 4 Securicor.

Opinion

In our opinion:

i) the Pro Forma Financial Information has been properly compiled on the basis stated;

ii) such basis is consistent with the accounting policies of Group 4 Securicor; and

iii) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

Baker Tilly
Chartered Accountants"

PART 8
RISK FACTORS

1. GLOBAL TERRORISM

Against the backdrop of increasing security awareness since 11 September 2001 the Group operates in an industry which is perceived as having a role in the global fight against terrorism.

It is possible that future terrorist incidents where the Group is responsible for providing security screening could lead to brand and reputational damage, and so affect earnings and profitability. This is particularly the case in respect of certain high-profile public events for which the Group is contracted to provide security.

Whilst the Group endeavours to negotiate limits of liability in contracts with third parties and to arrange appropriate levels of insurance cover, it may not always be possible to impose such limitations, such limitations may not be effective or applicable or appropriate insurance cover may not be adequate or available.

Group 4 Securicor operates under a number of different brands throughout the world and any brand or reputational damage may be largely confined to the brand directly involved in any such incident. Further, the Board believes that many clients are likely to recognise the particular circumstances of terrorist incidents and, notwithstanding adverse publicity, will nevertheless continue to carry on business with the Group in the normal course.

2. INSURANCE

In the current climate of global terrorism, it is also possible that premiums for the Group's insurance against terrorist-related incidents may increase significantly, or that appropriate insurance becomes difficult to obtain either at all or at sufficient levels of cover. Although the Group would, in the ordinary course, seek to reflect the rising costs of insurance in the arrangements with its customers, a significant rise in the price, or the non-availability, of adequate insurance may adversely affect the ability of the Group to continue offering particular types of services or to provide services in certain jurisdictions.

3. FEDERALISATION

Following the 11 September 2001 terrorist attacks, the US Government federalised the aviation security sector in the United States. There is a risk that, in the event of further terrorist attacks, other sections of the security services industry may be federalised or become subject to regulation or increased regulation in jurisdictions in which the Group carries on business. This may adversely affect the ability of the Group to carry on certain of its businesses in affected jurisdictions, particularly in respect of work carried out for the US Government.

4. REGULATION

The Group is subject to an increasing level of regulation in relation to certain of its operations, particularly in manned guarding. There is a trend in some European jurisdictions towards requiring individual security guards to be licensed. Under certain provisions in the Private Security Industry Act 2001 that are due to come into force in the UK in 2005, each security guard employed by the Group in the UK will require a minimum level of training and an individual licence.

Whilst any such regulation or further regulation is likely to lead to additional direct costs as well as administrative costs for the Group, the Board believes that levels of training already provided to security guards throughout the Group are likely to meet or exceed any forseeable regulatory requirements.

In addition, the in-house manned guarding sector is currently excluded from the provisions of the Private Security Industry Act 2001. This may give rise to legal uncertainties, costs and/or the risk of legal claims in the event that the Group inherits such employees on the award of contracts on the contracting-out of such services (for example, pursuant to the terms of the Transfer of Undertakings

(Protection of Employment) Regulations 1981, as amended). In addition to training and licence costs, it may be the case that such employees are not eligible for licences, resulting in potential termination costs and legal claims in relation to such dismissals.

The Group's cash services business in the UK is, to a significant extent, dependent on Group 4 Securicor having Bank of England Note Circulation Scheme (NCS) status. This status allows the Group to carry out certain cash management related services on behalf of the Bank of England. Whilst the Board is not aware of any reason why such status may be withdrawn, loss of this status may mean that the Group would be unable to provide all or some of such services.

5. ARGENBRIGHT LITIGATION

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

Argenbright will be a member of the Group. It is one of a number of defendants being sued in New York where all claims arising from the terrorist attacks are being handled centrally. The Directors are unaware of any information suggesting that Argenbright failed to carry out its screening services properly and accordingly believe that Argenbright should have no liability in respect of those two flights for the losses that occurred subsequently.

The events of 11 September were so extraordinary that it is impossible to state with certainty that no findings of liability against Argenbright will be made. In addition, the legal proceedings are at a relatively early stage. There is therefore a risk that Argenbright may be found liable for substantial damages in respect of claims brought by representatives of victims and others in the New York courts in connection with Argenbright's security screening of those two flights.

Any award of damages would be a matter of discretion by the jury hearing the case although in appropriate circumstances damages awards may be reviewed on appeal. It is not possible to predict with any certainty what the aggregate amount of any damages might be if Argenbright were to be found liable, or whether punitive damages might be awarded as well as compensatory damages and, if so, at what level. It is noted that as at 1 June 2004 (the latest practicable date before publication of this document) there are 45 complaints being pursued against Argenbright on behalf of 50 deceased victims. In addition, three claims on behalf of four injured victims are being pursued against Argenbright.

Many other victims and their representatives have filed claims with the Victims' Compensation Fund, a fund established by the United States Federal Government shortly after the events of 11 September 2001. Those who have done so are now precluded from making claims against Argenbright or Securicor.

Time limitation periods for wrongful death claims have now expired. However, a stay agreement entered into between the plaintiffs and Securicor means that some potential claimants have until 11 September 2004 to file a claim against Securicor. Argenbright was not a party to this agreement. However, because most potential additional claimants have already filed claims with the Victims' Compensation Fund and because Securicor's stay only applies to New York residents, it is believed that the number of potential additional claims on behalf of deceased victims is two. Although the statute of limitations for filing personal injury claims in Virginia has run, New York residents have until 11 September 2004 to file such claims.

As at 11 September 2001, Argenbright and Securicor had in place joint aviation liability insurance which, based upon legal advice provided to them, the Directors believe included cover for damages awards (including any awards of punitive damages) arising out of the acts of terrorism and provided insurance cover of US$1 billion for each of the two flights referred to above. The Directors believe, on the basis of legal advice, that any award of damages would be below the limits of the insurance cover. If the insurance cover was available to Argenbright only in part or if it was not available at all, or if awards were to exceed the amount that is believed to be available, Argenbright would be obliged to meet any liability (or any excess of its liability over available insurance cover) from its own resources, which in those circumstances might not be sufficient for such purposes.

All of the claims on behalf of deceased victims and one of the three claims by injured victims also name Securicor as a defendant. In this context it is noted that Argenbright carried out the screening of the relevant flights and is a stand-alone limited liability corporation owned indirectly at the time by Securicor. The Board is not aware of any basis on which awards of damages could be made against Securicor. Based on legal advice, the Board believes that this possibility is remote, but in the light of the extraordinary circumstances surrounding the 11 September 2001 terrorist attacks, there can be no absolute assurance that Securicor will not be found liable.

If Securicor was found to have some liability for the events of 11 September 2001, and if in these circumstances the insurance cover described above was not available to Securicor either fully or at all, or if awards were to exceed the amount that is believed to be available, Securicor would be obliged to meet any liability (or any excess of its liability over available insurance cover) from its own resources. If Securicor was obliged to meet liabilities either fully or in part from its own resources, the level of such liabilities could have a very material and adverse effect upon the financial condition of the Group.

6. INTEGRATION

The Merger of Group 4 Falck's security business and Securicor involves a complicated re-organisation, as well as branding and personnel issues. There is a risk that if the implementation of the integration plan does not proceed as contemplated, the forecast savings and synergies may not be realised, or may not be realised according to the timescale contemplated. Details of proposed synergies will need to be the subject of discussion and consultation with trade unions, employee representatives and European and local works councils as appropriate.

7. VOLUME OF CASH TRANSPORTED

The success of the Group's cash services businesses may be adversely affected by any significant reduction in the amount of cash required to be transported or the frequency of its transportation. This might arise through a reduction of cash in circulation whether generally or in particular countries or markets. It may also arise from any increasing trend to cash recycling and a decrease in the number of bank branches.

A reduction of cash in circulation may arise, for example, from an increased use of credit and debit cards or other non-cash forms of payment. It may also arise from a further expansion in the number of countries that have adopted the Euro as their currency. However, the amount of cash in circulation continues to rise in many markets and the Group does not perceive this as a significant risk.

Examples of cash recycling include retail customers offering "cash back" facilities or the provision of on-site ATMs. Cash recycling may be particularly attractive to customers during prolonged periods of relatively lower interest rates, which may reduce the incentive for businesses to transfer cash quickly to their banks. An increase in the volume of cash recycling may also offer opportunities to the Group to supply cash management services to customers in support of cash recycling activities.

8. MANAGEMENT RETENTION

Group 4 Securicor is reliant on the retention at group and regional level and in certain countries of key members of its management team. A risk exists that the loss of members of the management team could result in a deterioration in the operations of the Group, particularly where members of management enjoy strong relationships with key customers.

9. EXCHANGE RATE EXPOSURE

The Group conducts operations primarily in the UK and Europe as well as in Scandinavia, North America, Eastern Europe, Africa, Latin America and the Far East. The Group's turnover therefore comprises many different currencies, though mainly Sterling, US dollars and Euros. The results of the Group are reported in Sterling. Consequently, the reported results of the Group may be materially affected by movements in foreign currency exchange rates and particularly by £/US$ and £/€ exchange rates.

10. JOINT AND SEVERAL LIABILITY FOLLOWING THE DEMERGER

The Demerger of Group 4 Falck is a full statutory demerger under Danish company law pursuant to which the existing Group 4 Falck will dissolve, with all assets and liabilities of Group 4 Falck being transferred by operation of law to the two new successor companies formed as a result of the Demerger: Group 4 and Falck. Following the Demerger, Group 4 and Falck will each be liable under Danish company law for obligations attributable to the assets and liabilities transferred to them. Where a creditor of Group 4 or Falck does not receive full payment of its claims, the other company will be jointly and severally liable, to the extent that the obligation existed at the time the Demerger Plan was published. However, Group 4 and Falck will only be jointly and severally liable for an amount corresponding to the net value of the assets and liabilities transferred to them respectively at the time of the publication of the Demerger Plan. This limitation does not apply to taxes as, according to generally applicable tax rules, liability to the tax authorities is unlimited and comprises tax years up to and including 2004, the year of the Demerger.

In addition, steps have been taken to protect Group 4 and Falck from liabilities relating to each other's business after the Demerger (for example, by the use of cross-indemnities in the Merger Agreement). Nevertheless, there is a risk that certain liabilities in respect of the business carried on by Falck may fall on Group 4, a subsidiary of the Group after the Merger becomes effective, and thereby impact directly on the financial position of Group 4 Securicor.

11. MATURE MARKETS

A number of the markets in which the Group operates are relatively mature and may therefore offer limited realistic scope for substantial future revenue growth in core security services. However, the Group will target the provision of more sophisticated higher-margin services to customers in the markets as well as utilising the opportunity offered by the Merger to cross-sell new products and services to existing clients wherever they may carry on their business.

12. COMPETITIVE MARKETS

The security industry comprises a number of very competitive markets. In particular, the manned guarding market is very fragmented with relatively low economic barriers to entry. As a result, the Group competes with a wide variety of operators of varying sizes. Actions taken by the Group's competitors may place pressure on its pricing, margins and profitability. The Group believes that its ability to compete in all its markets will be enhanced as a result of the increased scale, efficiency and depth and quality of service that should result from the Merger.

13. WACKENHUT SERVICES INC.

Group 4 Securicor owns all of the shares in Wackenhut Services Inc. under US Foreign Ownership Controlling Interest regulations. Wackenhut Services Inc. provides security services to US Government agencies including security services on sites deemed to be strategically sensitive. Whilst the Group is represented on the Wackenhut Services Inc. board through shareholder proxies, operational control remains with an independent board reporting directly to the US Government. The Group includes the results of Wackenhut Services Inc. in its consolidated financial results on the basis that it is a "quasi-subsidiary", the risks and rewards of which are borne by Group 4 Securicor. A risk exists that, should problems occur in Wackenhut Services Inc., the management of Group 4 Securicor would be restricted in its ability to address the operational problems arising, with a resultant adverse impact on the results of the Group. The Proxy Agreement giving effect to the US Foreign Ownership Controlling Interest regulations is summarised in paragraph 14 of Part 9 of this document.

14. OUTSOURCING

Some of the Group's customers in the cash services business are financial institutions which have elected to outsource their cash processing and cash management functions. If the trend towards outsourcing should for any reason be reversed (as it has in the aviation security sector) and the Group's customers increasingly undertake these functions themselves, then the revenue and profitability of the Group may be adversely affected. However, the Board has no reason to believe that this reverse in industry practice is likely.

15. EMPLOYEES

The security industry generally, and the manned security sector in particular, is labour intensive and consequently the Group relies on being able to attract and retain high quality employees. External factors, such as unemployment levels, minimum wage legislation and restrictions on the number of hours employees can work, as well as internal factors such as discrepancies between the pay scales of employees previously employed by Group 4 Falck and Securicor, may affect the Group's ability to control labour costs.

16. PENSIONS

The Group has two pension schemes in the UK both of which are underfunded when assessed in accordance with International Financial Reporting Standards. These deficits are disclosed in Parts 3 and 5 of this document but, they are not currently recognised in the balance sheet as permitted by FRS 17. Both schemes hold a large proportion of their assets in equities. The viability of these holdings could impact on future profitability and net assets. On full implementation of International Financial Reporting Standards, the Group could be required to recognise these deficits (to the extent that they exist at that time) as a reduction in the Group's net assets.

Cash contributions to the schemes are established in anticipation of higher investment returns than those used to establish accounting costs. Whilst the Group has increased contributions to reflect existing funding deficits, there is a possibility of further increases in cash contributions if the anticipated investment returns are not achieved.

17. UNIONS

With over 340,000 employees around the world, relationships with employees, European and local works councils, trade unions and other employee representatives are an important part of the Group's strategy. Should these relationships deteriorate, there could be a risk to customer service and increased costs associated with industrial disputes. The Board believes that employee relationships are continuing to strengthen and that these risks should be minimised as a result.

PART 9
ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors of Group 4 Securicor, whose names appear in paragraph 5 of Part 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION

Group 4 Securicor was incorporated and registered in England and Wales on 11 December 2003 under the Companies Act as a private company limited by shares with registered number 4992207 and the name Precis (2395) Limited. By virtue of a special resolution dated 19 February 2004, Precis (2395) Limited changed its name to Group 4 Securicor Limited. Group 4 Securicor Limited was re-registered as a public limited company on 14 May 2004. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

Group 4 Securicor's registered and head office is at Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LD.

3. SHARE CAPITAL

Group 4 Securicor was incorporated with an authorised share capital of £100 divided into 100 ordinary shares with a nominal value of £1 each, of which two were issued nil paid to the subscriber to Group 4 Securicor's memorandum of association, Peregrine Secretarial Services Limited. Pursuant to the articles of association of Group 4 Securicor upon incorporation, the sole director was authorised for the purposes of section 80 of the Companies Act to allot shares up to the amount of the authorised capital.

On 6 May 2004 Peregrine Secretarial Services Limited transferred one ordinary share to each of A J Levitt and S N Youdale, each of whom was registered in the Group 4 Securicor Share Register as the holder of one ordinary Share on 6 May 2004.

On the same date, 49,998 redeemable preference shares with a nominal value of £1 each (the "Redeemable Shares"), which are redeemable automatically after the Merger becomes effective, were allotted and issued fully paid up as to their nominal value to Securicor, which was registered in the Group 4 Securicor Share Register as the holder of the 49,998 Redeemable Shares on 11 May 2004.

By ordinary and special resolutions passed as written resolutions on 6 May 2004 prior to the re-registration of Group 4 Securicor as a public limited company:

(a) the authorised share capital of Group 4 Securicor was increased to £50,000 by the creation of 49,900 ordinary shares with a nominal value of £1 each;

(b) 49,998 of the authorised but unissued ordinary shares were re-designated as and converted into 49,998 Redeemable Shares the terms of which provide for automatic redemption (subject to Group 4 Securicor having sufficient distributable profits) after the Merger becomes effective;

(c) each ordinary share of £1 was sub-divided into 20 ordinary shares of 5p each; and

(d) the sole director was generally and unconditionally authorised, in accordance with section 80 of the Companies Act, to exercise all powers of Group 4 Securicor to allot relevant securities (as defined in section 80(2) of the Companies Act) up to an aggregate nominal amount of £50,000,

thereby enabling Group 4 Securicor to proceed with an application under section 43 of the Companies Act to be re-registered as a public limited company. That application was granted and Group 4 Securicor was re-registered as a public limited company on 14 May 2004.

By ordinary and special resolutions passed on 2 June 2004:

(a) the authorised share capital of Group 4 Securicor was increased to £500,000,000 by the creation of 9,999,000,000 ordinary shares with a nominal value of 5 pence each;

(b) the entire ordinary share capital of Group 4 Securicor (authorised and/or issued) was consolidated on the basis of five ordinary shares of 5 pence each for one ordinary share of 25 pence each;

(c) the directors are generally and unconditionally authorised, in accordance with section 80 of the Companies Act, to exercise all powers of Group 4 Securicor to allot relevant securities (as defined in section 80(2) of the Companies Act) up to an aggregate nominal amount of £430,000,000 and provided further that the resolution is stipulated to expire on 1 June 2009; and

(d) the directors are empowered pursuant to section 95 of the Companies Act to allot equity securities for cash as if section 89(1) of the Companies Act did not apply to such allotment, provided that this authority is limited to:

   (i) the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as practicable) to the respective numbers of Group 4 Securicor Shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws or regulations of any overseas territory or the requirements of any regulatory body or stock exchange in any territory, or otherwise howsoever; and

   (ii) other allotments of equity securities for cash where the authority shall be limited in aggregate to the allotment of or involving equity share capital not exceeding (in nominal value) 5 per cent. of the nominal value of the issued share capital of the Company immediately following Admission.

The issued share capital of Group 4 Securicor as at the date of this document is £50,000. The enlarged share capital of Group 4 Securicor following the Recommended Offer and the Scheme becoming unconditional in all respects and based on the assumptions set out below will be as follows:

	Authorised		**Issued**	
	Ordinary 25p Shares	**Redeemable Shares**	**Ordinary 25p Shares**	**Redeemable Shares**
Share capital as at the date of this document	1,999,800,008	49,998	8	49,998
	Ordinary 25p Shares		**Ordinary 25p Shares**	
After implementation of the Recommended Offer and the Scheme:	2,000,000,000		1,260,000,000[1]	

1. This is an approximate number of shares to be issued and may be increased in respect of the exercise of options. The exact number of Group 4 Securicor Shares to be issued will not be known until the Merger becomes effective.

The table assumes that:

(a) the Recommended Offer is accepted by all Group 4 Shareholders prior to becoming unconditional; and

(b) the Scheme becomes effective in accordance with its terms.

The existing issued ordinary shares and the shares to be issued pursuant to the Scheme and the Recommended Offer will rank pari passu in all respects. All of the Group 4 Securicor Shares will rank in full for all dividends and other distributions declared made or paid after the date on which the Group 4 Securicor Shares are issued.

It is expected that approximately 535,000,000 Group 4 Securicor Shares will be issued as part of the Scheme and approximately 725,000,000 Group 4 Securicor Shares will be issued pursuant to the Recommended Offer, assuming 100% acceptance of the Recommended Offer.

None of the Group 4 Securicor Shares has been marketed or is being made available to the public in whole or in part in conjunction with the application for listing of those securities. All of the Group 4 Securicor Shares will be allotted and issued to the holders of Securicor Shares and Group 4 Falck Shares.

Save as disclosed in this document no share or loan capital of Group 4 Securicor, Securicor or Group 4 Falck has within three years before the date of this document been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is effective.

There are no outstanding options to acquire Group 4 Securicor Shares.

Participants in the Securicor Share Option Schemes have been offered the opportunity to have their options over Securicor Shares exchanged for options of equivalent value over Group 4 Securicor Shares, subject to the Scheme becoming effective. This exchange will take place after the Scheme becomes effective.

As at 1 June 2004 (the latest practicable date before the publication of this document), options granted for nil consideration to acquire 25,779,435 Securicor Shares were outstanding under the Securicor Share Option Schemes, exercisable at prices from £0.64 to £1.64 per Securicor Share up to 2013.

If all the options resulting in the potential issue of new Securicor Shares were exercisable and were exercised and the Securicor Shares issued as a result were subject to the Scheme, an additional 25,779,435 Group 4 Securicor Shares would be issued pursuant thereto. Participants in the Securicor Share Option Schemes have been offered the opportunity to release their options over Securicor Shares, subject to the Scheme becoming effective, in consideration for the grant of options over Group 4 Securicor Shares in the same ratio as applicable to Securicor Shareholders under the Scheme.

Securicor

The following alteration in the authorised share capital of Securicor occurred in the three years preceding 1 June 2004 (the latest practicable date prior to the date of this document):

Pursuant to an ordinary resolution passed on 29 April 2003, each issued and each authorised but unissued share in Securicor was sub-divided into 17 ordinary shares of 5/17 pence each in the capital of Securicor. Every 20 of such shares in issue were consolidated into one ordinary share of $5\frac{15}{17}$ pence in the capital of Securicor.

Accordingly, as at 1 June 2004 (the latest practicable date prior to the date of this document) the authorised share capital of Securicor is £40,000,000 divided into 680,000,000 ordinary shares of $5\frac{15}{17}$p each. The issued share capital is £31,360,746 comprising 533,346,016 ordinary shares.

Group 4 Falck

The following alterations in the authorised share capital of Group 4 Falck have occurred in the three years preceding 1 June 2004 (the latest practicable date prior to the date of this document):

Pursuant to a Board resolution passed on 19 March 2002, in accordance with the company's articles, the share capital was increased by DKK 31,480,000 to give a total share capital of DKK 444,312,000 comprising 22,215,600 ordinary shares.

Pursuant to a shareholders' resolution passed on 15 May 2002, which took effect on 22 May 2002, each ordinary share of nominal value DKK 20 was sub-divided into 4 shares of DKK 5.

Accordingly, as at 1 June 2004 (the latest practicable date prior to the date of this document) the allotted, called up and fully paid share capital is DKK 444,312,000 comprising 88,862,400 ordinary shares of nominal value DKK 5.

Treasury Shares

Group 4 Falck holds approximately 575,000 treasury shares, which amounts to approximately 0.64% of all Group 4 Falck Shares in issue. Group 4 Falck intends to dispose of all such treasury shares in the market at or around the date of this document.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association are available for inspection as described in paragraph 19 of this Part 9 of this document.

Memorandum of Association

The objects of Group 4 Securicor are set out in full in clause 4 of the Memorandum of Association of Group 4 Securicor which provides that the principal object is to carry on business as a general commercial company.

Articles of Association

The Articles were adopted pursuant to a special resolution on 2 June 2004 and contain (among others) provisions to the following effect, which will apply to the Group 4 Securicor Shares:

Share Rights

Subject to the provisions of the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or, if Group 4 Securicor has not so determined, as the directors may determine).

Voting

Subject to the provisions of the Act, to the provisions of the Articles and to any restrictions imposed on any shares, notices of meetings shall be sent to all the members, to each of the directors and to the auditors.

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present either in person or by proxy or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote, shall have one vote, and on a poll every member who is present either in person or by proxy or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote shall have one vote for every share of which he is the holder (or proxy or representative of the holder) and a person entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A demand for a poll vote by a person as proxy for a member shall be the same as a demand by a member. No member shall have the right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy or by representative, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors. The directors shall announce any dividends in pounds sterling (or such other currency as they shall determine from time to time) together with a Danish Kroner equivalent. Shareholders who elect to hold their Group 4 Securicor Shares through VP will automatically receive their dividends in Danish Kroner. Shareholders who hold their Group 4 Securicor Shares either through CREST or in uncertificated form may also elect to receive their dividends in Danish Kroner but in the absence of such election shall receive their dividends in pounds sterling.

For the purposes of calculating the amounts receivable in Danish Kroner by Shareholders in respect of any dividend, the rate of exchange to be used to determine such amounts shall be such market rate (whether spot or forward) selected by the Board as it may consider appropriate by reference to such market rate or rates or the mean of such market rates prevailing at the time that the dividend is announced.

Subject to the provisions of the Act, the directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividends as well as on shares which confer preferential rights with regard to dividends, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. The directors may also pay at intervals determined by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

The directors may deduct from any dividend or other moneys payable to any member in respect of a share, any moneys presently payable by the member to the company in respect of that share. Where a person is entitled by transmission to a share, the directors may retain any dividend payable in respect of that share until that person (or that person’s transferee) becomes the holder of that share.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by Group 4 Securicor into an account separate from the Company’s own account and the Company shall not be constituted as a trustee in respect such payment.

The directors may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the directors) of any dividend specified by the ordinary resolution.

Distribution of Assets on Winding Up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, subject to the provisions of the Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may with the like sanction determine, but no member shall be compelled to accept any assets upon which there is a liability.

Variation of Rights

Subject to the provisions of the Act, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of allotment of the shares of that class) be varied, either while the Company is a going concern or during or in contemplation of a winding up –

(a) in such manner (if any) as may be provided by those rights; or

(b) in the absence of any such provision, with the consent in writing or, if the directors so permit, using electronic communications, of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

Form and Transfer of Shares

The shares of the Company may be held both in certificated and uncertificated form.

The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee.

Where any class of shares is, for the time being, a participating security, title to shares of that class which are recorded on an operator register of members as being held in uncertificated form may be transferred by means of the relevant system concerned.

The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List of the UK Listing Authority such refusal does not prevent dealings in the shares from taking place on an open and proper basis. They may also refuse to register a transfer of a share in certificated form unless the instrument of transfer -

(a) is lodged, duly stamped, at the registered office or at such other place as the directors may appoint and (except in the case of a transfer by a financial institution where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of share; and

(c) is in favour of not more than four transferees.

The directors may refuse to register a transfer of a share in uncertificated form to a person who is to hold it thereafter in certificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer; and they may refuse to register any such transfer in favour of more than four transferees.

Alteration of Share Capital

The Company may by ordinary resolution increase, consolidate, cancel, determine and sub-divide (subject to the Act) its shares or any of them. The Company may, subject to the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Issue of Shares

Subject to the provisions of the Act and the Articles, the unissued shares in the Company shall be at the disposal of the directors, who may offer, allot, grant options over or otherwise dispose of them to such persons and on such terms as the directors think fit.

Appointment of Directors

Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum but shall not be less than two.

The Company may by ordinary resolution appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, and may also determine the rotation in which any additional directors are to retire. The directors may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors. A director so appointed shall retire at the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation at the meeting.

The directors may appoint one or more of their number to the office of managing director or to any other executive office (except that of auditor) of the Company and, subject to the provisions of the Act, any such appointment may be made for such term, at such remuneration and on such other conditions as the directors think fit. The directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company because of the revocation or variation. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the Company.

Retirement of Directors

At the annual general meeting in every year there shall retire from office by rotation:

(a) all directors who held office at the time of the two preceding annual general meetings and who did not retire at either of them; and

(b) any director who wishes to retire and not to offer himself for re-election.

Removal of Directors by extraordinary resolution

In addition to any power of removal conferred by the Act, the Company may by extraordinary resolution remove any director before the expiration of his period of office.

Remuneration of Directors

Until otherwise determined by the Company by ordinary resolution, there shall be paid to the directors (other than alternate directors) such fees for their services in the office of director as the directors may determine (not exceeding in the aggregate an annual sum of £750,000 or such larger amount as the Company may by ordinary resolution decide) divided between the directors as they may determine, or, failing such determination, equally. The fees shall be deemed to accrue from day to day and shall be distinct from and additional to any remuneration or other benefits which may be paid or provided to any director pursuant to any other provision of the Articles.

The directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the directors or of committees of the directors or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of their duties as directors.

Any director who performs, or undertakes to perform, services which the directors consider go beyond the ordinary duties of a director may be paid such special remuneration (whether by way of fixed sum, bonus, commission, participation in profits or otherwise) as the directors may determine.

Directors' Gratuities and Pensions

The directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director who has held but no longer holds any executive office or employment with the Company or with any body corporate which is or has been a subsidiary of the Company or a predecessor in business of the Company or of any such subsidiary, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Permitted Interests of Directors

Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office –

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(c) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate; and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

Restrictions on Voting

Save as otherwise provided by the Articles, a director shall not vote at a meeting of the directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company), unless his interest arises only because the case falls within one or more of the following sub-paragraphs:

(a) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, the Company or any of its subsidiary undertakings;

(b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of the Company for subscription, purchase or exchange;

(d) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the board of Inland Revenue for taxation purposes;

(e) the resolution relates to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings, including but without being limited to an employees' share scheme, which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates;

(f) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share capital of that company (or of any other company through which his interest is derived) and not entitled to exercise one per cent or more of the voting rights available to members of the relevant company (and for the purpose of calculating the said percentage there shall be disregarded any shares held by the director as a bare or custodian trustee and in which he has no beneficial interest, and any shares comprised in any authorised unit trust scheme in which the director is interested only as a unit holder); or

(g) the resolution relates to the purchase or maintenance for any director or directors of insurance against any liability.

The Company may by ordinary resolution suspend or relax to any extent, in respect of any particular matter, any provision of the Articles prohibiting a director from voting at a meeting of the directors or of a committee of the directors.

Borrowing powers

The directors may, save as the Articles provide otherwise, exercise all the borrowing powers of the Company. The directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (as regards subsidiary undertakings so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Group (exclusive of intra group borrowings other than as provided in the Articles) shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three and a half times the aggregate of:

(a) the amount paid up on the share capital of the Company; and

(b) the total of the capital and revenue reserves of the Group, including any share premium account, merger reserve capital redemption reserve and credit balance on the profit and loss account, sums set aside for taxation and amounts attributable to outside shareholders in subsidiary undertakings of the Company and deducting any debit balance on the profit and loss account, all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account of the Company since the date of that balance sheet and further adjusted as may be necessary to reflect any change since that date in the companies comprising the Group;

and for the avoidance of doubt any balance representing the Company's own shares (whether held pursuant to an employees' share scheme (within the meaning of section 743 of the Act) or as treasury shares) shall reduce capital and revenue reserves of the Group for the purposes of paragraph (b) of this article.

Untraced shareholders

The Company shall be entitled to sell at the best price reasonably obtainable any share held by a member, or any share to which a person is entitled by transmission, if:

(a) for a period of twelve years no cheque or warrant or other method of payment for amounts payable in respect of the share sent and payable in a manner authorised by the Articles has been cashed and no communication has been received by the Company from the member or person concerned;

(b) during that period at least three dividends in respect of the share have become payable;

(c) the Company has, after the expiration of that period, by advertisement in a national newspaper published in the United Kingdom and in a newspaper circulating in the area of the registered address or last known address of the member or person concerned, given notice of its intention to sell such share;

(d) the Company has not during the further period of three months after the date of the advertisement and prior to the sale of the share received any communication from the member or person concerned; and

(e) the shares are listed and notice has been sent to the relevant listing authority of the Company's intention to make such sale before the publication of the advertisements.

The Company may cease to send any cheque or warrant (or to use any other method of payment) for any dividend payable in respect of a share if:

(a) in respect of at least two consecutive dividends payable on that share the cheque or warrant has been returned undelivered or remains uncashed (or that other method of payment has failed); or

(b) following one such occasion, reasonable enquiries have failed to establish any new address of the holder,

but, subject to the provisions of the Articles, may recommence sending cheques or warrants (or using another method of payment) for dividends payable on that share if the person or persons entitled so request.

5. DIRECTORS, REMUNERATION, SERVICE CONTRACTS AND OTHER INTERESTS

The Directors of Group 4 Securicor and their functions are as follows:

Directors	
Nils Jørgen Philip-Sørensen	Chairman – Non-executive
Alf Duch-Pedersen	Deputy Chairman – Non-executive
Lord Colin Morven Sharman	Deputy Chairman – Non-executive
Lars Nørby Johansen	Chief Executive
Nicholas Peter Buckles	Deputy Chief Executive and Chief Operating Officer
Trevor Leslie Dighton	Chief Financial Officer
Lord Paul Leslie Condon	Non-executive
Sir David Alwyn Gore-Booth	Non-executive
Thorleif Krarup	Non-executive
Bo Ake Lerenius	Non-executive
Waldemar Schmidt	Non-executive
George Malcolm Williamson	Non-executive

The business address of each of the Directors is at 15 Carshalton Road, Sutton, Surrey SM1 4LD.

Directors' Interests

Save as set out below the Directors of Group 4 Securicor have no interests relating to securities which have been notified to the Company pursuant to sections 324 or 328 of the Act or that are required to be entered in the register of directors' interests of Group 4 Securicor maintained under the provisions of section 325 of the Act. In addition, no person connected with them had any interest (within the meaning of section 346 of the Act) which would, if such connected persons were directors of Group 4 Securicor, be required to be disclosed or notified under such sections of the Act and the existence of which was known to or could with reasonable diligence have been ascertained by the relevant director as at 1 June 2004 (the last practicable date prior to the date of this document). The Directors' current interests in Securicor, Group 4 Falck and Group 4 Securicor Shares are shown below on the basis of, as the case may be, the Scheme becoming effective, full acceptance of the Recommended Offer and the release of options over Securicor in consideration of the grant of options over Group 4 Securicor Shares on a one-for-one basis.

However, the options and warrants over Group 4 Falck Shares in which Lars Nørby Johansen is interested are shown separately as these will not be cancelled in consideration of the issue of options over Group 4 Securicor Shares under the proposals set out in paragraph 7 of Part 9 of this document.

Director	Number of Group 4 Securicor Shares beneficially owned	Number of Group 4 Securicor Shares under option
Nick Buckles	100,000	1,012,354
Lord Condon	2,000	
Trevor Dighton	100,000	489,453
Alf Duch-Pedersen	6,560	
Sir David Gore-Booth		
Lars Nørby Johansen	30,044	
Thorleif Krarup	3,206	
Bo Lerenius	1,000	
Jørgen Philip-Sørensen (through Skagen 2004 Trust)	171,939,961	
Waldemar Schmidt	3,181	
Lord Sharman	8,500	
Malcolm Williamson	2,000	

In addition, as at 1 June 2004 (the last practicable date prior to the date of this document) Lars Nørby Johansen held options or warrants over Group 4 Falck Shares as follows:

Year of grant	First date exercisable	Lapse date	Exercise price (DKK)	Number of options/warrants
1999	21.08.2002	30.09.2004	128	27,344
2000	01.11.2003	31.12.2005	268	20,188
2001	31.05.2004	30.06.2006	253	100,932
2001	01.12.2005	31.12.2007	268	20,689
2002	31.05.2005	30.06.2007	268	20,496
2002	31.05.2005	30.06.2007	238	35,352
2003	31.03.2006	30.04.2008	96	60,709
2003	31.05.2006	30.06.2008	114	19,914
2004	01.05.2007	31.05.2009	142	19,352
2004	01.05.2007	31.05.2009	153	11,335

The executive directors of Securicor are deemed to have an interest as potential discretionary beneficiaries under the Securicor Employee Benefit Trust in the 2,602,300 Securicor Shares held by Hill Samuel Offshore Trust Company Limited, as trustee of that trust, as at 1 June 2004 (the last practicable date prior to the date of this document). The Securicor Shares held in the trust will be used to satisfy awards under the Securicor 2003 Performance Share Plan. As a result of the Scheme, the trustee, if it holds any Securicor Shares, will receive Group 4 Securicor Shares in substitution for any such shares and Nick Buckles and Trevor Dighton will, following the Merger, be deemed to have an interest in the equivalent Group 4 Securicor Shares.

It is also intended that where options granted under the Securicor Share Option Schemes are exercised conditional upon the Scheme being sanctioned by the High Court, certain of these options will be satisfied by the trust which will subscribe for sufficient Securicor Shares prior to the hearing date of the Scheme for this purpose. Bridging finance may be provided by Securicor equal to the aggregate exercise prices in order to enable the trustee to subscribe for such Securicor Shares. Executive Directors will have a deemed interest in these shares between subscription by the trustee and subsequent transfer.

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group and which were effected by Group 4 Securicor or any of its subsidiaries in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans granted by Group 4 Securicor or any of its subsidiaries to any of the Directors nor has any guarantee been provided by Group 4 Securicor or any of its subsidiaries for their benefit.

The executive Directors of Group 4 Securicor are employed pursuant to the terms of new service contracts with Group 4 Securicor which take effect on completion of the Merger and replace any previous service contracts. These service contracts are all in identical form, subject to English law and the key terms are as follows:

– salary reviews to take place in January 2006 and annually thereafter;

– 6 weeks' holiday per annum plus bank holidays;

– benefits include a car allowance or lease car, private health insurance, permanent health insurance, membership of a pension scheme (different arrangements apply to Mr Johansen for whom Group 4 Securicor will initially pay a sum into an agreed pension scheme equivalent to 20% of his basic salary), a performance related annual bonus plan of up to 100% basic salary (paid in the form of cash up to 50% of the maximum sum granted under the plan and the balance in deferred shares) additional annual awards under a transitional period performance related bonus plan (up to 31 December 2005) of up to 50% basic salary per annum payable in the form of deferred shares (ie: up to 75% of annual salary over the first 18 month period) and eligibility to participate in the Group 4 Securicor Performance Share Plan;

– Mr Johansen will receive an accommodation allowance for a period of one year capped at £40,000;

– confidentiality provisions and restrictive covenant provisions providing for a 12-month restriction on the solicitation of certain categories of employees, solicitation or dealing with clients, and interference in relationships with suppliers; and

– notice periods of 12 months on either side (save that, in the case of Mr Johansen, notice is 24 months from Group 4 Securicor during the period of 24 months from completion of the Merger reducing to 12 months thereafter).

Group 4 Securicor has the right to make a payment in lieu of notice.

Director	Annual Salary	Notice Period	Date of contract	Unexpired term
Lars Nørby Johansen Chief Executive	£625,000	24 months' notice on the part of the employer up to 24 months from completion of the Merger, thereafter, 1 year's notice on the part of the employer with the right to pay a sum in lieu of notice* 1 year on the part of the Executive	1 June 2004	N/A
Nick Buckles Deputy Chief Executive and Chief Operating Officer	£467,500	1 year on the part of the employer, with the right to pay a sum in lieu of notice 1 year on the part of the Executive	1 June 2004	N/A
Trevor Dighton Chief Financial Officer	£350,000	1 year on the part of the employer with the right to pay a sum in lieu of notice 1 year on the part of the Executive	1 June 2004	N/A

* Mr Johansen was entitled to a notice period of 42 months under his contract of employment with Group 4 Falck. It has recently been agreed that this period be reduced to 24 months in consideration for a payment to Mr Johansen of DKK10,600,000. In accordance with the provisions of the Combined Code, Mr Johansen has agreed that he will not receive any compensation for the change in his terms and conditions upon entering into a new service agreement with Group 4 Securicor. However, recognising Mr Johansen's transition from his current service agreement, the Remuneration Committee of Group 4 Securicor has agreed that, for a 24 month period from completion of the Merger, it will give 24 months notice of termination. Thereafter, notice from the Company will reduce to 12 months.

DETAILS OF THE NON-EXECUTIVE DIRECTORS' (INCLUDING CHAIRMAN) TERMS OF APPOINTMENT

Term – three years, terminable in accordance with the Articles of Association of the Company.

Pursuant to the terms of their appointment letters, which take effect from the completion of the Merger, the following non-executive directors will receive fees as follows:

Jørgen Philip-Sørensen	£160,000
Lord Sharman	£100,000
Alf Duch-Pedersen	£90,000
Lord Condon	£40,000
Sir David Gore-Booth	£40,000
Thorlief Krarup	£40,000
Bo Lerenius	£40,000
Waldemar Schmidt	£40,000
Malcolm Williamson	£40,000

In addition, Group 4 Securicor will reimburse all expenses reasonably incurred by the non-executive directors in the proper performance of their duties and has in place directors' and officers' liability insurance cover.

The total aggregate remuneration paid to the directors of Group 4 Falck for the year ended 31 December 2003 was DKK5 million including bonuses, pension contributions and benefits in kind.

The total aggregate remuneration paid to the directors of Securicor for the year ended 30 September 2003 was £1.603 million including bonuses, and benefits in kind.

Save as set out below, the Directors of Group 4 Securicor have not held any directorships of any other company (other than companies in the Group and companies which are subsidiaries of companies of which the Directors are also directors) at any time in the five years prior to the date of this document:

Save as disclosed above, there are no service contracts between any of the directors of Group 4 Securicor and Group 4 Securicor or any of its subsidiaries.

Director	Current Directorships and Partnerships	Previous Directorships and Partnerships
Lord Condon		M.P.F.S. (Holdings) Limited The Association of Chief Police Officers of England Wales and Northern Ireland
Alf Duch-Pedersen	British Import Union Danisco A/S Danske Bank Aktieselskab International Chamber of Commerce Demnark Member of the Executive Committee and the General Council of the Confederation of Danish Industries The Danisco Foundation	
Sir David Gore-Booth	British Arab Commercial Bank Limited HSBC Bank Middle East HSBC Bank Egypt Joint Arab-British Chamber of Commerce Medical Aid for Palestinians Middle East International Publishers Limited Saudi British Bank The British Syrian Society Limited Vedanta Resources plc	Middle East International Magazine
Thorleif Krarup	Bang & Olufsen A/S Chr Hansen Holding A/S LFI A/S Lundbeck A/S TDC (Chairman) The Denmark-America Foundation The Lundbeck Foundation	ICC Denmark Groensefonden Konferencecentret Klarskovgaard A/S Nordea AB The Danish Bankers Association The Banking Federation of the European Union Tilsynradet fordagspressens Finansieringsinstitut Tryg A/S
Bo Lerenius	Amports Holdings Limited Associated British Ports Holding PLC Grosvenor Waterside Group PLC Tilbury Container Services Limited	ABP 1998 Acquisition plc Inmarsat Holdings Limited Southampton Container Terminals Limited
Lars Nørby Johansen	DONG A/S Oticon A/S/William Demant Holding A/S The Oticon Foundation The Rockwool Foundation	Carl Bro Gruppen A/S Copenhagen Airports A/S Dansk Olie og Naturgas A/S IC Company A/S InWear Group A/S Københavns Lufthavne A/S
Jørgen Philip-Sørensen	Bremen Ltd Cotswold Conference Centre Ltd. Danish Yacht A/S Ecover Group (Chairman) Harbour Quay plc Mike Golding Yacht Racing Limited Round the World PromOcean Ltd Skagen Food A/S Sorven Holdings Group (Chairman) Sponsormax Ltd Systems 4 NV	
Waldemar Schmidt	Alfa Laval International AB Enodis plc F-Group A/S (Deputy Chairman) Superfos Industries A/S (Chairman) Thrane & Thrane A/S (Chairman) Welzorg Group N.V.	Crisplant Industries A/S Energi E2 A/S FKI Logistex A/S J-C Hempsel's Skibsfarre-Fabrik A/S Fona Gruppen A/S ISS Danmark Navison A/S Excellent Match A/S Ove Arkil Holding A/S Tholstrup Cheese Holdings A/S Viterra Energy Services S.G.
Lord Sharman	Aegis Group Plc ABN Amro NV BG Group Plc Le Gavroche Limited Reed Elsevier Group Plc	AEA Technology Plc Britain in Europe Campaign Limited Ocean Youth Club Limited Phocis Limited
Malcolm Williamson	Britannic Group plc CDC Group plc	National Grid Holdings plc

None of the Directors has:

(a) any unspent convictions in relation to indictable offences;

(b) been bankrupt or has made or been the subject of any individual voluntary arrangement;

(c) been a director with an executive function of any company at the time of or within the twelve months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;

(d) been a partner of any partnership which has been placed into compulsory liquidation or administration or entered into a partnership voluntary arrangement at the time of or within twelve months preceding such event;

(e) had an asset placed in receivership or been a partner of any partnership any asset of which has been placed in receivership at the time of or within twelve months preceding such events; or

(f) been publicly criticised by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. GROUP 4 SECURICOR SHARE SCHEMES

The Board and the Remuneration Committee believe that participation in employees' share schemes is an effective means of promoting employees' involvement in the performance of the Company, enabling them to align their interests more closely with those of the Company and its shareholders. Accordingly, it is proposed that the Company will adopt the following new share schemes for its employees, including executive directors. The adoption of the Group 4 Securicor Share Schemes is subject to the approval of the shareholders of Securicor at its Extraordinary General Meeting.

The Group 4 Securicor Performance Share Plan

General

Set out below is a summary of the principal features of the Group 4 Securicor Performance Share Plan (the "PSP") which it is proposed that the Directors will establish following the Merger. The PSP will be established for a period of ten years, although the Remuneration Committee will undertake a formal review of the plan after a period of five years.

None of the benefits under the PSP will be pensionable.

Eligibility

The Remuneration Committee may select employees and executive directors of Group 4 Securicor and its subsidiaries for participation in the PSP. It is proposed that only senior executives will normally be selected for participation. Employees within two years of their normal retirement age will not be eligible to participate.

Individual limit

The maximum annual award of Group 4 Securicor Shares under the PSP will be one times basic salary per annum. In exceptional circumstances, however, the Remuneration Committee may determine that an award of up to one and a half times salary may be made. No amount is payable by participants on allocation.

Performance conditions

Awards will only vest, and shares will only be transferred by the trustee to the participant, upon the achievement of challenging and stretching targets which will be set by the Remuneration Committee. The extent to which awards will vest will initially be determined, as to half of the award, by reference to Group 4 Securicor's earnings per share growth relative to the growth in RPI and, as to the second half of the award, by reference to Group 4 Securicor's ranking by reference to total shareholder return (TSR) against a comparator group of the FTSE-100 constituent companies.

The following target will apply to the first half of each award:

Average annual growth in EPS	Proportion of allocation vesting
RPI + 10% per annum (i.e. 30% over three years)	25%
RPI + 20% per annum (i.e. 60% over three years)	100%
RPI + 10%-20% per annum	Pro rata between 25% and 100%, calculated on a straight-line basis
Less than RPI + 10% per annum	Nil

The following target will apply to the second half of each award:

Ranking of the Company against the FTSE-100 constituent companies by reference to TSR	Proportion of allocation vesting
Upper Quartile	100%
Between Median and Upper Quartile	Pro rata between 25% and 100%, calculated on a straight-line basis
Median	25%
Below Median	Nil

In addition, there will be no transfer of shares if the growth in EPS of Group 4 Securicor has not exceeded the growth in RPI by 10% over a performance period of three financial years. The Remuneration Committee must also be satisfied that the underlying financial performance of Group 4 Securicor justifies a transfer.

For participants below Board level, allocations will be subject to the TSR target as set out above, but the EPS target may be replaced with more bespoke divisional targets.

These performance conditions will be measured over a fixed three-year period only. There will be no provision for retesting.

The Remuneration Committee will review the performance targets each time allocations are to be made in order to ensure that the targets are challenging in the context of the company's business plans.

Vesting of awards

Awards will not normally vest before the third anniversary of the award date. Awards will normally lapse where a participant ceases to be employed within the Group 4 Securicor group unless cessation of employment is as a result of death, injury, disability, redundancy, retirement or following a change of control of, or sale outside the group of the business of, his employing company. In these situations, vesting will occur in the normal course and the performance targets will need to be satisfied. However, only a proportion of the award, based on the time which has elapsed from the award date to the date of cessation of employment (rounded up to the nearest whole year) as compared to three years, may vest in these circumstances.

Takeover, reconstruction or winding-up

In the event of a takeover, restructuring or winding-up of Group 4 Securicor, awards may vest and the trustee may transfer the shares held to the participant early. Only a proportion of the award, based on the time which has elapsed from the award date to the date of the takeover, restructuring or winding-up (rounded up to the nearest whole year) as compared to three years, may vest in these circumstances. In addition, the performance targets will need to be satisfied to the date of the takeover, reconstruction or winding-up in the event of early vesting.

In the event of a restructuring not involving a change of ultimate control, the trustee may permit the outstanding awards to continue but over replacement shares, with similar performance targets.

Variation of share capital

The rights of participants following any rights issue or capitalisation issue or other variation of share capital may be adjusted in such manner as the trustee may determine.

Amendments

The Remuneration Committee may, with the concurrence of the trustee, amend the provisions of the PSP. However, the prior approval of shareholders in general meeting will be required for amendments to the advantage of participants relating to eligibility, participants' entitlements, individual limits, takeover provisions and variations of share capital (except for minor amendments to benefit the administration of the PSP, or any amendments to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the company or its subsidiaries).

Employee benefit trust

An employee benefit trust will be established to operate in conjunction with the PSP, and may also be used in conjunction with any other share scheme established by Group 4 Securicor. It will provide the Company with flexibility in the sourcing of Group 4 Securicor Shares for the schemes. The trust may be used to benefit employees and former employees of Group 4 Securicor and its subsidiaries.

Group 4 Securicor and its subsidiaries may fund the trust by loan or gift to acquire Group 4 Securicor Shares by market purchase, from treasury or by subscription. Any options to subscribe for shares granted to the trust and shares issued to the trust (where the trust does not acquire Group 4 Securicor Shares by market purchase) will be treated as counting against the normal dilution limits contained in the rules of the relevant share schemes. Similarly, the current guidelines issued by the Association of British Insurers (ABI) state that the transfer of treasury shares should count towards the overall scheme limits contained in each of the schemes. These guidelines will be reflected in the trust deed and rules of each scheme for so long as this remains ABI policy.

The trust will be constituted by trust deed to be entered into between Group 4 Securicor and an independent professional trustee (which may be onshore or offshore) and shall be of 79 years' duration. Group 4 Securicor will have power to appoint and remove the trustee. The trust may be amended by the Board and the trustee, provided that no amendment shall have the effect of conferring any benefit on Group 4 Securicor or its subsidiaries or causing the trust to cease to be an employees' share scheme within the meaning of Section 743 of the Companies Act 1985, or a trust to which Section 86 of the Inheritance Tax Act 1984 applies.

The trust will not, without prior shareholder approval, make an acquisition of Group 4 Securicor Shares where it would then hold more than 5% of Group 4 Securicor's issued share capital.

The Group 4 Securicor Share Incentive Plan

General

Set out below is a summary of the principal features of the Group 4 Securicor Share Incentive Plan (the "SIP") which it is proposed that the Directors will establish following the Merger. Inland Revenue Approval under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 will be sought for the SIP.

None of the benefits under the SIP will be pensionable.

Eligibility

When it is determined that the SIP will be operated, all eligible executive directors and employees who have worked for Group 4 Securicor or a participating company for a qualifying period determined by the Board but not to exceed 18 months, and any other nominated employees will be invited to participate and acquire partnership shares.

Timing

The SIP may be operated at any time subject to the provisions of the Model Code on Directors Dealings contained in the Listing Rules.

Partnership shares

The Board may allow Group 4 Securicor Shares to be purchased out of the participants' pre-tax salary and therefore confer tax and national insurance relief on participants (known as partnership shares). The SIP will contain a limit on the amount of pre-tax income which may be used to buy partnership shares and will reflect the limit in the legislation (currently £1,500 per tax year). Partnership shares may be purchased on single occasions, monthly or at the end of an accumulation period not exceeding one year. Partnership shares may be withdrawn from the SIP at any time but there will be income tax and national insurance contributions payable upon such an event within five years of allocation unless the participant is leaving employment on account of certain reasons specified in the legislation, including injury, disability, redundancy and retirement.

SIP Limits

If the SIP is operated, then it is expected that existing shares purchased in the market will be used. However, authority to use new shares is included in the SIP, in which case any such allocation of shares will count against the limits on the number of new shares which may be issued under the other proposed employees' share scheme for Group 4 Securicor.

Limits of the Group 4 Securicor Share Schemes

The overall limits on the number of new shares which may be issued under the Group 4 Securicor Share Schemes are set out below:

(a) not more than 10 per cent. of the issued share capital of Group 4 Securicor in any 10 year period; and

(b) in respect of awards under the PSP, not more than 5 per cent. of the issued share capital of Group 4 Securicor in any 10 year period.

The above limits will also take into account replacement rolled-over options.

For the purposes of these limits, options and awards which have been released, lapsed or otherwise become incapable of vesting cease to count.

The current guidelines issued by the Association of British Insurers (ABI) state that the transfer of treasury shares should count towards the overall scheme limits contained in each of the schemes. These guidelines will be reflected in the trust deed and rules of each scheme for so long as this remains ABI policy.

Non-UK schemes

The directors of Group 4 Securicor may establish further schemes for the benefit of overseas employees, using shares or cash, based on the Group 4 Securicor Share Schemes, but modified as necessary or desirable to take account of overseas tax, exchange control or securities laws.

7. EXISTING SECURICOR AND GROUP 4 FALCK SHARE SCHEMES

The 1996 Securicor Executive Share Option Schemes and the Securicor Executive Share Option Scheme ("the Securicor Option Schemes")

As part of the restructuring of the company then known as Securicor plc by scheme of arrangement in 1999, participants in the 1996 Securicor Executive Share Option Scheme were invited to exchange their options over that company's shares for replacement options over Securicor Shares. Subsisting options are, therefore, over Securicor Shares only and no further options have been granted under that scheme since the restructuring. There are no material differences between the terms of the 1996 Securicor Executive Share Option Scheme and the terms of the Securicor Executive Share Option Scheme.

The Securicor Option Schemes, which comprise Part A (an Inland Revenue approved part) and Part B (an unapproved part), provide for the grant of options over Securicor Shares to qualifying employees within the Securicor Group. Options are granted at the prevailing market value of the Securicor Shares at the time of grant and will normally be exercisable for a period of seven years following the third anniversary of the date of grant. Options may be exercised early if a participant dies or leaves employment by reason of injury, disability, pregnancy, redundancy, retirement or following a takeover, reconstruction, or change of control of, or sale outside the group of the business of, his employing company. If a participant leaves for any other reason, options may lapse. Options are not transferable (save to the participant's personal representatives) and may be adjusted in the event of variations in the equity share capital of Securicor.

Subject to the Scheme becoming effective, participants in the Securicor Option Schemes will be given the opportunity to exchange their existing options over Securicor Shares for replacement options over Group 4 Securicor Shares of equivalent value on a one-for-one basis ("roll-over"). In all other respects, the terms of the replacement options will be the same as the terms of the existing options immediately prior to the roll-over and will continue to be governed by the rules of each of the Securicor Option Schemes. In particular, in relation to options granted in December 2003, the Remuneration Committee of Group 4 Securicor will determine an equivalent replacement performance target to the current target which must be satisfied prior to the exercise of such rolled-over options. The replacement performance target for the December 2003 options will take account of the Scheme, the Merger and the introduction of Group 4 Securicor as the holding company of the Group. Alternatively, participants will, following the sanction of the Scheme by the High Court, be entitled to exercise their options for a period of 6 months, but instead of receiving Securicor Shares, they will receive Group 4 Securicor Shares after the Scheme becomes effective under the amended Securicor Articles of Association. The extent to which options granted in December 2003 will become exercisable will depend on the achievement of the set performance targets, and the Remuneration Committee of Securicor will determine the extent to which these have been met prior to exercise.

Participants are being sent letters inviting them either to exercise their options, conditional upon the Scheme being sanctioned by the High Court or to accept the roll-over, conditional upon the Scheme becoming effective. Where options are exercised conditional upon the Scheme being sanctioned by the High Court, these options may be satisfied by the trustee of the Securicor Employee Benefit Trust who will subscribe for sufficient Securicor Shares on the Business Day immediately preceding the Hearing Date for this purpose. Options which are neither exchanged nor exercised within 6 months after the High Court sanctions the Scheme will lapse.

The 1999 Securicor Sharesave Scheme (the "Securicor SAYE")

The Securicor SAYE, which is approved by the Inland Revenue, is an all-employee scheme which provides for the grant of options over Securicor Shares to all qualifying employees within the Securicor Group who enter into a savings contract with a designated savings carrier and save up to £250 per month for a period of three years. Options are granted at not less than 80% of the prevailing market value of the Securicor Shares at the time of grant and will normally be exercisable for a period of six months following the bonus date in relation to the linked savings contract. Options may be exercised early if a participant dies or leaves employment by reason of injury, disability, redundancy, retirement or following a takeover, reconstruction, or change of control of, or sale outside the group of the business of, his employing company. If a participant leaves for any other reason, options lapse (or may lapse, if the options have already been held for at least three years). Options are not transferable (save to the participant's personal representatives) and may be adjusted in the event of variations in the equity share capital of Securicor.

Subject to the Scheme becoming effective, participants in the Securicor SAYE will be given the opportunity to exchange their existing options over Securicor Shares for replacement options over Group 4 Securicor Shares of equivalent value on a one-for-one basis ("roll-over"). In all other respects, the terms of the replacement options will be the same as the terms of the existing options and will continue to be governed by the rules of the Securicor SAYE. Alternatively, participants will, following the sanction of the Scheme by the High Court, be entitled to exercise their options to the extent of their savings under the linked savings contract for a period of 6 months, but instead of receiving Securicor Shares, they will receive Group 4 Securicor Shares after the Scheme becomes effective under the amended Securicor Articles of Association.

Participants are being sent letters inviting them either to exercise their SAYE options (to the extent of their savings plus interest), conditional upon the Scheme being sanctioned by the High Court or to accept the roll-over, conditional upon the Scheme becoming effective. Where options are exercised conditional upon the Scheme being sanctioned by the High Court, these options may be satisfied by the trustee of the Securicor Employee Benefit Trust who will subscribe for sufficient Securicor Shares on the Business Day immediately preceding the Hearing Date for this purpose. Options which are neither exchanged nor exercised within 6 months after the High Court sanctions the Scheme will lapse.

The Securicor 2003 Performance Share Plan (the "Securicor PSP")

The Securicor PSP provides for the conditional award of Securicor Shares to qualifying employees within the Securicor Group which are released to participants, for nil consideration, normally after three years and subject to the achievement of specified performance targets. Awards may vest early if a participant dies or leaves employment by reason of injury, disability, redundancy, retirement or following a takeover, reconstruction, or change of control of, or sale outside the group of the business of, his employing company. If a participant leaves for any other reason, awards may lapse.

Hill Samuel Offshore Trust Company Limited, as trustee of the Securicor Employee Benefit Trust, currently holds sufficient Securicor Shares, as detailed below, to satisfy awards made to participants under the Securicor PSP. These shares will be subject to the Scheme and so participants will receive Group 4 Securicor Shares in place of the allocated Securicor Shares. Following the sanction of the Scheme by the Court, awards under the Securicor PSP vest and shares become transferable to participants, to the extent that the set performance targets have been met prior to sanction by the Court. To the extent that the performance targets have not been fully met, awards will lapse.

Any remaining Group 4 Securicor Shares held by the trustee may then be used to satisfy any future awards made to Securicor employees under the new Group 4 Securicor Share Schemes.

The trustee acquired 2,602,300 Securicor Shares on 4 September 2003 at an average price of 90.218 pence to be held until the participants in the Securicor PSP become entitled to the shares. In September 2003, Securicor lent £2,366,563.80 interest free to the trustee in order to acquire the shares. As there will be no further options or awards made under the Securicor Share Schemes after the Merger, no further Securicor Shares will be acquired by the trustee.

Group 4 Falck Option and Warrants Schemes

Group 4 Falck has issued warrants and options over its shares to selected leading employees and/or the management in the Group 4 Falck Group.

Treatment of Existing Group 4 Falck Options and Warrants

Group 4 Falck will offer all holders of warrants and options the opportunity to cancel their options and warrants over Group 4 Falck Shares for a cash cancellation payment, conditional upon completion of the Demerger. The company by which the holder is (or was last) employed will make the cancellation payment (or will repay the amount of the cancellation payment). So if the holder were employed by Group 4 Falck directly, Group 4 would make the cancellation payment.

The amount of the cancellation payment will be determined on the basis of a percentage of the value of the warrant or option on the basis of a Black & Scholes valuation to be determined by the board of directors of Group 4 Falck at around the date of this document.

To the extent that holders do not accept this offer, their options and warrants will continue in effect, with the following changes:

(a) after the Demerger, all options granted in 1999 and other options and warrants held by holders who are not employed by companies in either the Group 4 Group or the Falck Group immediately after the Demerger, will be converted into a right to acquire the same number of Group 4 Shares (and also to acquire Falck Shares); and

(b) options and warrants held by holders who are employed in either the Group 4 Group or the Falck Group immediately after the Demerger will be converted into rights to acquire shares in the parent company of the group which employs them (Falck or Group 4 as the case may be). The number of shares in Group 4 to which such a holder will be entitled will be determined on the basis of the relative market capitalisation of Group 4 and Falck, using the average share price over the 20 trading days following Demerger and the exercise price will be adjusted accordingly.

Accordingly, if these options and/or warrants are exercised after the date of Admission, the holder will become entitled to shares in Group 4 which would otherwise be controlled by Group 4 Securicor.

Terms of existing Group 4 Falck Options and Warrants

All options and warrants provide the right to acquire shares at a price corresponding to the market price at the time of grant. Warrants provide a right to acquire new shares, and options provide a right to acquire existing shares.

The options and warrants can normally only be exercised between three and five years from the date of grant. However, the warrants issued in April 2001 may not be exercised until the period five to seven years after grant. In addition, 25% of the options granted in 2002 or thereafter cannot be exercised until three years after the option holder ceases to be employed in the relevant group.

Options granted in 2000 and warrants granted in 2001 and thereafter can only be exercised if the Group 4 Falck Share price around the date of exercise exceeds the exercise price by at least 6% compounded for each year between the date of grant and the date of exercise. (Where warrants or options are redesignated as options over Group 4 Shares, this barrier price will be adjusted following Demerger and will relate to shares in Group 4 instead of Group 4 Falck.)

The number of shares subject to each warrant will be increased by 20% if the Group 4 Falck Share price around the time of exercise exceeds the exercise price by at least 10% (compounded) for each year between the date of grant and the date of exercise.

Options granted in 2002 and thereafter can only be exercised if the Group 4 Falck share price has, at any time before exercise, exceeded the exercise price multiplied by two times Group 4 Falck's weighted average cost of capital at the date of grant.

If a holder ceases to be employed before an option or warrant can be exercised, the holder will only be entitled to exercise a fraction of their warrants and options. That fraction is the period from the date of grant to the date of cessation over the period from the date of grant to the date on which the options or warrants would normally first become exercisable. However, options granted after 1999 will lapse if the option holder terminates his/her employment (other than by reason of constructive dismissal) and the option holder will be entitled to a cash compensation corresponding to the value of the options lapsed at the time of termination.

As at 1 June 2004, the latest practicable date prior to the printing of this document, the following options and warrants over Group 4 Falck Shares were outstanding:

Year of grant	Exercise price (DKK)	Exercise period	Number of shares
1999	128	21.8.2002 – 30.9.2004	111,364
2000	268	1.11.2003 – 31.12.2005	212,768
2001	268	1.12.2005 – 31.12.2007	321,479
2001	253	31.5.2004 – 30.6.2006	262,921
2002	238	31.5.2005 – 30.6.2007	104,431
2002	266	31.5.2005 – 30.6.2007	258,199
2003	96	31.3.2006 – 30.4.2008	171,331
2003	114	31.5.2006 – 30.6.2008	263,450
2004	142	1.5.2007 – 31.5.2009	281,672
2004	153	1.5.2007 – 31.5.2009	27,190
Total			2,014,805

8. PENSIONS

Securicor Group Pension Scheme

Securicor operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. In the UK the principal pension scheme is a defined benefit (final salary) scheme known as the Securicor Group Pension Scheme.

There are a number of provisions specified in the rules of the Securicor Group Pension Scheme to come into effect if a "Takeover Event" trigger is activated. Broadly, these provisions shift the balance of power under the pension scheme from the principal employer to the trustees by giving the trustees enhanced powers.

The Takeover Event provisions are widely drafted and are triggered in circumstances which are not normally classed as a 'takeover'. However, the trustees have the power (by unanimous agreement) to disapply the Takeover Event provisions on a case by case basis.

The trustees have unanimously exercised their discretion, such that the Merger (and events leading up to the Merger) does not cause the Takeover Event provisions to come into effect. In consideration of this, Group 4 Securicor will become the principal employer instead of Securicor, the pension scheme will be amended so that one of the Securicor-appointed trustees of the pension scheme will continue to be an independent trustee and the Chief Financial Officer of Group 4 Securicor will use reasonable endeavours to participate in six-monthly meetings with the trustees or the Chairman of the trustees to discuss any funding issues.

The effect of these proposed arrangements is that the Merger is expected to have no adverse consequences in relation to the pension entitlements of the members of the pension scheme.

For financial information on the Securicor Group Pension Scheme and Securicor's other pension arrangements, please see Part 5 of this document.

Group 4 Pension Scheme

It is envisaged that Group 4 Securicor will acquire the Group 4 Falck pension scheme (the "Group 4 Pension Scheme") by becoming the principal employer of the Group 4 Pension Scheme after the Merger becomes effective. It is intended that if the sale of GSL is not completed until after the Merger becomes effective, GSL will be entitled to continue to participate in the Group 4 Pension Scheme for up to twelve months. GSL will be required to set up a new pension scheme for GSL employees' future service with effect from the completion of its sale or the end of the participation period (whichever is the earlier) and GSL employees will be given the opportunity to transfer their accrued benefits from the Group 4 Pension Scheme to the new GSL pension scheme and be credited with year for year service. Implementation of these arrangements is dependent on trustee approval. The cost of providing GSL employees with year for year service in the new GSL scheme over the aggregate amounts actually paid by the trustees of the Group 4 Pension Scheme in respect of the GSL employees who elect to transfer their past service benefits to the new GSL Scheme will be calculated and paid for by GSL.

For financial information on the Group 4 Falck Pension Scheme and Group 4 Falck's other pension arrangements, please see Part 3 of this document.

9. TAXATION

United Kingdom Taxation

The following paragraphs, which are intended as a guide only, are based on current UK legislation and published Inland Revenue practice at the date of this document and are therefore subject to change. They only summarise certain limited aspects of the UK taxation treatment of Group 4 Securicor Shareholders who are resident or ordinarily resident in the UK for tax purposes, who will hold their Group 4 Securicor Shares as an investment and are the absolute beneficial owners of their Group 4 Securicor Shares. This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular shareholder. If you are in any doubt as to your taxation position, you are recommended to seek your own taxation advice immediately from an independent professional adviser.

Dividends on the Group 4 Securicor Shares

The United Kingdom tax treatment of dividends paid on the Group 4 Securicor Shares will be as follows:

Under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes on the Group 4 Securicor Shares.

(a) Individuals

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company on a Group 4 Securicor Share will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10% of the "gross dividend" (i.e. the tax credit will be one-ninth of the amount of the dividend). Shareholders who are not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit.

A UK resident shareholder who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of 10% of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5%. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5% of the gross dividend (an effective tax rate of 25% of the net cash dividend received). For example, a dividend of £80 will carry a tax credit of £8.89. The income tax payable by a higher rate taxpayer would be 32.5% of £88.89, namely £28.89, less the tax credit of £8.89, leaving a tax liability of £20.

(b) Companies

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company on a Group 4 Securicor Share. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

(c) Pension funds and charities

UK pension funds and charities will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company on a Group 4 Securicor Share.

Taxation of chargeable gains

A disposal by an individual of his Group 4 Securicor Shares may, depending on the shareholder's individual circumstances (and subject to any available exemptions or reliefs such as taper relief (which reduces the percentage of the gain chargeable by reference to how long the shares have been held)), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

A disposal by a corporate shareholder of its Group 4 Securicor Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. Indexation allowance should be available to reduce the amount of any chargeable gain realised on the disposal of Group 4 Securicor Shares but not to create or increase a loss.

A shareholder who is neither UK resident nor ordinarily resident in the UK will not be subject to UK tax on a gain arising on the disposal of Group 4 Securicor Shares unless (i) the shareholder carries on a trade in the UK through a branch or agency (in the case of an individual), or carries on a trade through a permanent establishment (in the case of a company), and holds the shares for the purposes of the trade, the branch or agency, or permanent establishment, or (ii) the shareholder falls within the anti-avoidance rules applying to temporary non-residents.

Inheritance Tax

The Group 4 Securicor Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of Group 4 Securicor Shares by, or on the death of, an individual shareholder may (subject to certain exemptions and reliefs) be a transfer of value subject to UK inheritance tax, even if the shareholder is neither domiciled nor deemed to be domiciled in the UK. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift. Special rules apply to gifts where the donor reserves or retains some of the benefit and these rules could also give rise to a liability to UK inheritance tax on the death of the donor. Special rules also apply to close companies, partnerships and trustees of certain settlements holding shares – the general effect of these rules is that the individual shareholder, partner or trustee may be subject to UK inheritance tax in respect of the Group 4 Securicor Shares. Shareholders should consult an appropriate professional adviser if they make a gift of their Group 4 Securicor Shares of any kind or intend to hold them through trust arrangements.

Stamp Duty and Stamp Duty Reserve Tax

The sale of Group 4 Securicor Shares will generally be subject to UK stamp duty at a rate of 0.5% of the consideration given for the sale transfer (the stamp duty is rounded up to the nearest £5). The purchaser normally pays the stamp duty.

An agreement to transfer Group 4 Securicor Shares will normally give rise to a charge to stamp duty reserve tax (***SDRT***) at a rate of 0.5% of the consideration payable for the transfer. If a duly stamped transfer in respect of an agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the condition is satisfied) any SDRT paid is repayable, generally with interest, and otherwise the SDRT is cancelled. Any SDRT charge is, in general, payable by the purchaser.

Paperless transfers of Group 4 Securicor Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect the SDRT on relevant transactions settled within CREST. Deposits of Group 4 Securicor Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself made for consideration.

Stamp duty or SDRT will generally be payable at the rate of 1.5% on the transfer of Group 4 Securicor Shares to, or to a nominee or agent for, (i) a depositary who has issued or is to issue depositary receipts in respect of the shares or (ii) a person whose business is or includes the provision of clearance services pursuant to an arrangement regarding the provision of such services, any SDRT generally being a liability of the depositary or the clearance service provider in question. The rate is applied, in each case, to the amount or value of the consideration or, in some circumstances, to the value of the shares.

Where Group 4 Falck Shareholders are due to have their Group 4 Securicor Shares issued to HSBC Bank plc as nominee for Danske Bank and held in VP, the issue of such Group 4 Securicor Shares will be subject to SDRT at the rate of 1.5% as the arrangements for the issue of the shares to HSBC Bank plc as nominee for Danske Bank and the holding of the shares in VP falls within point (ii) of the above paragraph. However, Group 4 Securicor has agreed that it will discharge this liability direct to the UK Inland Revenue. This is the only stamp duty or SDRT liability which Group 4 Securicor has agreed to meet in relation to the arrangements with VP. Accordingly, if a Group 4 Falck Shareholder is not due to hold his Group 4 Securicor Shares in VP and subsequently transfers his Group 4 Securicor Shares into VP (or to an issuer of depositary receipts, another clearance service provider or nominee or agent for either) Group 4 Securicor will not meet any stamp duty or SDRT liability. An agreement to transfer Group 4 Securicor Shares within VP should not be liable to any further SDRT charge (and provided there is no document of transfer, no stamp duty either).

Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Charities are generally exempt from stamp duty and SDRT on the acquisition of shares.

United States Federal Income Taxation

The following discussion is a summary based on present law of certain United States federal income tax consequences of the purchase, ownership and disposition of Group 4 Securicor Shares. The discussion addresses only U.S. Holders (as defined below) who hold Group 4 Securicor Shares as capital assets and use the U.S. dollar as their functional currency. It does not address U.S. Holders who hold Group 4 Securicor Shares as part of the business property of a permanent establishment located in Denmark or as part of a fixed base of an individual located in Denmark and used for the performance of independent personal services. It does not consider the circumstances of particular holders, some of which are subject to special tax regimes. The discussion is a general summary and does not address United States state or local taxes or United States federal taxes other than income tax. It is not a substitute for tax advice. Prospective purchasers should consult their own tax advisers about the United States federal, state, local and foreign tax consequences to them of purchasing, holding and disposing of Group 4 Securicor Shares.

As used here, "U.S. Holder" means a beneficial owner of Group 4 Securicor Shares who for United States federal income tax purposes is (i) an individual who is a U.S. citizen or resident, (ii) a corporation (or other business entity treated as a corporation for United States federal income tax purposes) created or organised in the United States or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court, or (iv) an estate the income of which is subject to United States federal income tax regardless of its source. A "Non-U.S. Holder" means a beneficial owner of Group 4 Securicor Shares who is not a U.S. Holder.

The tax consequences to a partner in a partnership holding Group 4 Securicor Shares will generally depend on the status of the partner and the activities of the partnership.

U.S. Holders who are partners in a partnership which holds Group 4 Securicor Shares are urged to consult their own tax advisers regarding the specific tax consequences of purchasing, owning and disposing of Group 4 Securicor Shares.

Dividends

U.S. Holders generally must include dividends on Group 4 Securicor Shares in their gross income as ordinary income from foreign sources. The dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations in respect of dividends received from other U.S. corporations, but might be eligible for the 15% rate of tax currently applicable to qualified dividend income for non-corporate U.S. Holders that meet certain holding periods and other requirements provided Group 4 Securicor is (a) not a PFIC and (b) eligible for the benefits of the income tax treaty between the United Kingdom and the United States (the "U.K.-U.S. Treaty"). Group 4 Securicor will be eligible for the benefits of the U.K.-U.S. Treaty if the Group 4 Securicor Shares are regularly traded on the London Stock Exchange.

Dividends paid in pounds sterling will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt whether or not the payment is converted into dollars at that time. A U.S. Holder's tax basis in pounds sterling or DKK received will equal the U.S. dollar amount included in income. Any gain or loss recognised by a U.S. Holder on a subsequent conversion or other disposition of the pounds sterling or DKK for a different U.S. dollar amount will be U.S. source ordinary income or loss, and will not be treated as a dividend.

Sale or Other Disposition

A U.S. Holder generally will recognise capital gain or loss on the sale or other disposition of Group 4 Securicor Shares equal to the difference between the U.S. dollar value of the amount realised from the sale or other disposition and the U.S. Holder's adjusted tax basis in Group 4 Securicor Shares (determined in U.S. dollars). The gain or loss will generally be from U.S. sources and will be long-term gain or loss if the U.S. Holder has held Group 4 Securicor Shares for more than one year at the time of sale or other disposition. The deductibility of capital losses is subject to limitations.

A U.S. Holder who receives pounds sterling or DKK on the sale or other disposition of Group 4 Securicor Shares will realise an amount equal to the U.S. dollar value of pounds sterling or DKK on the date of sale (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in pounds sterling or DKK received equal to the U.S. dollar amount realised. Any gain or loss on a subsequent conversion of pounds sterling or DKK into U.S. dollars for a different amount generally will be U.S. source ordinary income or loss.

Danish Taxation

The following paragraph outlines the Danish tax issues of importance for Danish tax resident investors' acquisition, possession and sale of shares in Group 4 Securicor.

The following does not provide a full and complete description of all tax issues in relation to shareholdings and share transfers. Particularly, it should be pointed out that the description does not relate to investors for whom special tax rules apply, such as banks, stockbrokers and other persons trading in shares.

The description is based on the current Danish tax legislation applicable at the date of this document and is therefore subject to changes. It is recommended that potential holders of shares should consult their own tax advisers regarding the tax consequences of acquiring, owning or selling shares in the light of their own tax position.

This summary does not include the foreign tax effect for shareholders not tax-resident in Denmark.

Dividends from Group 4 Securicor

For individuals, dividends are taxed as share income at the tax rates mentioned below regarding the sale of shares. For companies, dividends are taxed as taxable income at the corporate tax rate of 30 per cent., but companies are only able to include 66 per cent. of the gross amount in the taxable income.

If the shares are sold to the issuing company the proceeds are taxed as dividends and not as capital gains.

Sale of shares in Group 4 Securicor

Capital gains (including any exchange rate adjustments) from the sale of shares owned for less than three years are taxable and losses can be set off against capital gains on other shares owned for less than three years. Losses can be carried forward and set off against future capital gains on shares owned for less than three years. For individuals, capital gains are taxed as investment income at a marginal rate up to 59 per cent. For companies, capital gains are taxed as taxable income at the corporation tax rate, which at present is 30 per cent.

Capital gains realised by individuals on the sale of listed shares after three years' of ownership or more are tax-exempt and losses are not deductible, provided that the market value of the shareholder's total possession of listed shares has not within the last three years up to the date of disposal exceeded DKK 133,700 (for 2004). For married couples, the total amount is DKK 267,300 (for 2004). The value of the shareholder's total holding of listed shares is computed at year-end and the date of acquisition and disposal of listed shares.

If the shareholding at the date of computation within the last three years up to the sale of shares has exceeded DKK 133,700/267,300 (for 2004), the capital gain is taxed as share income. If this threshold has been exceeded, losses on shares owned for more than three years can be set off against taxable capital gains on listed shares owned for more than three years. The loss can be carried forward indefinitely and set off against future capital gains.

The share income up to DKK 42,400 (for 2004) (DKK 84,800 for married couples) is taxed at 28 per cent. Share income exceeding DKK 42,400/84,800 (for 2004) is taxed at 43 per cent.

For companies, capital gains on the sale of shares after three years' ownership or more are tax-exempt and losses cannot be deducted or used as set-off against profits.

If shares have been bought on several occasions, the sale of shares is considered to be made in accordance with the first in, first out principle. This applies with respect to the three-year holding period as well.

If shares bought on several occasions are held for less than three years, the purchase price in the event of a part sale is made up according to a share-by-share method for individuals and an average method for companies. On the sale of shares held for three years or more, the purchase price is made up in accordance with an average method for both individuals and companies.

Taxation of individual pension schemes and pension funds

Individual pension schemes set up with a bank or a life insurance company registered with the Companies' Registrar in Denmark and pension funds also registered with the Companies' Registrar in Denmark are subject to pension savings yield taxation.

Pension savings yield is taxed at a flat rate of 15 per cent. Among other things the taxable yield includes: dividends, capital gains and losses on shares and pre-emptive rights.

Capital gains and losses on the abovementioned securities are taxed according to a mark-to-market principle, i.e. on an unrealised basis with the basis for the taxation being the difference between the market value at the beginning and at the end of the year or if bought/sold during the year, the difference in the market value between these dates.

Costs incurred in connection with the acquisition or the disposal of the securities are included in the assessment of the taxable gain or deductible loss.

A negative tax basis under the pensions saving yield taxation can be brought forward indefinitely.

Share Transfer Tax

There is no Danish share transfer tax.

10. SUBSTANTIAL SHAREHOLDINGS

So far as is known to Group 4 Securicor, from the date of Admission the following persons will be, directly or indirectly, interested in three per cent. or more of the issued share capital of the Company.

Shareholders	**Number of Shares of 25p each**	**Per cent of issued share capital**
Skagen 2004 Trust (Jørgen Philip-Sørensen's family trust)	171,939,961	13.60%
State Street	55,920,577	4.40%
ATP Danske	49,802,618	3.90%
Amvescap	42,412,182	3.40%
Banque d'Orsay	38,170,081	3.00%

The table above assumes 100% acceptances of the Recommended Offer.

Jørgen Philip-Sørensen is the principal beneficiary of the Skagen 2004 Trust. The trustees of the Skagen 2004 Trust have indicated that they have no current intention to dispose of the Group 4 Securicor Shares which they will receive pursuant to the Recommended Offer to a third party (that is, any person who is not "connected" to Jørgen Philip-Sørensen within the meaning of section 346 of the Companies Act) in the six month period following the Recommended Offer becoming unconditional.

Save as disclosed above, Group 4 Securicor is not aware of any person who will after the Merger becomes effective, directly or indirectly, have an interest (within the meaning of Part IV of the Companies Act) in 3% or more of Group 4 Securicor's issued share capital.

So far as is known to Group 4 Securicor there are no persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over Group 4 Securicor from the date of Admission.

11. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Upon the Merger becoming effective, Group 4 Securicor will become the parent company of the Group. Details of those companies which will be the Company's principal subsidiary and associated undertakings (each of which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profit of the Group) are as follows:

Company name	Country of origin/ incorporation	Group 4 Securicor share interest %	Main activity within the security area
Bridgend Custodial Services Limited 1 Parc Cottages Heol Hopcyn John Bridgend CF35 6AR	UK	49.32	Management of a prison
Cognisa Security, Inc. 2000 RiverEdge Parkway Suite GL-100 Atlanta GA 30328	USA	100	Provision of manned guarding services
Falck Alarm BV Falckhuset Västberga Allé 11 126 88 Stockholm	Sweden	100	Guarding, alarm installation and cash in transit
Falck Norge AS Maridalsveien 300 Serviceboks 4900 Nydalen N-0423 Oslo	Norway	100	Alarm installation and guarding
Falck Securitas Sikring A/S Polititorvet DK-1780 Copenhagen V	Denmark	100	Alarm installation
Falck Securitas Vagt A/S Polititorvet DK-1780 Copenhagen V	Denmark	100	Guarding
Falck Security B.V. Treubstraat 19-23 2288 EH Rijswijk ZH	The Netherlands	100	Guarding
Falck Airport Security B.V. Havenmeesterweg 317 1118 CE Luchthaven Schipol	The Netherlands	100	Guarding
Group 4 A/S	Denmark		
Group 4 Falck (Canada) Limited 50 McIntosh Drive, Suite 252 Markham Ontario L3R 9T3	Canada	100	Guarding
Group 4 Falck AG Kolingasse 4 A 1090 Vienna	Austria	100	Guarding
Group 4 Securicor Holdings Limited	UK	100	
Group 4 Securitas S.A Rue Mercelis 19 1050 Brussels	Belgium	100	Cash in transit
Group 4 Falck Sécurité S.A.S. 11 rue Dumont d'Urville 76000 Rouen	France	100	Guarding
Group 4 Total Security Limited Security House Alexandra Way Ashchurch, Tewkesbury Gloucestershire GL20 8NB	UK	100	Guarding

Company name	Country of origin/ incorporation	Group 4 Securicor share interest %	Main activity within the security area
Group 4 Total Security S.A./N.V. Vierwinden 13 B-1930 Zaventem	Belgium	100	Guarding
Hashmira Company Ltd 11 Homa Umigdal Street P.O. Box 52157 Tel Aviv	Israel	50	Guarding
Securicor (South Africa)(Pty) Limited P.O. Box 13330 Hatfield Pretoria 0028	South Africa	100	Provision of manned guarding services
Securicor Aviation Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of security services to the aviation industry
Securicor Beheer BV Paasheuvelweg 31 P1105 BG Amsterdam	The Netherlands	100	Holding company of group of companies providing security services
Securicor Canada Limited 365 Bloor Street East, Suite 400 Toronto Ontario M4W 3L4	Canada	100	Provision of secure services for carriage of cash and valuables
Securicor Cash Centres Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of cash outsourcing services for financial institutions
Securicor Cash Services Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of secure services for carriage of cash and valuables
Securicor EMS, Inc. 30201 Aventura Rancho Santa Margarita California 92688	USA	100	Manufacture and supply of offender monitoring equipment and provision of offender monitoring services
Securicor Geld- und Wertdienste GmbH Heinrich-Hertz Strasse 6 D34123 Kassel	Germany	100	Provision of secure services for carriage of cash and valuables
Securicor Group Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Holding company

Company name	Country of origin/ incorporation	Group 4 Securicor share interest %	Main activity within the security area
Securicor International Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Holding company
Securicor International Valuables Transport Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of secure services for international carriage of valuable items
Securicor Justice Services Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of offender management and other justice related services
Securicor Luxembourg SA 8 rue de Bitbourg L-1273 Luxembourg-Hamm	Luxembourg	100	Provision of security services
Securicor plc Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Holding company
Securicor Security Limited Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	UK	100	Provision of manned guarding services
Securicor Security Services Ireland Limited Herberton Road Rialto Dublin 12	Ireland	100	Provision of security services
Securicor Sicherheitsdienste GmbH Pappelallee 41 D-22089 Hamburg	Germany	100	Provision of manned guarding services
The Wackenhut Corporation 4200 Wackenhut Drive 100 Palm Beach Gardens FL 33410	USA	100	Guarding
Wackenhut Services Inc. 7121 Fairway Drive Palm Beach Gardens, FL 33418	USA	100	Guarding (federal contracts)

12. PRINCIPAL ESTABLISHMENTS

Sutton Park House 15 Carshalton Road Sutton Surrey SM1 4LD	Freehold	UK
Polititorvet DK-1780 Copenhagen V	Leasehold	Denmark
4200 Wackenhut Drive 100 Palm Beach Gardens FL 33410	Leasehold	USA

13. SUMMARY OF PRINCIPAL INVESTMENTS

In December 2001, Securicor purchased for £30.7 million the shares of its former joint venture partner in Asia, JS Holdings Limited, which thus became a wholly-owned subsidiary of Securicor.

In December 2001, Securicor acquired for £7 million the assets and liabilities of the California-based electronic monitoring equipment manufacturer, Electronic Monitoring Systems, Inc.

In May 2002, Group 4 Falck acquired all of the businesses of the Wackenhut Corporation, for US$573,000,000, a security business based in the U.S.

In May 2003, Securicor purchased for £15.7 million those shares in Geldnet Holding B.V., the holding company of a group of Dutch cash services companies, which it did not already hold, such that Geldnet Holding B.V. became a wholly-owned subsidiary.

14. MATERIAL CONTRACTS

The following contracts are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by Group 4 Securicor, Group 4 Falck or Securicor or any member of their respective groups (i) within the two years immediately preceding the date of this document and are, or may be material to the Group; or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Group at the date of this document.

Merger Agreement

Group 4 Falck and Securicor entered into the Merger Agreement on 24 February 2004. The Merger Agreement includes the conditions to completion of the Merger, certain termination rights, mutual representations and warranties and various covenants relating to the operation of the Group 4 Falck and Securicor businesses in the period prior to completion of the Merger.

The Merger Agreement requires Group 4 Falck and Securicor to use all reasonable endeavours to implement the Merger unless any one of the conditions is not satisfied or waived, or either Group 4 Falck or Securicor exercises one of its limited termination rights.

Principal conditions

The conditions to the implementation of the Merger include Securicor Shareholder approval of the Scheme, Group 4 Falck Shareholder approval of the Merger and the Demerger, more than 90% acceptances under the Recommended Offer being received (or such lower percentage as either party may require so long as such percentage shall not be less than 67%), the sanction of the Scheme by the High Court, implementation of the transaction steps needed to effect the Merger, admission of Group 4 Securicor Shares to listing by the UK Listing Authority and to trading on the London and Copenhagen Stock Exchanges, admission of Group 4 and Falck shares to trading on the Copenhagen Stock Exchange, and the satisfaction of certain competition conditions (including under Council Regulation (EEC) 4069/89 as amended by Council Regulation (EC) 1310/97 as well as in the USA, South Africa, Hungary, Estonia, the Czech Republic, Slovakia, Malta and Cyprus), the availability of unconditional financing (including the consent to the Merger of holders of the USPP Notes or, in the alternative, equivalent committed financing) and certain tax conditions (including that the Scheme, the Demerger and the Recommended Offer are exempt from UK and Danish taxation).

Termination

The Merger Agreement provides for termination in certain circumstances including where the recommendation of the board of directors of either Group 4 Falck or Securicor in favour of the Merger is withdrawn or adversely modified, where either party's shareholders fail to approve the resolutions required to implement the Merger at their respective shareholder meetings, where either party commits a material breach of the Merger Agreement, where an event, circumstance or liability occurs or arises in relation to either party which would materially prejudice the shareholders of the other, or where there is a breach of warranty in respect of information provided by Securicor to Group 4 Falck in relation to the Argenbright litigation or where there is a deterioration in respect of such litigation the effect of which would have been (had it occurred or been available prior to announcement) to materially adversely affect the Group 4 Falck board's assessment of such litigation for the purposes of deciding whether to enter into the Merger Agreement.

The right to terminate the Merger Agreement and the conditions to implementation of the Merger can only be invoked by either Group 4 Falck or Securicor, as the case may be, in circumstances in which the relevant party would have been permitted to do so by the UK Panel on Takeovers and Mergers in accordance with Rule 13 of the City Code on Takeovers and Mergers (and note 2 thereon), had such invocation been subject to that Rule.

Conduct of Business

Save as otherwise agreed between Group 4 Falck and Securicor, the Merger Agreement restricts the parties in the conduct of their businesses prior to completion of the Merger including in relation to the making of any major acquisitions or disposals (save in respect of the disposal by Group 4 Falck of the Global Solutions business), issues of new shares except pursuant to the Group 4 Falck warrants scheme and certain awards of Securicor shares, the incurring of major borrowing or indebtedness, the payment or declaration of any dividends except in relation to certain permitted dividends, and material changes to the terms of employment of key management.

Compensation Payment

The Merger Agreement also provides for a compensation payment to be paid by one party to the other in certain circumstances.

A compensation payment will be payable by Group 4 Falck to Securicor if Securicor exercises its termination right because (i) the board of directors of Group 4 Falck determines not to give or to withdraw or modify in a material respect (or, on request by Securicor, fails to confirm publicly and promptly) its recommendation that the Merger is in the best interests of the shareholders of Group 4 Falck and that such shareholders should vote in favour of the Demerger at the Group 4 Falck EGM and accept the Recommended Offer, except in certain specified circumstances; or (ii) Group 4 Falck has materially breached the terms of the Merger Agreement or the warranties given by it (or if such warranties would be materially breached if repeated) or if it is liable to Securicor under indemnities given by it.

A compensation payment will be payable by Securicor to Group 4 Falck if Group 4 Falck exercises its termination right because (i) the board of directors of Securicor determines not to give or to withdraw or modify in a material respect (or, on request by Group 4 Falck, fails to confirm publicly and promptly) its recommendation that the Merger is in the best interests of the shareholders of Securicor and that such shareholders should vote in favour of the Scheme at the relevant meetings, except in certain specified circumstances; (ii) if the board of directors of Securicor do not take such steps as are required to make the Scheme effective (except under circumstances specified in the Merger Agreement); or (iii) Securicor has materially breached the terms of the Merger Agreement or the warranties given by it (or if such warranties would be materially breached if repeated) or if it is liable to Group 4 Falck under indemnities given by it.

Any compensation payment payable by either Group 4 Falck or Securicor will be in the amount of £6.32 million.

Other

The Merger Agreement also provides that for the purpose of the Demerger the net cash position of Falck as at 1 January 2004 will be deemed to have been £44 million. As set out in the pro forma financial information contained in Part 7, the estimated cash payable by Group 4 to Falck to give effect to this deemed net cash position and to reflect events subsequent to 1 January 2004 is £49.5 m.

Group 4 Falck and Securicor have also agreed certain exclusivity and standstill arrangements in the period prior to completion of the Merger restricting the parties from entering into or soliciting transactions of a similar nature to the Merger between themselves and third parties and restricting the parties from owning or dealing in the shares or other securities of the other party.

It is envisaged that Group 4 Securicor will acquire the Group 4 Falck pension scheme (the "Group 4 Pension Scheme") by becoming the principal employer of the Group 4 Pension Scheme after the Merger becomes effective. It is intended that GSL will be entitled to continue to participate in the Group 4 Pension Scheme for up to twelve months after the Merger becomes effective, or from the completion of its sale, whichever is the earlier. GSL will be required to set up a new pension scheme for GSL employees' future service with effect from the end of the participation period and GSL employees will be given the opportunity to transfer their accrued benefits from the Group 4 Pension Scheme to the new GSL pension scheme and be credited with year for year service. Implementation of these arrangements is dependent on trustee approval. The cost of providing GSL employees with year for year service in the new GSL scheme over the aggregate amounts actually paid by the trustees of the Group 4 Pension Scheme in respect of the GSL employees who elect to transfer their past service benefits to the new GSL Scheme will be calculated and paid for by GSL.

On 4 June 2004 Group 4 Falck Securicor entered into an agreement amending the Merger Agreement in connection with the sale by Falck Nederland Holding B.V, a Group 4 Falck subsidiary, of the Global Solutions Business. Group 4 Falck entered into the sale and purchase agreement in respect of such sale as guarantor of the obligations of the seller. The amendment agreement effected certain changes to the Merger Agreement so as to ensure that the obligations in respect of such guarantee, as well as certain others guarantees which had been given by Group 4 Falck in respect of the Global Solutions Business, would not, following the Demerger, fall upon Group 4 Securicor or Group 4. These companies would instead be released from any such liability, which would be assumed exclusively by Falck as a condition to completion of the Merger. The amendment agreement also provides that Falck Nederland Holding B.V. may in certain circumstances be required to make a contribution to the Group 4 Pension Scheme in respect of pensions liabilities attributable to existing GSL employees who do not elect to transfer to the new GSL pension scheme.

The Merger Agreement has been further amended by an agreement between Group 4 Falck and Securicor dated 4 June 2004 which adopts revised Transaction Steps (amending the steps to be taken by Group 4 Falck in respect of the Re-organisation and Demerger) and allocates the conditions to the Merger as between the Demerger, the Scheme and the Recommended Offer.

Demerger Agreement

At the time that the Demerger becomes effective Group 4 Falck will cease to exist and will be replaced by two new companies. The first of these two companies – Group 4 – will hold the security business previously owned by Group 4 Falck. The second – Falck – will hold the Rescue and Safety business previously owned by Group 4 Falck. The Demerger will be deemed to have taken place for accounting purposes on 1 January 2004 allowing the parties to apply the accounts and figures prepared for the year ending 31 December 2003.

Under Danish law, the statutory demerger of Group 4 Falck does not require the consent of creditors, employees and/or other contracting parties unless otherwise specifically agreed. The consequence of this is however that Group 4 and Falck are, by operation of law, jointly and severally liable for all Group 4 Falck's liability created up to and including the date of publication of the demerger plan.

The Demerger Agreement, dated 4 June 2004, provides that Group 4 and Falck shall divide the assets, liabilities and obligations in such a way that allows the two new companies to carry on their respective businesses. This includes, for example, the transfer of any assets, contracts and employees relevant to a company's business to that company, the sub-letting of the appropriate properties to the relevant company, and the separation of information technology systems and intellectual property rights between the two companies. In addition, the Demerger Agreement provides for certain transitional arrangements which are to be put in place because the companies are unable to assume responsibility immediately following the Demerger for all intra-group services supplied by another group company and in order to ensure continued, unaffected operation of the daily businesses of the companies. The transitional arrangements relate to the provision of procurement, information technology, payroll and bookkeeping services, for a limited time period.

The division of such assets, liabilities and obligations between Group 4 and Falck is represented by a demerger balance sheet.

Sponsors' Agreement

Under a Sponsors' Agreement dated 4 June 2004 and made between the Company, Group 4 Falck, Securicor, Cazenove, Morgan Stanley and UBS, UBS, Morgan Stanley and Cazenove have agreed to act as joint sponsors in connection with Admission and as nominated representatives in connection with the application to the London Stock Exchange to admit the Group 4 Securicor Shares to trading on its market for listed securities. The Sponsors' Agreement also appoints Morgan Stanley and UBS as joint sponsors in connection with the application to the Copenhagen Stock Exchange to admit the Group 4 Securicor Shares to listing and trading on the Copenhagen Stock Exchange. The Company, Group 4 Falck and Securicor have given certain customary warranties to the joint sponsors. The joint sponsors have received customary indemnities from the Company, Group 4 Falck and Securicor in connection with their role as joint sponsors. The Sponsors' Agreement also contains certain customary undertakings by the Company, Group 4 Falck and Securicor.

USPP

Group 4 Falck has a private placement lending arrangement in the United States (the ***USPP***) pursuant to which it has issued to a small group of US institutional investors senior unsecured notes in an aggregate principal amount of US$ 400,000,000 (the ***Notes***). Group 4 Falck has the right to prepay the Notes at any time at a price equal to par, plus accrued and unpaid interest plus a "make-whole" (which is currently anticipated to be approximately US$6,500,000). Group 4 Falck has approached the Noteholders with a view to obtaining their consent to a change of borrower from Group 4 Falck to Group 4 Securicor.

The Noteholders have requested further information (including certain pro-forma financial information on the merged group) before deciding whether or not to give their consent to a change of borrower. The Noteholders' consent had not been received by 1 June 2004, the latest practicable date prior to the printing of this document.

Group 4 Securicor has also entered into a Facilities Agreement, details of which are set out below. The total borrowing under this agreement is £1,000,000,000. In the event that the Noteholders consent to a change of borrower is not forthcoming, part of the borrowing under the Facilities Agreement will be used to repay the Notes.

Facilities Agreement

The Facilities Agreement was entered into on 1 June 2004 between, *inter alia*, (1) Group 4 Securicor as borrower and original guarantor, (2) ABN AMRO Bank N.V., Banc of America Securities Limited, Barclays Capital, BNP Paribas London Branch, Citigroup Global Markets Limited, Danske Bank A/S, HSBC Bank Plc, Lloyds TSB Bank Plc, Nordea Bank Finland Plc, SEB Merchant Banking Skandinaviska Enskilda Banken AB (publ) and The Royal Bank of Scotland Plc as mandated lead arrangers, (3) Fortis Bank S.A./N.V. and Wachovia Bank, National Association as lead managers, (4) Allied Irish Banks p.l.c. as co-arranger, (5) certain banks as identified therein as original lenders and (6) Lloyds TSB Bank plc as facility agent relating to £1,000,000,000 multicurrency revolving credit facilities (the ***Facilities***) for the refinancing of certain existing indebtedness owed by members of the Group 4 Falck Group and the Securicor Group, the payment of costs and expenses incurred in connection with the Merger and general corporate purposes and working capital requirements of the Group.

The Facilities Agreement consists of a five year committed revolving facility for £800,000,000 (***Facility A***) and a 364-day committed revolving facility with the ability to convert (at Group 4

Securicor's option) outstanding loans into term loans for a further 12 months for £200,000,000 (***Facility B***).

Interest is payable on loans at the rate which is the aggregate of (i) LIBOR or, as the case may be, EURIBOR, (ii) mandatory costs, and (iii) the applicable margin, which will initially be 0.375 per cent. per annum in respect of Facility A and 0.30 per cent. per annum in respect of Facility B. The margin in respect of both Facility A and Facility B may be adjusted upwards or downwards in accordance with the ratio of Group 4 Securicor's consolidated net debt to earnings before interest, tax, depreciation and amortisation. In respect of Facility A, the margin may be 0.375 per cent. or 0.475 per cent. per annum and in respect of Facility B, the margin may be 0.30 per cent. or 0.40 per cent. per annum.

A utilisation fee of 0.05 per cent. is also payable on outstanding loans to the extent that such outstanding loans exceed 75 per cent. of the amount then available under the Facilities for a period of 12 months after the Merger becomes effective and 66⅔ per cent. of the amount then available under the facilities thereafter.

A fee of 0.05 per cent. is payable on the outstanding loans under Facility B that are converted into term loans.

A commitment fee is also payable on the undrawn amount of the Facilities at a rate equal to, from the date of signature of the Facilities Agreement until the date that the Merger becomes effective, 10 per cent. of the applicable margin in respect of each of Facility A and Facility B and thereafter at the rate equal to 40 per cent. of the then applicable margin in respect of each of Facility A and Facility B.

The Facilities Agreement contains certain customary representations and warranties by Group 4 Securicor, some of which are to be repeated at the time that the Merger becomes effective and some of which are to be repeated on utilisation of the Facilities and at certain other times. Certain covenants are also given in respect of the future conduct of the business including (i) financial covenants as to (a) the ratio of consolidated net interest payable to earnings before interest, tax, depreciation and amortisation and (b) consolidated net debt to earnings before interest, tax, depreciation and amortisation, (ii) restrictions on disposals, (iii) restrictions on the incurrence of other indebtedness, (iv) restrictions on the creation of security over assets and (v) a restriction on making any acquisitions which would be deemed to be a class 1 transaction under the Listing Rules of the London Stock Exchange.

The Facilities Agreement includes certain mandatory prepayment events, including (i) illegality and (ii) a change of control of Group 4 Securicor or a sale of all or substantially all of the assets and businesses of the Group.

The Facilities Agreement provides that certain events will be considered to be events of default, upon the occurrence of which the Facilities may be cancelled and amounts drawn under them declared immediately due and payable. These events include (i) default in any payment under the Facilities Agreement, (ii) breach of any other obligation which (if capable of remedy) is not remedied within 21 days, (iii) cross acceleration in relation to other financial indebtedness of the Group, subject to a threshold of £15,000,000 and (iv) insolvency related events in relation to Group 4 Securicor or any material subsidiary (defined as any subsidiary of Group 4 Securicor whose gross assets or earnings before interest, tax, depreciation and amortisation exceed five per cent. of the gross assets or earnings before interest, tax, depreciation and amortisation of the Group).

Agreement and Plan of Merger to acquire The Wackenhut Corporation

On 8 March 2002, Group 4 Falck, Milestone Acquisition Corporation (Milestone Acquisition), a Florida corporation and an indirectly wholly-owned subsidiary of Group 4 Falck, and The Wackenhut Corporation (Wackenhut), a Florida corporation, entered into an agreement and plan of merger under which Group 4 Falck agreed to acquire Wackenhut, through the merger of Milestone Acquisition with and into Wackenhut.

The consideration for the merger was the payment to Wackenhut shareholders of an amount of US$33 per Wackenhut share in return for the cancellation of such shares. The total consideration paid by Group 4 Falck was US$573,000,000. The merger was subject to a number of conditions including approval by Wackenhut shareholders, all representations and warranties made by Wackenhut and Group 4 Falck being true and correct and all necessary regulatory filings having been made.

Under the Agreement, Wackenhut gave certain representations and warranties including in respect of its corporate capacity, share capital, compliance with law, the state of its business, assets and liabilities and in connection with litigation, environmental and employee matters. In addition, Group 4 Falck gave warranties and representations in relation to its business, the business of Milestone Acquisition and in relation to the merger.

In the event that either Wackenhut or Group 4 Falck had materially breached any representation or warranty, the other party had a right of termination up until the time that the merger became effective.

The Agreement also provided for a break fee in the event that Wackenhut was the subject of a competing proposal from a third party.

Under the Agreement, Group 4 Falck shall maintain a directors' and officers' liability insurance policy for a period of six years after the effective time of the merger covering the directors and officers of Wackenhut.

Sale of Wackenhut Corrections Corporation by The Wackenhut Corporation

On April 30 2003, The Wackenhut Corporation, a Florida corporation, Tuhnekcaw Inc, a Delaware corporation and a wholly-owned subsidiary of Wackenhut, Group 4 Falck, a Danish corporation and Wackenhut Corrections Corporation, a Florida corporation, entered into a share purchase agreement under which Wackenhut Corrections Corporation agreed to purchase all of the common stock of Wackenhut Corrections Corporation owned by Tuhnekcaw Inc, Group 4 Falck and The Wackenhut Corporation.

The consideration for this agreement was US$132,000,000. The Wackenhut Corporation, Tuhnekcaw Inc and Group 4 Falck gave customary sellers' warranties and representations. Wackenhut Corrections Corporation gave customary purchaser's warranties and representations. These survive for two years following the completion of the transaction. The sellers and the purchasers also gave indemnities against breach of the warranties and representations.

Under the terms of the Agreement, Wackenhut Corrections Corporation was required to change its name and to cease using the name "Wackenhut" within 12 months of completion of the transaction.

Proxy Agreement with Respect to Capital Stock of Wackenhut Services Inc

On 5 July 2002 Group 4 Falck, Milestone Holding One, Inc (Milestone), a Delaware corporation, The Wackenhut Corporation (Wackenhut), a Florida corporation, Wackenhut Services Inc. (WSI), a Florida corporation, John S Foster Jr, Troy E Wade II and David E Jeremiah (the Proxy Holders) and the United States Department of Energy entered into a Proxy Agreement appointing three Proxy Holders to have all rights, powers and authority to exercise all voting rights with respect to shares owned by Wackenhut in WSI.

The purpose of the Agreement was to insulate WSI from any foreign control or influence because of the sensitive nature of the security services it provides to the agencies of the Federal Government of the United States.

The Agreement provides that Proxy Holders must be resident citizens of the United States and must have had no prior contractual, financial or employment relationships with Group 4 Falck, Milestone, Wackenhut or WSI. Wackenhut may not remove a Proxy Holder except for acts of gross negligence or wilful misconduct while in office. Wackenhut may also remove a Proxy Holder for acts in violation of the Agreement, including the inability to protect the legitimate economic interest of Wackenhut. The procedure for the appointment of successors to the Proxy Holders is set out in the agreement. All Proxy Holders shall become Directors of WSI and one of the Proxy Holders shall be elected Chairman.

Under the terms of the Agreement, the Proxy Holders agree not to accept direction from Wackenhut nor to permit it to exercise any control or influence over it. Wackenhut and WSI agreed to indemnify and compensate the Proxy Holders for any claims and costs arising in relation to their performance as Proxy Holders. The Agreement provides a procedure by which the Proxy Holders may take action and that they must act in good faith to protect the legitimate economic interest of Wackenhut. There are certain actions that the Proxy Holders must not take without the express written approval of Wackenhut.

The Agreement is subject to annual review. It provides specific remedies for the United States Government in the event of a material breach. Wackenhut retains its entitlement to dividends from WSI from time to time.

The Department of Energy has the right to terminate the Agreement by written notice if all the shares in WSI are sold to a foreign company or person and in other circumstances set out in the Agreement, including when Wackenhut and WSI petition to terminate it.

Sale of Distribution JV by Securicor

Distribution Agreement

The Distribution Agreement between Securicor, Securicor Group Limited, Deutsche Post and the Joint Venture Company was signed on 24 March 2003. It effected the disposal by Securicor Group Limited of 32,000,000 issued ordinary A shares of £0.75 each in the capital of the Joint Venture Company to Deutsche Post. The total consideration for the sale was the payment to Securicor Group Limited of €247 million in cash.

Securicor Group Limited's liability under the warranties and the environmental indemnity described below is limited overall to the consideration paid under the Distribution Agreement (i.e. €247,000,000). There is also (i) a minimum threshold (of €12,500) below which individual claims under the warranties will be disregarded, and (ii) a higher threshold below which aggregated claims under the warranties will be disregarded (€4,000,000 for claims under warranties excluding tax and environmental warranties and €1,250,000 in respect of claims under the environmental warranties alone). No claim shall be brought against the vendor in respect of the warranties later than two years from completion (seven years from completion in relation to tax and environmental warranties and the environmental indemnity referred to below).

The Distribution Agreement contains certain indemnities given by Securicor Group Limited to Deutsche Post, including in relation to (i) loss to the Distribution JV by reason of the warranties being breached or misleading and the same causing certain diminutions in value or increases in liability (subject to agreed limitations equivalent in effect to those set out in the paragraph immediately above) (ii) environmental matters (subject to agreed limitations equivalent in effect to those set out in the paragraph immediately above), and the cost of specified environmental works (iii) the failure to appropriately insure against losses to companies in the Distribution JV during the period of the joint venture, and the inability to make full recovery in respect of specified insurance claims disclosed in the disclosure letter (iv) certain historical transactions effected during the joint venture period (v) certain obligations left outstanding in relation to intellectual property and information technology following the establishment of the joint venture in 1999, and certain matters relating to intellectual property disclosed in the disclosure letter. The majority of the above indemnities are given on the basis that 50.001 per cent. of the loss to the Distribution JV will be reimbursed by the vendor. These indemnities are not unusual in this sort of agreement.

The Distribution Agreement contains certain restrictive covenants given by Securicor and Securicor Group Limited for the protection of the business interests of members of the Distribution JV following completion. Broadly, the covenants operate to restrict companies in the Securicor Group (i) from entering into any business activity which competes with the business of the Distribution JV, subject to certain qualifications (ii) from disclosing confidential business information (iii) from the use of certain intellectual property and (iv) from the solicitation of customers or employees of the Distribution JV. The majority of these covenants apply for a period of one year from completion (3 July 2003).

Securicor stands as guarantor for the obligations of Securicor Group Limited under the Distribution Agreement, and guarantor for obligations in respect of the disposal agreements generally.

Property Agreement

Certain companies in the Securicor Group and the Distribution JV entered into an agreement for the assignment and/or grant of certain leases of various properties between them.

Trade Mark Licence

Certain companies in the Securicor Group (together the Licensors), Securicor Group and the Joint Venture Company entered into a trade mark licence. In summary, the licensors granted to the Joint Venture Company a royalty-free, non-exclusive licence to use the name "Securicor" and certain registered trade marks which comprised or included the name "Securicor" in the whole of the world but excluding Botswana, South Africa, Kenya, Malaysia and Hong Kong. The Joint Venture Company may sub-licence to other members of the Distribution JV, and the licence includes the right to use the trade marks as part of a corporate name and/or domain name. The licence terminates on 31 December 2004.

Environmental Deed of Amendment

Securicor Group Limited and Deutsche Post entered into an agreement to vary the original environmental indemnity granted to Deutsche Post at the time of the creation of the joint venture in 1999. The Deed of Amendment broadened the scope of the right to carry out investigation works in as much as such investigations can be carried out whether or not a reasonable person would carry out such investigations. For the purposes of carrying out voluntary remedial works, the Deed of Amendment introduces a definition of a reasonable person for the purposes of carrying out such works.

Sale Agreement in respect of Global Solutions Limited

Under a sale agreement ("Sale Agreement") dated 25 May 2004 between Falck Nederland Holding B.V. ("Seller"), Group 4 Falck ("Guarantor") and De Facto 1121 Limited ("Buyer"), the Seller agreed to sell the entire issued share capital of Global Solutions Limited ("GSL") to the Buyer. The Buyer is a company which has been established by two private equity investors, namely Englefield Capital LLP and Electra Partners Europe Limited. Certain members of the management team of GSL will also be shareholders of the Buyer.

The sale of GSL is subject to the satisfaction of certain conditions precedent, being clearance under the EC Merger Regulation in accordance with article 6(1)(b) of Council Regulation (EEC) 139/2004 (as amended), approval from the South African competition authorities pursuant to the South African Competition Act No. 89, and the satisfactory conclusion of certain probity checks and financial examinations in relation to certain of GSL's Australian contracts. The transaction is also conditional on there being no change to section 75 of the Pensions Act 1995 (or any replacement legislation) having the result of increasing the cost to GSL of ceasing to participate in the Group 4 Falck Pension Scheme ("Pensions Change").

The consideration for the sale of GSL is a total of £207.5 million subject to an adjustment for the normalisation of working capital. The consideration is payable in two tranches, the first of £92.5 million ("First Tranche") is payable within 7 business days of signing of the Sale Agreement and the balance is payable on the "Payment Date". The Payment Date is the earlier of completion of the sale of GSL and completion of the Demerger.

The Seller has given customary warranties concerning the business of GSL and its subsidiaries and a tax indemnity ("Tax Indemnity") in respect of any unprovided tax of the GSL Group.

The Buyer's ability to claim against the Seller under the Taxation Indemnity and the Warranties is subject to certain limitations which include monetary limitations as follows:

(a) the maximum liability of the Seller for any claims is £75 million with a cap within this of £50 million in respect of non-tax matters;

(b) no claims can be made unless they individually exceed £100,000 and together exceed £5 million; and

(c) no non-tax claims can be made later than one year after the date of completion of the GSL sale and, in respect of any tax matters, later than 7 years after completion of the GSL sale.

Non-competition restrictions have been accepted for a two-year period following completion in relation to the GSL Group's "core" business in the UK, South Africa and Australia. Following the Demerger the non-compete covenant only applies to Falck group companies.

Group 4 Falck and certain of its subsidiaries have given guarantees to support the obligations of certain of the GSL Group companies in relation, amongst others, to the Bloemfontein prison project in South Africa. The Buyer is obliged to use best endeavours to secure the release of these guarantees as soon as possible following completion and pending their release has given an indemnity in relation to any liabilities arising under those guarantees which is to be secured by a letter of credit issued by a reputable bank for the South African Rand equivalent of £12 million. In addition, the Buyer is obliged to replace a bond in respect of which Group 4 Falck has given a guarantee and counter-indemnity for the principal amount of approximately £12 million. This release is to be in place by completion of the sale.

On completion of the sale, the GSL Group will leave the Group 4 Pension Scheme. A transfer payment will be made approximately 6 months following completion in respect of employees who elect to transfer their past service benefits from the existing Group 4 Pension Scheme to a new scheme to be established by GSL. Any shortfall between the transfer payment agreed by the parties and the amount the trustees of the Group 4 Pension Scheme actually pay will be met by the Seller. The Seller has also agreed to indemnify the Buyer for any liability GSL may have under section 75 of the Pensions Act 1995 ("Pensions Indemnity"). The Seller has agreed to provide security for the Seller's obligation to pay the shortfall amount and to give the Pensions Indemnity in a form reasonably acceptable to the Buyer (to take the form of a letter of credit, bank guarantee or escrow) and this security is to be in place by completion.

The Sale Agreement contains provisions under which Falck will become the guarantor of the obligations of the Seller under the Sale Agreement and the Taxation Indemnity in place of Group 4 Falck when the Demerger becomes effective. Subject to and conditional upon Falck executing a deed of adherence under which it will assume all obligations and liabilities of Group 4 Falck under the Sale Agreement, Group 4 Falck and Group 4 will be automatically fully discharged and released from all liabilities under the Sale Agreement. Pursuant to the amendment agreement to the Merger Agreement entered into on 4 June 2004, it is a Condition of the Merger becoming effective that Falck enters into the deed of adherence.

In addition to the above described sale arrangements, Group 4 Falck has agreed to compensate the GSL Group in relation to a contract transferred from Wackenhut UK Limited to the GSL Group and in respect of which there is a dispute with the customer (the UK Immigration Authority). This compensation takes the form of a cash payment of £15 million to be made by Wackenhut UK Limited to the GSL Group, together with an indemnity for up to a further £15 million to be given by the Seller to the GSL Group. The Seller's obligations under the indemnity are guaranteed by Group 4 Falck but these obligations will be assumed by Falck on the Demerger becoming effective.

15. WORKING CAPITAL

Group 4 Securicor is of the opinion that, taking into account existing bank facilities, the Company and the Group have sufficient working capital for their present requirements, that is, for at least the next twelve months from the date of this document.

16. LITIGATION

Proceedings have been instituted in New York against Argenbright and Securicor by claimants in respect of matters arising out of the terrorist atrocities of 11 September 2001. Further details of this litigation are set out in paragraph 5 of Part 8. The legal proceedings are at a relatively early stage. Whilst there are likely to be various hearings this year, substantial discovery has not yet taken place and a trial date before 2006 seems unlikely. Claims have been made for unspecified substantial damages, including punitive damages, but the loss suffered by the claimants has not yet been particularised.

Except as described above in relation to the Argenbright litigation, neither Group 4 Falck, Securicor, Group 4 Securicor nor any member of their respective groups is or has been engaged in any legal or arbitration proceedings including any such proceedings which are pending or threatened of which such parties are aware which may have, or have had during the period of 12 months preceding the date of this document, a significant effect on the financial position of the Group.

17. NO SIGNIFICANT CHANGE

Save for the effects of and matters relating to the Merger (including the Demerger and Re-Organisation), there has been no significant change in the financial or trading position of the security business of Group 4 Falck since 31 December 2003 (the date to which the accountants' report contained in Part 3 of this document has been made up).

Save for the effects of and matters relating to the Merger, there has been no significant change in the financial or trading position of Securicor since 31 March 2004 (the date to which the interim results contained in Part 5B of this document have been made up).

Save for the effects of and matters relating to the Merger, there has been no significant change in the financial or trading position of Group 4 Securicor since 12 May 2004 (the date to which the accountants' report contained in Part 6 of this document has been made up).

18. GENERAL

(a) The joint auditors of the Company are Baker Tilly and PricewaterhouseCoopers LLP.

(b) Group 4 Securicor's bankers in the UK are Barclays Bank plc and The Royal Bank of Scotland plc.

(c) Each of Cazenove, Morgan Stanley and UBS has given and not withdrawn its written consent to the inclusion in this document of its name and references thereto in the forms and contexts in which they appear.

(d) An employee of Cazenove is interested in 31,268 Securicor Shares.

(e) PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports and the references thereto and to its name in the form and context in which it appears and has authorised the contents of those parts of the Listing Particulars which comprise its reports and the said references for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (as amended).

(f) Baker Tilly has given and has not withdrawn its written consent to the inclusion in this document of its reports and the references thereto and to its name in the form and context in which it appears and has authorised the contents of those parts of the Listing Particulars which comprise its reports for the purposes of Regulation 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001 (as amended).

(g) The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 240 of the Companies Act.

(h) PricewaterhouseCoopers, Denmark and KPMG, Denmark have made a report on the accounts of Group 4 Falck in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the requirements of the Danish Stock Exchange for each of the three financial years to 31 December 2003. Each such report was unqualified.

(i) Baker Tilly has made a report under section 235 of the Companies Act on the statutory accounts of the Securicor Group for each of the three financial years to 30 September 2003. Each such report was unqualified and did not contain a statement under sections 238(2) or (3) of the Companies Act. Statutory accounts of the Securicor Group for each financial period have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.

(j) The total costs and expenses of, and incidental to, the Demerger, the Merger, Admission to the Official List of the UKLA, admission to trading on the London Stock Exchange and admission to listing and trading on the Copenhagen Stock Exchange payable by Group 4 Securicor are estimated to be approximately £33 million (excluding VAT).

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Herbert Smith, Exchange House, Primrose Street, London EC2A 2HS until 20 July 2004:

(a) the current Memorandum and Articles of Association of the Company and the Memorandum and Articles of Association of the Company which will be in force upon Admission;

(b) the audited consolidated accounts of Group 4 Falck for each of the three financial years ended 30 December 2003;

(c) the audited consolidated accounts of Securicor for each of the three financial years ended 30 September 2003;

(d) the accountants' reports of PricewaterhouseCoopers LLP reproduced in Part 3, Part 4 and Part 6 of this document and the letter from Baker Tilly in respect of the pro forma financial information reproduced in Part 7 of this document;

(e) the Directors' service contracts and letters of appointment referred to in paragraph 5 of Part 9 of this document;

(f) the rules of each of the proposed new Group 4 Securicor Share Schemes;

(g) the rules of each of the Securicor Share Option Schemes;

(h) translations of the statutory Demerger documents, the Demerger Agreement and the Recommended Offer document;

(i) a translation of the prospectus in respect of the listing of shares in Group 4 on the Copenhagen Stock Exchange;

(j) the material contracts referred to in paragraph 14 of Part 9 of this document;

(k) the consent letters referred to in paragraph 18 of Part 9 of this document;

(l) the undertaking given by Lars Nørby Johansen and dated 3 June 2004 in respect of his conduct as non-executive Chairman of Falck;

(m) the Securicor Scheme Circular; and

(n) this document.

4th June 2004

DEFINITIONS

The following definitions apply:

"Admission"	admission of the Group 4 Securicor Shares (i) to the Official List and (ii) to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Argenbright"	Argenbright Security, Inc., a wholly-owned US subsidiary of Securicor
"Articles" or "Articles of Association"	the articles of association of Group 4 Securicor
"Audit Committee"	the audit committee established by the Company
"Board"	the directors of Group 4 Securicor from time to time
"BST"	British Summer Time
"Business Day"	any day excluding a Saturday or a Sunday or a public holiday on which banks are generally open for business in London
"Capita Registrars"	a trading company of Capita IRG plc
"Cazenove"	Cazenove & Co. Ltd
"CET"	Central European Time
"Combined Code"	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and contained in the Listing Rules (as amended)
"Companies Act" or "Act"	the Companies Act 1985 (as amended)
"Company" or "Group 4 Securicor"	Group 4 Securicor plc, registered in England and Wales with number 4992207
"Contribution"	the transfer of all of the shares in Group 4 Holding A/S held by Group 4 to Group 4 Securicor Holdings Limited in consideration for the issue of shares by Group 4 Securicor Holdings Limited to Group 4
"Court Meeting"	the meeting of Securicor Shareholders convened by the High Court under section 425 of the Companies Act to approve the Scheme
"CREST"	a relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755)) in respect of which CRESTCo Limited is the operator (as defined in those Regulations)
"Danish Listing Particulars"	the Danish translation of this document and certain additional information relevant to the Danish market prepared by the Company and to be approved by the Copenhagen Stock Exchange in connection with the application for the Group 4 Securicor Shares to be admitted to listing and trading on the Copenhagen Stock Exchange
"Danske Bank"	Danske Bank A/S

"Demerger"	the full statutory demerger under Danish company law of Group 4 Falck as described in paragraph 1 of Part 2 of this document
"Demerger Agreement"	the agreement relating to the Demerger of Group 4 Falck
"Demerger Plan"	the demerger plan prepared by Group 4 Falck in accordance with section 136 cfr. 134a of the Danish Companies Act and published on 28 May 2004
"Deutsche Post"	Deutsche Post AG
"Directors"	the directors of the Company from time to time
"Distribution Agreement"	the distribution agreement between Securicor, Securicor Group, Deutsche Post and the Joint Venture Company as described in paragraph 14 of Part 9 of this document
"Distribution JV"	the Joint Venture Company and its subsidiaries
"DKK"	Danish Kroner
"Effective Date"	the date on which the Merger becomes effective and which is currently expected to be 19 July 2004
"Facilities Agreement"	the facilities agreement entered into by Group 4 Securicor dated 1 June 2004
"Falck"	Falck A/S
"Falck Shares"	the ordinary shares of DKK1 in the share capital of Falck
"Global Solutions business"	the global outsourcing business of Group 4 Falck held by GSL which was agreed to be sold on 25 May 2004
"Group" or "Group 4 Securicor Group"	Group 4 Securicor plc, its subsidiaries and associated undertakings including the businesses carried out by such entities (assuming that the Merger has become effective)
"Group 4"	Group 4 A/S
"Group 4 Shares"	the ordinary shares of DKK5 each in the share capital of Group 4
"Group 4 Falck"	Group 4 Falck A/S
"Group 4 Falck EGM(s)"	the extraordinary general meeting(s) of the shareholders of Group 4 Falck
"Group 4 Falck Group"	Group 4 Falck, its subsidiaries and associated undertakings including the businesses carried out by such entities
"Group 4 Falck Shares"	the ordinary shares of DKK5 each in the share capital of Group 4 Falck
"Group 4 Falck Shareholders"	holders for the time being of Group 4 Falck Shares
"Group 4 Falck Share Register"	the register of shareholders of Group 4 Falck
"Group 4 Securicor Group" or "Group"	Group 4 Securicor plc, its subsidiaries and associated undertakings including the businesses carried out by such entities (assuming that the Merger has become effective)
"Group 4 Securicor Shareholders"	holders for the time being of Group 4 Securicor Shares

"Group 4 Securicor Share Register"	the register of members of Group 4 Securicor
"Official List"	the Official List of the UK Listing Authority
"Group 4 Securicor Shares"	the ordinary shares of 25 pence each in the share capital of Group 4 Securicor
"Group 4 Securicor Share Schemes"	the Group 4 Securicor Performance Share Plan, and the Group 4 Securicor Share Incentive Plan
"Group 4 Securicor Holdings Limited"	Group 4 Securicor Holding Limited a recently incorporated UK company whose registered number is 5026978
"Group 4 Shareholders"	holders for the time being of Group 4 Shares
"GSL Group"	Global Solutions Limited, its subsidiaries and associated undertakings including the businesses carried out by such entities
"High Court"	Her Majesty's High Court of Justice in England and Wales
"Joint Venture Company"	Securicor Omega Holdings Limited
"Listing"	the listing of the Group 4 Securicor Shares on the Official List
"Listing Particulars"	this document
"Listing Rules"	the listing rules of the UK Listing Authority
"London Stock Exchange"	London Stock Exchange plc
"Merger"	the Merger of Securicor and the security business of Group 4 Falck in accordance with the terms of the Merger Agreement
"Merger Agreement"	the agreement dated 24 February 2004 between Group 4 Falck and Securicor relating to the Merger, as amended
"Morgan Stanley"	Morgan Stanley & Co. Limited in respect of the listing of Group 4 Securicor Shares on the London Stock Exchange and Morgan Stanley & Co. International Limited in respect of the listing of Group 4 Securicor Shares on the Copenhagen Stock Exchange
"Nomination Committee"	the nomination committee of Group 4 Securicor
"Official List"	the Official List of the UK Listing Authority
"Recommended Offer"	the recommended share exchange offer under Danish law made by Group 4 Securicor for the Group 4 Shares as described in paragraph 1 of Part 2 of this document
"Registrar"	Capita Registrars
"Remuneration Committee"	the remuneration committee of the Company
"Re-organisation"	the re-organisation of the businesses and assets of Group 4 Falck in preparation for the Demerger undertaken in accordance with the Transaction Steps
"Rescue and Safety"	the rescue and safety businesses of Group 4 Falck other than those in Israel and Slovakia
"Scheme"	the Securicor scheme of arrangement pursuant to section 425 of the Companies Act
"Scheme Effective Time"	means the date on which the scheme becomes effective, currently anticipated to be 19 July 2004

"SEC"	the United States Securities and Exchange Commission
"Securicor"	Securicor plc
"Securicor EGM"	the extraordinary general meeting of Securicor Shareholders in connection with the Scheme
"Securicor Group"	Securicor, its subsidiaries and associated undertakings, including the businesses carried out by such entities
"Securicor Scheme Circular"	the circular to Securicor Shareholders dated 4 June 2004 relating to the Scheme
"Securicor Shareholders"	holders for the time being of Securicor Shares
"Securicor Shares"	the ordinary shares of $5\frac{15}{17}$ pence each in the capital of Securicor
"Securicor Share Register"	the register of members of Securicor
"Securicor Share Option Schemes"	the 1996 Securicor Executive Share Option Scheme, Securicor Executive Share Option Scheme and the 1999 Securicor Sharesave Scheme
"Securicor Share Schemes"	the Securicor Share Option Schemes and the Securicor 2003 Performance Share Plan
"Security Business"	the security business of Group 4 Falck as well as the Rescue and Safety businesses of Group 4 Falck in Slovakia and Israel
"Sponsors' Agreement"	the agreement between Group 4 Securicor, Group 4 Falck, Securicor, Cazenove, Morgan Stanley and UBS and dated 4 June 2004
"Transaction Steps"	the transaction steps set out in Schedule 3 of the Merger Agreement
"UBS"	UBS Limited
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the Financial Services and Markets Act 2000
"US Exchange Act"	the United States Securities Exchange Act of 1934, as amended
"US Person"	a US person, as defined in Regulation S under the US Securities Act
"USPP Notes"	(a) the $86,000,000 4.79% series A senior unsecured notes due 15 October 2010; (b) the $239,000,000 5.45% series B senior unsecured notes due 15 October 2013; and (c) the $75,000,000 5.55% series C senior unsecured notes 15 October 2015, issued pursuant to the terms of a note purchase agreement dated 15 October 2003 between Group 4 Falck and others
"US Securities Act"	the United States Securities Act of 1933, as amended
"US", "USA" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"VP"	Værdipapircentralen A/S, the Danish clearing system

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