

Group 4 Securicor plc

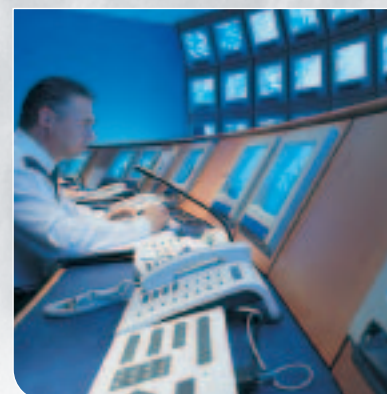
Annual Report and Accounts 2004

A World of Security Solutions



Group 4 Securicor

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providing security solutions...

We operate through a number of key guiding principles:

- > We always focus on the needs of our customers
- > We are experts in security solutions and know what makes a difference
- > We have absolute integrity in everything we do
- > Our customers get the service they demand
- > Our business gets the profit performance it requires
- > Our staff are proud to be part of the organisation
- > Our shareholders get the returns they desire

Our Vision & Values

> **Our vision** – to be recognised as the global leader in providing security solutions.

> **Our values model**



> **Our values** focus clearly on customers. Integrity runs throughout our operation and by employing and developing the best people in the industry, we can use our security expertise to develop solutions to customers' needs. This enables us to drive performance – service performance for customers and financial performance for the organisation and its shareholders.

Business Highlights

Creating Shareholder Value



February 2004

Group 4 Falck and Securicor announce merger to create global leader in security solutions

May 2004

European Commission approves the proposed merger on the condition that Group 4 Falck Cash Services UK (Scotland), Securicor Luxembourg and Falck Security in The Netherlands are divested

July 2004

Group 4 Falck completes sale of GSL

On 20 July Group 4 Securicor shares begin trading on the London and Copenhagen stock exchanges

September 2004

Group 4 Technology acquires HISEC, a Copenhagen based designer and manufacturer of intruder alarm equipment and systems components

October 2004

Group 4 Securicor's UK Justice Services business wins three new electronic monitoring contracts in England and Wales

February 2005

Securicor International Valuables Transport acquires OneService, a California-based shipper of diamonds and jewellery

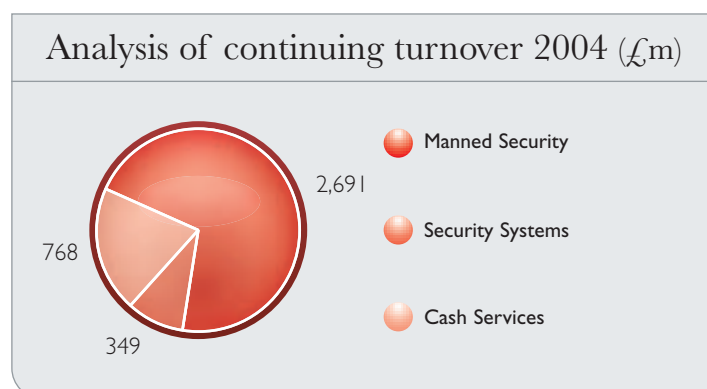
March 2005

The divestments of Securicor Luxembourg and Group 4 Falck Cash Services UK are completed

Securicor Canada acquires Universal ATM Services, an Ontario-based provider of cash logistics and ATM services

Financial Highlights

Pro forma for the combined business



Organic growth of **6.2%**

Group turnover of continuing businesses up **2%** to £3.81 billion¹

EBITA of continuing businesses up **10%** to £216.5m²

Operating cash flow **102%** of operating profit

¹ 7% at constant exchange rates

² 16% at constant exchange rates

Statutory Profit and Loss summary

	2004 £m	2003 £m	% increase
Turnover	3,174	2,570	24
EBITA of continuing businesses	166.4	113.9	46
Normalised EPS ¹	9.7p	8.0p	21
Dividend	1.85p	0.46p	302

2004 includes 12 months of Group 4, but Securicor from 20 July only. 2003 comprises Group 4 only

¹ Earnings per share before goodwill amortisation, discontinued operations and exceptional items

Reconciliation of pro forma to statutory figures

	£m
Pro forma EBITA of continuing businesses	216.5
Less pre merger Securicor EBITA	(50.1)
Statutory EBITA of continuing businesses	166.4
Discontinued activities	2.3
Goodwill amortisation	(49.8)
Interest, tax and minority interests	(73.6)
Exceptional items (net of tax)	(147.1)
Loss for the year	(101.8)

Group at a Glance

2004

Global Reach

A global leader in security solutions

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

NORTH AMERICA:
54,131 employees
Canada
United States

Pro forma continuing turnover by geography (£m) 2004/2003



Pro forma continuing EBITA¹ by business line (£m) 2004/2003



¹ EBITA before head office costs

EUROPE:
112,702 employees

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

MIDDLE EAST:
11,883 employees

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

ASIA / PACIFIC:
98,133 employees

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

AFRICA:
56,503 employees

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

CENTRAL / SOUTH AMERICA:
26,607 employees

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

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

The number of employees shown in each of the regions above is the pro forma average number for 2004 and excludes head office staff

Our People

Leading through *our* People

Group 4 Securicor has over 360,000 employees and our success depends on their commitment and competence. To be a global leader we have adopted strategies that will ensure our people can face the many challenges ahead.



Irene Cowden
Group Human Resources
Director

Irene Cowden is Human Resources Director of Group 4 Securicor, having previously been appointed to the Securicor plc board in August 2002. She joined the Securicor group in 1977 and held senior management appointments specialising in employee relations, compensation and benefits, and organisation development.



We have a clear strategy to ensure that the organisation derives maximum value from its people in pursuit of the group's vision and objectives. The strategy states that "we will recruit and develop the best people in the industry to help create an environment in which they are able to develop their potential and feel motivated to deliver excellent performance for our customers and shareholders".

As a global leader we believe that our people bring to the business a depth of cultural diversity which is unprecedented in the security industry. This level of diversity is a great strength for Group 4 Securicor and we are continually learning from each other and sharing best practices across the world. With over 90% of our employees working outside the UK, they face a range of issues including differing phases of market development, differing legislation and unique customer needs.

To ensure that our people are able to meet these challenges wherever they operate in the world, we adopt a performance management culture throughout the organisation, supported by systems and processes

to ensure that our people remain close to their customers, can make quick and sound decisions and are fully accountable for their actions.

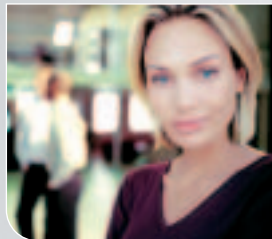
Our vision and business model demand exemplary leadership with global frameworks which are developed and applied to local markets. To ensure that we continue to develop strong leaders throughout our businesses, we have introduced a leadership programme through which we can grow our in-house talent.

This programme provides an accelerated pathway for those employees with high potential to develop their leadership skills, thus enabling them to progress rapidly to senior management positions.

The leadership programme has been designed using best practice examples from global organisations, adapted to address our unique needs. Each part of the programme is designed around our business model and business lines in ways that enable participants to gain real-time experiences of the challenges in all areas of our business.

We recognise that having good leaders is only one part of running a successful business; we know that we need to ensure that all of our people feel committed to delivering excellent customer service and feel proud to work for the organisation. In order to ensure that our front-line employees fully understand our vision and values, we use a wide variety of channels to communicate and consult with them including newsletters, team briefings and intranets.

The wellbeing, physical security, pay and other conditions of our staff lie at the heart of what we believe in. As a global company, we work with over 60 unions and with staff representatives and employees to ensure that we operate in the best interests of our customers and employees. Indeed, we have higher levels of union membership in our companies throughout the world than the industry norm and are proud of our productive relationships with employees and their representatives.



Chairman's Statement

The merger of Securicor and the security businesses of Group 4 Falck was completed on 19 July 2004.

The proposed merger was first announced in February 2004 and it was completed within five months, a huge tribute to the commitment and determination of those within Securicor and Group 4 Falck who worked on the transaction, and to the efficiency and professionalism of the various teams of professional advisers. I thank them all for their hard work.

This first set of published results of Group 4 Securicor is unfortunately not straightforward, due to the merger having taken place mid-year. In accounting terms, Group 4, which was what remained after the Falck businesses were demerged from Group 4 Falck at the same time as the merger with Securicor, is treated as having acquired Securicor, and thus the statutory results of the group for 2004 include a full year's trading of the security businesses of Group 4 Falck but, in respect of the Securicor businesses, only the trading from 20 July (the first day the Group 4 Securicor plc shares were listed) to 31 December 2004. As this would give an incomplete picture of the trading in 2004 of all the businesses comprised in the new group, we have included on pages 43 and 44 unaudited pro forma financial information. This shows what the results would have looked like if the merger had been completed at the beginning of the year and will thus act as a more useful indicator of likely future performance.

Results

The figures I refer to in this section are taken from the pro forma financial information for the reason stated above.

Profit before interest, taxation, amortisation and exceptional items was £218.9m, derived as to £154.5m from manned security, £28.6m from security systems, £59.6m from cash services and £2.4m from discontinued operations, less head office costs of £26.2m. The overall profit margin on sales from continuing business was 5.7%. Organic turnover growth was 6.2%.

Dividend

The directors recommend a final dividend of 1.85p or DKK 0.1981 per share, payable on 12 July 2005.

Board changes

It was stated at the time of the merger that I would retire in September 2005 and that my successor as chairman would be appointed on the recommendation of the company's Nomination Committee. It was further announced that Nick Buckles would succeed Lars Nørby Johansen as chief executive at the appropriate time.

The board has determined that, with the businesses performing well, integration on track and the new management team working together successfully, Nick Buckles should assume the chief executive role this summer. It has therefore been agreed that Lars Nørby Johansen will step down as chief executive and leave the board after the annual general meeting on 30 June.

Lars was one of the main architects of Group 4 Securicor. I have, as chairman, found him a most inspiring and visionary chief executive and it has been a privilege to work with him. His creativity is outstanding and is envied by many. He leaves the company in a healthy and prosperous position and we wish him continued success in whatever he decides to do in the future.

Colin Sharman, joint deputy chairman and senior independent director, has already announced that he too will step down from the board later this year. He has a number of other high-profile directorships and feels it is impossible to do adequate justice to them all. He will be missed. I thank him warmly, in particular for his help with the merger negotiations, and we all wish him well for the future.

Given the changes referred to above, the board believes that it would be beneficial for me to remain on the board for longer than was originally envisaged and they have asked me to stay, as chairman, until the annual general meeting in June 2006. The board has agreed, following a recommendation from the Nomination Committee, that I should then be succeeded as chairman by Alf Duch-Pedersen who is one of the two deputy chairmen. Alf was a non-executive director of Group 4 Falck from 2000 until the merger and he is currently chief executive of the Danish company, Danisco A/S, a position from which he will retire in August 2006.

I am delighted that Grahame Gibson became an executive director on 1 April 2005. Grahame joined Group 4 in 1983, since when he has enjoyed a wide range of senior management experience within the security industry.

All the directors, except for Lars Nørby Johansen, are required to stand for election at the annual general meeting on 30 June 2005. Biographical details of the directors are on page 29.

Sir David Gore-Booth, who had joined the Group 4 Falck board in 2000 and then came onto the Group 4 Securicor board, died in October 2004 after a long illness. David was a colourful and forthright individual, extremely knowledgeable, and a fine contributor to the board.

Staff tributes

This group is all about people. Around the globe, our employees are our ambassadors – I am extremely proud of all of them, and grateful for their efforts. Many of them frequently have to work at unsocial hours, such is the nature of the security business. To all of them, I extend my best wishes and sincerest thanks for their friendship and support.

Future prospects

We have established a solid base for future development and we expect continued good progress in 2005.



Jørgen Philip-Sørensen
Chairman

A solid base

for

future
growth

“We have established
a solid base for future
development and we
expect continued good
progress in 2005.”



Jørgen Philip-Sørensen
Chairman

Chief Executive's Overview

There is no doubt that 2004 proved to be an interesting and challenging year in which our abilities in a number of key commercial areas were put to the test.

On 2 February 2004 we announced that Group 4 Falck A/S and Securicor plc were in merger talks which would result in the creation of Group 4 Securicor.

Creating Group 4 Securicor

During the period between the announcement and completion of the merger, a vast amount of work was undertaken.

- > An integration office was established which enabled us to plan the integration of the organisations in the utmost detail without sharing sensitive customer data
- > Synergy benefits resulting from the merger were carefully identified, reviewed and refined through our internal processes and an independent external audit
- > Key positions within the organisation were defined and individuals to take up those roles, throughout the businesses and at board level, were identified and agreed
- > The merger detail was presented to the European Commission and conditions for approval of the transaction were agreed
- > GSL, Group 4 Falck's outsourcing business, was divested
- > Falck A/S, Group 4 Falck's safety business, was de-merged and listed separately on the Copenhagen Stock Exchange
- > The relevant shareholder approvals were obtained to enable the transaction to be completed
- > Extensive employee communications programmes were established to ensure that staff were kept informed during every stage of the process
- > Group 4 Securicor was created

At the same time we continued to focus on the key business issues to ensure that we entered into the merger in the best possible condition.

Commitment to stakeholders

When Group 4 Securicor was established, there were a number of key commitments made to our stakeholders:

The merger would create a global leader in the provision of security services – our organisation operates in more than 100 countries, a geographic footprint which is unrivalled in our industry.

As a result of the transaction we would provide consolidation in a number of key markets which would enable us to deliver on our internal cost synergies.

By applying the Group 4 Falck security systems expertise across the wider geographic footprint, we would be better placed to provide integrated security solutions in line with future demand.

By using the expertise of Securicor's market-leading cash services businesses across the wider group, we would improve performance and drive growth as well as make substantial cost savings.

Our combined platform across emerging markets provided us with a unique market position through which we would be able to support the growing needs of our international customer base.

Delivery of our targeted £30 million of synergy benefits would provide a significant margin improvement.

Facing up to our challenges

All of the preparation which took place during the period after the initial merger announcement was essential in enabling us to achieve the merger plan and to focus on customer needs during a period of significant change.

I am pleased to report that our customer retention remained high during 2004 as we concentrated on customer service and keeping our customers informed throughout the process.

The workforce has remained highly motivated and we have made good progress in building on our existing strong relationships with employees and their representatives.

We were pleased to have achieved the divestment of the Securicor business in Luxembourg and the Group 4 Falck cash services business in Scotland, which was one of the conditions of the merger approval from the European Commission. We hope to conclude the divestment of the Group 4 Dutch security business, another European Commission requirement, during the first half of 2005.

We exited 2004 slightly ahead of our integration and synergy delivery plan and remain confident that we will achieve the majority of our published synergy target of £30 million per annum in 2005.

There remain a few geographic gaps in our global footprint, namely Iberia, Latin America and Australia. We aim to fill these gaps in the future through strategic, value-enhancing acquisitions.

Overall we have performed strongly in 2004, despite the potential distractions of the merger and the integration of the businesses. There are still some challenges ahead, but there are also some great opportunities for us to continue to develop our global position as a leading provider of security solutions.

Delivering on our promises

On 14 March 2005 we announced that the CEO succession, which we had planned during the merger process, would take place at the end of June when I will step down from the Board of Group 4 Securicor and Nick Buckles will take over as CEO.

When I look back, I am proud of what we have achieved in a very short space of time through the commitment and hard work of everyone in the organisation. Looking to the future, I am certain that Nick and the management team have the experience, capability and determination to deliver on our promises and we can look forward to the remainder of 2005 and beyond with high expectations and the confidence that the organisation will achieve its goals.

I've enjoyed my time in the security industry and specifically as CEO of Group 4 Falck and then Group 4 Securicor. I know that the business is in safe hands and wish my colleagues all the very best for the future.



Lars Nørby Johansen
Chief Executive Officer

Unrivalled
geographic
footprint

“Our customer retention remained high during 2004 as we concentrated on customer service and keeping our customers informed throughout the integration process.”



Lars Nørby Johansen
Chief Executive Officer

Operating Review

The new group is large and spans many countries around the world. This can provide challenges for developing the business, but we believe the key to success is a combination of strong central direction and good local management, with just the right level of processes and controls to ensure that we have detailed plans in place and that business performance against those plans is reviewed regularly.

It is our philosophy that, whilst the corporate centre sets the overall strategy, targets and frameworks in which the businesses operate, it is important for each business to develop and apply those principles in a way which is appropriate for the local market conditions. Our managers are experts in understanding local issues and adapting their plans to achieve the best possible performance.

The fundamentals of our strategy start with **our people**. Ensuring that we have the right people in the right job may sound very basic, but in our industry it is essential. They should be experts in their particular sector of the security industry and their local markets and have the leadership and management skills to drive the business forward. They should also be incentivised to focus on the aspects of the business which really matter and drive growth and margin improvement.

The culture of the organisation has to be right, as the way we do business differentiates us in the eyes of customers and employees. We want customers to be more than satisfied with the service we provide and we aim to develop long-term mutually beneficial partnerships with them. We also want employees to feel proud to be part of the organisation and we do everything we can to help drive this feeling throughout the business units.

We develop detailed **strategies and plans** which set clear goals and milestones to drive the business towards its targets and form the basis for future

review. This also ensures that we assess the risks to our business and have contingency plans in place to mitigate those risks.

Processes are in place to support divisional initiatives where they can be of benefit to a number of business units – these cover areas such as security and operational procedures, market segmentation and pricing. Our divisional business line structure enables us to develop and spread best practice throughout the group and to learn from developments in different markets.

We conduct regular **reviews** where we assess operational, financial and personal performance to ensure that the businesses objectives are on track. They also enable us to take appropriate action at the right time should any issues arise.

With this balance of central direction and review combined with local expertise and entrepreneurship, we are confident that the business will continue to deliver on its targets to the benefit of all its stakeholders. I am proud to be part of the organisation and am excited about what the future holds for the group.



Nick Buckles
CEO Elect



Security Solutions
for the
future

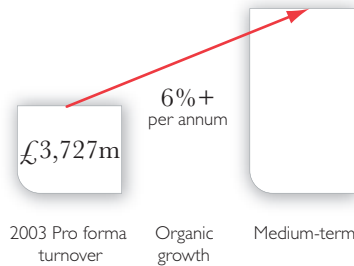
Group 4 Securicor Targets

When Group 4 Securicor was created, we set some challenging but achievable medium-term targets in a number of areas, including organic growth, profit margin and cost savings (synergies) associated with the merger. We aim to achieve these targets within 2-3 years.

Organic growth

The organic growth target represents a blended rate of 6% per year. 2004 growth was 6.2% due to some exceptional growth in New Markets and the US.

Overall organic growth targets



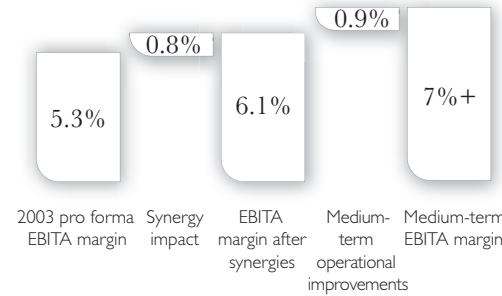
On a business line basis, the range of organic growth targets is from 5% for Manned Security in North America & Europe, up to 15% for Justice Services.

Business Line	Organic Growth Target
Manned Security North America & Europe	5%+
Manned Security New Markets	10%+
Security Systems	8%+
Cash Services	8%+
Justice Services	15%+

Profit margins

In 2003 we achieved a pro forma profit margin of 5.3% overall. The synergies which will be achieved as a result of the merger are expected to increase profit margins by 0.8% with a further 0.9% coming from operational improvements, giving an overall medium-term EBITA margin target of 7%+.

Overall profit margin targets



Profit margin targets (before group costs) can also be further broken down on a business line basis as follows:

Business Line	Margin Target
Manned Security North America & Europe	6%+
Manned Security New Markets	6%+
Security Systems	10%+
Cash Services	10%+
Justice Services	10%+

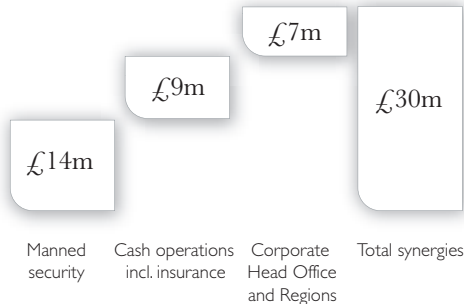
Integration and synergies

Part of the rationale for bringing together Securicor and the security businesses of Group 4 Falck was the potential for synergies across the businesses. Following a detailed review of the organisations and a substantial audit process, we identified £30 million in cost savings spread across the businesses, which would represent a 0.8% improvement in group EBITA margin. These targets were announced in June 2004.

The majority of these savings were to be made at the corporate, regional and business unit head office level, with the impact on operational staff being minimal. Integration of the organisations has gone very well to date, with some significant milestones being achieved:

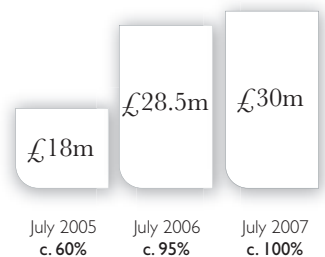
- New management structures were in place very quickly after the merger was completed
- The cultural integration of the two companies has been successful
- The new group headquarters opened in September 2004 in the UK
- The group financial systems consolidation was completed early in 2005
- The Copenhagen head office closed in February 2005
- Integration of the major business units has gone very well
- Customer and employee retention has remained high throughout the integration process
- "Business as usual" focus has continued in those businesses not integrating – representing 80% of the group

Synergy targets



When the synergy targets were announced, we expected to achieve the total benefit within three years after the merger completion in July 2004, with the majority being achieved within two years. The phasing for annualised savings is shown in the chart opposite:

Planned synergy timings



When we presented the 2004 preliminary results on 14 March 2005, we were pleased to announce that we were ahead of our phasing plan for achieving the synergy targets and that we expected to achieve the full £30 million run-rate, ahead of our plan, by the end of 2005. The actual effect in the 2004 calendar year was approximately £2.5 million and it is expected to be £18 million in 2005.

Operating Review

Manned Security

The provision of manned security services to customers, including governments, public authorities, commercial companies and retailers. Services include traditional guarding and reception duties, aviation security, event security, risk management, mobile patrol and response services and justice services. The latter services include the custody and rehabilitation of adult and juvenile prisoners, electronic tagging and monitoring of offenders, prisoner escorting and immigration services.



Hans Bennetzen
Divisional President
Security Services
Europe

Hans is Divisional President of Security Services Europe for Group 4 Securicor having been Group COO at Group 4 Falck from 2000. He 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. In 1998 he became Senior Vice President and MD of Group 4 Securitas (Northern Ireland) and later added Managing Director of Group 4 Securitas (Belgium) to his responsibilities. In June 1998 he became Senior Vice President responsible for Belgium, The Netherlands, Luxembourg, Canada and Morocco.



Grahame Gibson
Divisional President
Security Services
Americas & New Markets

Grahame is Divisional President of Security Services Americas & New Markets for Group 4 Securicor having been with the Group 4 Falck group since March 1983 and holding the position of Group COO at Group 4 Falck from 2000. Formerly he 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, Group Vice President (Finance and Administration) from 1992 to 1996 and Vice President Operations (Central & South Eastern Europe and UK) from 1996 to 2000.



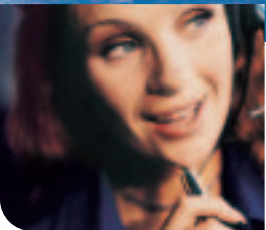
Focus: *Security Services* *Americas & New Markets*

The Wackenhut Corporation have been providing security services to Bank of America since 1993 when they won a tender process from a customer trying to rationalise from contracting with 27 different security suppliers. The contract has grown over time to become Wackenhut's single largest commercial contract, employing over 2,400 full-time employees across 30 states.

Over the course of the contract Bank of America and Wackenhut have, together, implemented several pioneering initiatives designed to lower robbery rates. One of these came from research which concluded that having police officers or security guards inside a bank only moved the risk of violence inside the building and that it was better to have an armed, uniformed officer stationed outside the bank branch. Wackenhut employees now serve as this highly visual deterrent to would-be robbers, coping with the extremes of weather that come from being stationed outside.

Another innovation is the use of Wackenhut bank protection officers (BPOs), armed officers who are highly qualified, trained in the use of weapons and who wear a distinctive uniform. The BPO programme and its deployment was the "brainchild" of Bank of America and Wackenhut. Law enforcement interviews with apprehended bank robbers have confirmed BPO appearance and placement as reasons why Bank of America locations were not targeted.

The fact that Wackenhut remains the sole provider of security services to Bank of America after 12 years can be attributed to the excellent service provided by the dedicated Wackenhut team and the strong partnership that exists between the two organisations.



Manned Security Key Financials – 2003/04*

Turnover and profit margin performance

	Turnover*** £m		EBITA† £m		Profit margins	
	2004	2003	2004	2003	2004	2003
At constant exchange rates						
Europe**	1,307.7	1,261.0	75.4	70.6	5.8%	5.6%
North America**	1,002.6	920.7	53.1	48.8	5.3%	5.3%
New Markets	380.1	330.9	26.0	24.0	6.8%	7.4%
Exchange differences		154.7		8.9		
At actual exchange rates	2,690.4	2,667.3	154.5	152.3	5.7%	5.7%

† includes associates ** includes Justice Services *** excludes share of joint ventures

Organic growth 2004

Europe	North America	New Markets	Total
3.7%	7.2%	9.9%	5.8%

* Pro forma

Manned Security continued...



Market positions

Across the manned security division, we have some strong market positions in key regions.

Region	Market Position Manned Security	Market Position Justice Services
UK	1	3
Scandinavia	2	–
Germany	2	–
Netherlands	1	1
Belgium	1	–
France	2	–
Central and Eastern Europe	1	–
North America	2	3
Middle East	1	–
Asia	1-2	–
Latin America	2	–
South Africa	1	–

Group 4 Securicor trading in 2004

Europe

In the **UK**, our largest manned security business in Europe and the second largest within the group, we achieved organic turnover growth approaching 4% in 2004 which was very strong given that management were also focusing on integration of the two UK security businesses. The integration of the operational systems was completed on 7 March 2005 which was a major milestone in the integration programme.

At the same time, this business also had to plan for the implementation of new security industry regulation which would involve extra training and licencing of staff across the company. These licences are being awarded throughout 2005 and will be compulsory for UK security staff in 2006.

Customer retention was strong in the UK security business throughout 2004 at approximately 88%. There was growth in existing contracts and some new business wins which helped to generate a small margin improvement over 2003.

The business is not expected to grow substantially in 2005 as we continue to manage the integration process and implement the licencing and training requirements of the UK Security Industry Authority.

We had planned to integrate the two security businesses in **The Netherlands** but the European

Commission approval for the overall merger required divestment of the Group 4 Falck security company. Separating this business proved to be a complex exercise for the Dutch management team towards the end of 2004.

The Dutch market remained difficult throughout 2004, but we did see some improvements towards the end of the year and into the early part of 2005. Turnover in 2004 was slightly below the performance in the previous year, but profit margins were maintained.

In our other key businesses in Europe, the performance of the security business in **Germany** improved, with greater focus on price increasing in a market in which this has historically been difficult. Good direct cost and overhead control, coupled with implementation of the integration programme, meant that our planned cost savings began to come through towards the end of the year.

In **France** we had very strong double digit profit growth, some very good contract wins and improved margins overall.

For reporting purposes, the **UK Justice Services** business forms part of the European manned security division. In this business we achieved a very strong profit performance in the final year of the first national electronic monitoring contract.



Focus: *Security Services Europe*

Security at Schiphol Airport, Amsterdam, is very strictly controlled as at any major international airport. Schiphol deploys 2,400 private security operatives, the majority of these (1,800) being supplied by Falck Airport Security, part of Group 4 Securicor.

Head of Security at Amsterdam Airport Schiphol, Ron Louwse comments: "As a private company, Schiphol has a statutory role to fulfil and hires in private security companies to implement this, under the supervision of the Royal Military Police. The Dutch Ministry of Justice sets the rules, based largely on the EU Regulation of 2002".

Falck Airport Security performs the checks on passengers and crew in two of the three departure halls, in addition to fulfilling a number of specialist security tasks. Profile agents interview the passengers on high-risk flights and inspect their travel documents. 'Apollo agents' also provide security for the aircraft in the case of high-risk flights. In addition, Falck Airport Security inspects all registered baggage.

Group 4 Securicor is active at many airports throughout the world and is constantly updating its knowledge of the latest technologies and developments in the area of airport security. Ron Louwse states: "This is one of the reasons why we decided to call in Falck Airport Security. Their international dimension enables the firm to contribute knowledge and know-how."

Ron Louwse continues: "I think we can be satisfied with the way we provide security at Schiphol with Falck Airport Security, ICTS-NAS and the Royal Military Police. This does not mean, however, that we do not continuously strive to improve security still further."

We have also commenced a new immigration contract which will be implemented fully by May 2005 and we were successful in winning three of the five new areas for electronic tagging and monitoring of offenders – a new UK contract commencing in April 2005 which expands our UK market share to 60%.

Elsewhere in Europe, the performance of the security business in **Sweden** was disappointing. We have made a number of management changes and have started to see the first signs of an improved performance.

Our businesses in **Ireland, Luxembourg, Greece** and the **Baltic States** delivered double digit growth and in **Belgium** there was improved growth and an improved profit performance.

North America

In North America, **Wackenhut** performed very strongly in 2004 with organic growth of around 11% in a very competitive market. Profit margins were maintained overall in line with 2003, despite the company taking on a large amount of new business, which generated some start-up costs.

Employment and healthcare-related costs continued to be high but manageable in 2004. In 2005, we will focus on achieving our price increase targets to cover these growing costs. Growth in Wackenhut is expected to continue at above the rate of GDP, but we do not expect it to be as high as the levels achieved in 2004.

In **Cognisa**, turnover has reduced overall, but we have seen good growth in the transportation segment. The business continues to operate at a slight loss and we expect it to remain at that level in 2005.

In **Canada**, a large aviation security contract was lost during the year, so overall organic growth was negative. There has been good growth in the non-aviation sector and the business is performing well overall.

New Markets

In New Markets (those outside North America and Europe) we achieved our target of 10% organic growth. The largest manned security business in the region is in **South Africa**, where we had a number of issues in 2004 including the loss of some large contracts and the defection of some of the senior

management. There was also a higher than expected statutory wage award and a delay in commencing the integration programme. Most of these issues have now been addressed and the performance of this business is expected to improve.

Elsewhere in New Markets there was good growth in **India, Kuwait, United Arab Emirates** and **Kazakhstan** and throughout most of the small businesses in developing markets.

In **Asia**, despite some deflationary economies within the region, we achieved good growth and margin improvements.



We believe that security markets develop through different phases and at each phase the market characteristics and therefore the services provided will change. As we move through the phases in any of the business lines, the services provided become more complex and demanding, leading in most cases to customers outsourcing large areas of their business to security services providers.

There are opportunities in most markets to influence the speed at which markets develop and, with our global presence and strong reputation, we are able to assist in shaping this process.

<i>Manned Security – Market Development</i>				
Development Phases	Phase 1	Phase 2	Phase 3	Phase 4
Market Status	Fragmented market	Increased market concentration	Outsourcing and specialisation	Integrated security – manpower, systems and response
Services Provided	Static and mobile guarding	Guarding, mobile patrols, national coverage with some specialisation	Segmented services for large outsourcing contracts	Fully outsourced security function
Market Characteristics	Low margin Low regulation Highly competitive No industry association	Top 4 providers with combined 50%+ market share Segmental focus begins Low growth Price and gross margin management are key	Large outsourcing contracts Aviation and retail sectors defined Premium offering developed Some sales combined with systems Low risk outsourcing pilots take place in justice sector	Customer focus on security requirements at board level Risk/reward contracts Globally co-ordinated Outsourcing and partnerships in justice sector

Operating Review

Security Systems

The provision of a range of security systems, including the design, installation, maintenance and monitoring of intruder alarms, access control, CCTV and other security systems.

Market positions

Across the security systems division, we have strong market positions in Scandinavia, Central & Eastern Europe and the Middle East and are developing our businesses in most other European locations.

Two of our largest Scandinavian businesses in **Sweden** and **Denmark** showed little growth, but Denmark still had very strong profitability in the year:

Overall the margin progression in the security systems division can be attributed to a focus on contract profitability and introduction of key performance and productivity measures. It was also affected positively by a restructuring project which commenced in 2003.

Group 4 Securicor trading in 2004

Overall in security systems, profit margins grew by 2.2% in 2004 to 8.2%. Organic growth overall was 7.8% with new markets growing very strongly at almost 100%.

The business model for the security systems division, which we have introduced to all key markets, focuses on higher growth and more profitable sectors.

In Europe, we achieved good growth in **Norway**, **Germany** and **The Netherlands** and particularly in the **UK**, where the export of complex access control systems to the US was particularly strong.



Security Systems – Market Development

Development Phases	Phase 1	Phase 2	Phase 3	Phase 4
Market Status	Fragmented market	Increased market concentration	Integration of systems and devices	Full integration with overall facilities management solution
Services Provided	Stand-alone alarm systems	Larger systems with control centre connectivity	Networked and integrated devices with single control centre interface	Fully integrated electronic security systems with building management solutions
Market Characteristics	Low margin Small contracts Mainly small customers	Top 5 providers with combined 50%+ market share Medium margin from critical mass High recurring revenue from service and monitoring Large multiple site retailers and banks Price and convenience-driven	Larger and more complex contracts Segmented market demands Integration ability is key Relationships with consultants develop Some sales combined with manned security	Outsourcing of large and complex building systems Networking capability Partnerships with technology suppliers

Focus: *Security Systems*

In December 2004, Group 4 Securicor won the contract to provide CCTV at 12 of the European Parliament buildings based around three main sites in Brussels, Luxembourg and Strasbourg.

The solution is an advanced one, utilising the latest digital IP (Internet Protocol) technology which enables wireless, remote viewing of the CCTV cameras which will record the flow of visitors and employees around the Parliament buildings. The contract will include the monitoring of more than 900 cameras, on a secured private network, making it the largest such system in Europe.

Group 4 Securicor's electronic security systems experts are currently working closely with the customer to ensure a successful implementation of the contract in partnership with our CCTV and IT suppliers.

Security Systems

Key Financials – 2003/04*

Turnover and profit margin performance

At constant exchange rates	Turnover £m		EBITA [†] £m		Profit margins	
	2004	2003	2004	2003	2004	2003
Europe	317.9	306.5	25.5	18.3	8.0%	6.0%
North America	1.8	1.2	0.2	0.1	9.3%	11.7%
New Markets	29.5	14.4	2.9	1.0	9.7%	7.2%
Exchange differences		10.0		0.4		
At actual exchange rates	349.2	332.1	28.6	19.8	8.2%	6.0%

[†] includes associates

Organic growth 2004

Europe	North America	New Markets	Total
3.7%	50.8%	92.3%	7.8%

* Pro forma

Operating Review

Cash Services



Ken Niven
Divisional President
Cash Services

Ken is Divisional President of cash services for Group 4 Securicor having previously been UK Regional Managing Director for Securicor from 2001 and before that Managing Director of the UK cash services operation from 1998. He joined Securicor in 1996 following a successful earlier career within the logistics management industry where he held senior roles at Express Foods, Exel Logistics and Coca Cola.

The provision of a range of cash services including cash transportation, coin & cash management, ATM management and replenishment, and fully-outsourced cash centre management.

Market positions

Across the cash services division, we have some strong market positions in key countries.

Region	Market Position
UK	1
France	3
Germany	2
Sweden	2
Belgium	1
Netherlands	1
Poland	1
Finland	1
Canada	1
Central & Eastern Europe	1

Group 4 Securicor trading in 2004

In cash services, organic growth was 6.5% in 2004 which was driven by an exceptionally good performance in New Markets. Overall, margins improved from 7.6% to 7.8%.

Europe

In the European cash services businesses the overall margin reduced slightly compared to 2003, due mainly to a poor performance in Germany which was highlighted during the year.

The **UK** business continues to be our flagship cash services company and performed strongly. One of the key aspects of the second-half performance was a very strong improvement in customer service levels. Integration of the cash centres and the cash services businesses was completed in the year and the single entity is working well.

In partnership with Alliance & Leicester Commercial Bank, we commenced an end to end cash solution for Abbey, a major UK financial institution, and are also bidding to win further business in the financial institution outsourcing area.

Germany remains loss-making and growth has been flat. We have a number of major turnaround initiatives underway which, in conjunction with the integration of the two businesses there, should enable the business to break even in 2005.

The Netherlands performed strongly with double digit margins and good organic growth. This business started 2005 with a major contract win with ABN Amro.

Other businesses in Europe which have grown well are **France** and **Sweden**, but attack losses in both of these countries were a key issue in the final quarter.

Cash Services – Market Development

Development Phases	Phase 1	Phase 2	Phase 3	Phase 4
Market Status	Fragmented market	CIT market leadership with 40%+ market share	End to end cash management	Completed outsourced cash solutions
Services Provided	Basic cash in transit (CIT) provision	CIT, retail deposit processing and ATM services	CIT, ATM services (including cash forecasting and second line maintenance) and cash centre outsourcing	Fully outsourced cash solutions covering all aspects of the cash cycle
Market Characteristics	Low margin Little investment in IT or infrastructure Responding to customer demand	Sector based Market leadership position with 40%+ market share Financial institution and retail focus ATM replenishment and first line maintenance Planning for change	Regulated environment Central bank relationship ATM cash forecasting and second line maintenance Utility processing model – lowest cost	ATM network management Financial institution partnerships

Focus: *Cash Services Netherlands*

In 2004, the Group 4 Securicor cash services operation in The Netherlands, Geldnet, held a contract with ABN AMRO for the management of around 400 of the bank's ATMs along with other Self Service Machines such as night vaults and coin dispensers.

In December 2004, ABN AMRO offered Geldnet a more significant share of their outsourced ATM work, if Geldnet could commit to being able to begin servicing their entire ATM estate, consisting of 1,400 machines, within a month.

In order to ensure the business was able to implement this major increase within such a tight timescale, Geldnet formed a dedicated project team to plan the mobilisation. Thanks to an extremely efficient and well-planned operation and a high level of co-operation between the business and the customer, Geldnet managed to implement servicing of the additional machines within the agreed timeframe.



North America

In **Canada**, growth has been relatively slow, but there have been very strong margin improvements over the last two years through price increasing, improved efficiencies and better productivity management. Bolt-on acquisition opportunities in Canada will be essential in order to build up market share and critical mass.

New Markets

In New Markets we had very strong growth overall of over 30%, with new business start-ups and very good progress in key territories and margin improvements throughout the region. We had particularly strong performances in **Morocco, Malaysia, Hong Kong, Botswana** and **Kenya**.

Cash Services Key Financials – 2003/04*

Turnover and profit margin performance

At constant exchange rates	Turnover £m		EBITA [†] £m		Profit margins	
	2004	2003	2004	2003	2004	2003
Europe	635.1	604.3	44.7	46.4	7.0%	7.7%
North America	64.3	63.3	3.9	2.1	6.1%	3.4%
New Markets	68.5	44.8	11.0	6.2	16.0%	13.9%
Exchange differences		15.0		0.9		
At actual exchange rates	767.9	727.4	59.6	55.6	7.8%	7.6%

[†] includes associates

Organic growth 2004

Europe	North America	New Markets	Total
5.1%	1.5%	32.1%	6.5%

* Pro forma

Financial Review

Due to the merger that took place during the reporting period, our accounts are complex with both pro forma and statutory numbers. However they are brought together in the closing balance sheet.

Basis of accounting

On 19 July 2004, the security businesses of the former Group 4 Falck A/S ("Group 4") combined with Securicor plc ("Securicor") to become Group 4 Securicor plc. As explained in note 1 to the statement of accounting policies on page 51, the combination between Group 4 and Group 4 Securicor plc is accounted for as a merger and the combination between Group 4 Securicor plc and Securicor as an acquisition. The reported statutory results of the group for the year ended 31 December 2004 therefore include the full year of trading of Group 4 and the trading of Securicor from the date of acquisition. The 2003 comparative numbers are those for Group 4, translated from Danish Kroner into Sterling.

Also presented, on pages 43 and 44, is pro forma financial information, showing the combined turnover, EBITA and operating cash flow for the businesses now comprising the group for the full year to 31 December 2004, together with comparative figures for 2003. This pro forma financial information, which is unaudited, has been compiled to provide guidance for investors and analysts.

Except where otherwise stated, the analysis in this financial review is of the statutory results for the year to and the balance sheet at 31 December 2004.

Operating Results

The overall results are commented upon by the Chairman in his statement and operational trading is discussed in the Operating Review on pages 12 to 21.

Exceptional items

Exceptional charges in the year amounted to £183.6m. They comprised five elements: (1) a loss of £57.9m in respect of adjustments to the carrying value of assets arising from the harmonisation of accounting estimates and a balance sheet review across the newly combined group, (2) a goodwill impairment charge of £51.2m, (3) a provision of £34.5m for the anticipated loss on the disposal of security operations in The Netherlands as required by the European Commission, (4) restructuring costs of £37.2m following the combination of Group 4 and Securicor; and (5) business disposal costs of £2.8m. The total cash cost of these exceptional items will be £36m, of which £20m has already been incurred.

Acquisitions and goodwill

The major acquisition in the year, as explained in the basis of accounting above, was that of Securicor; the cost of which was £771.5m, comprising the issue of shares to the value of £710.4m and associated costs of £61.1m, and which generated goodwill of £703.1m. Other acquisitions, none of which were individually significant, cost £40.6m in total and generated goodwill of £43.6m. The contribution made by acquisitions to the turnover and profit of the group during the year is shown in note 1 on pages 54 to 56.

The charge for goodwill amortisation in the financial statements for the year to 31 December 2004 amounted to £49.8m. Goodwill included in the balance sheet as an intangible asset at 31 December 2004 amounted to £1,117.9m.

Disposals and discontinued operations

Disposals in the year, none of which were individually significant, gave rise to an exceptional loss of £2.8m.

Group 4's manned security operations in The Netherlands (with the exception of aviation security activities) are in the process of disposal and its cash services operations in Scotland were disposed of in March 2005. These disposals are required by the European Commission as a condition for their approval of the combination between Group 4 and Securicor. During the disposal process the group only has restricted control over these operations and in consequence their results have not been consolidated from 20 July 2004. The contribution to the turnover and profit of the group from discontinued operations as shown in note 1 on pages 54 to 56 includes the results of these businesses up to 19 July 2004.

The European Commission also required the disposal of Securicor's operations in Luxembourg, which was completed in March 2005, and in consequence its results have not been consolidated.

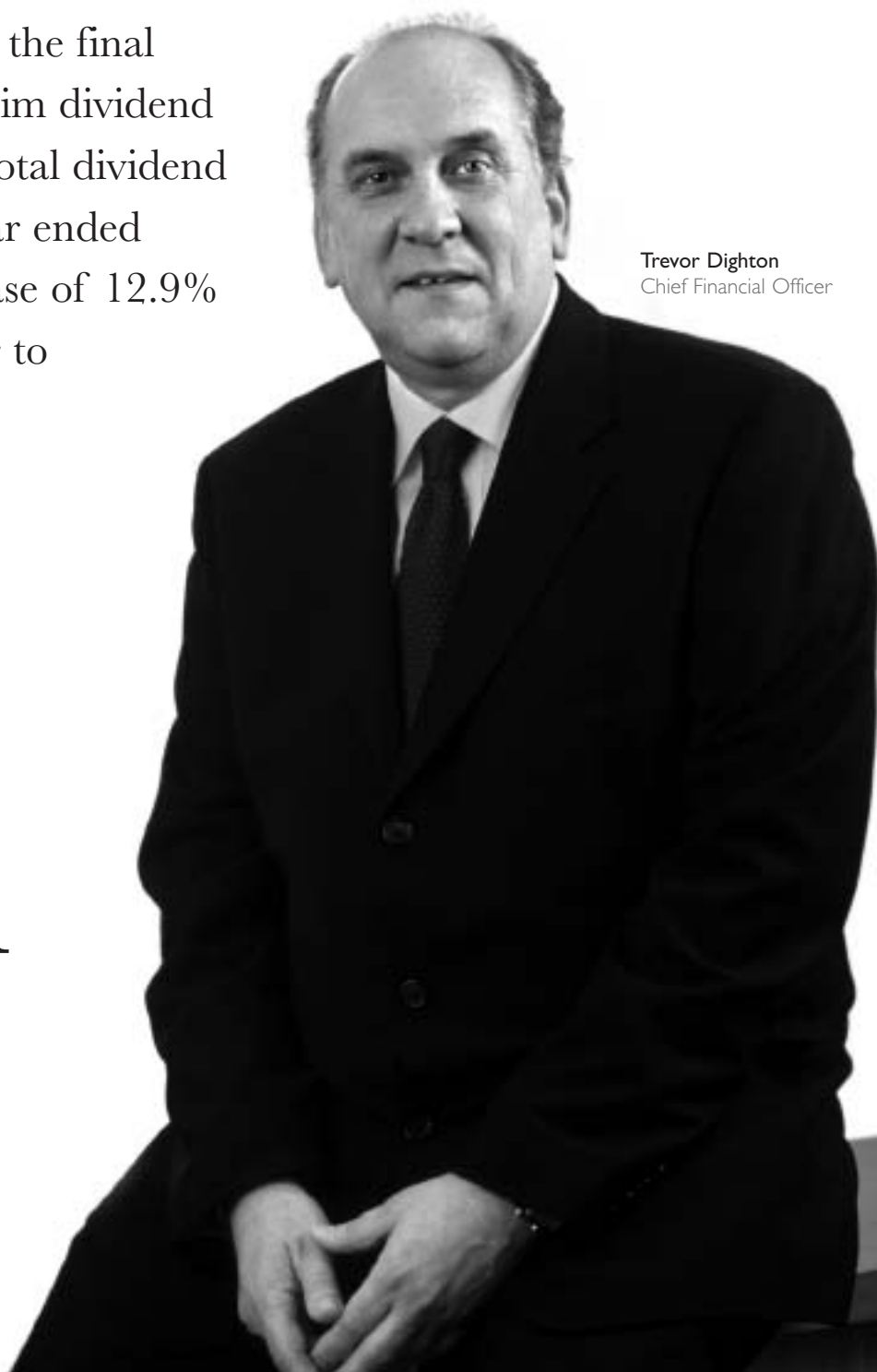
The contribution to turnover and profit from discontinued operations shown in the pro forma financial information for the year includes not only the results from the businesses included within discontinued operations in the statutory figures but also the results from Securicor's operations in Luxembourg up to 19 July 2004 and the results of other Securicor operations exited prior to the combination with Group 4.



“The directors recommend a final dividend of 1.85p per share. To former shareholders of Group 4 Falck A/S this represents approximately four times the Group 4 Falck A/S dividend paid for the year to 31 December 2003. For former shareholders of Securicor plc the final dividend, taken with the interim dividend of 0.86p per share, makes a total dividend of 2.71p per share for the year ended 31 December 2004, an increase of 12.9% over the dividend for the year to 30 September 2003.”

Trevor Dighton
Chief Financial Officer

Continued
growth



Financial Review continued...



Accounting standards

There are no new accounting standards applicable to the year to 31 December 2004. FRS 17 Retirement benefits is not fully mandatory until 2005. The disclosures required prior to full implementation are made in note 6 on pages 58 to 60 and pension fund valuation is discussed later in this review. Goodwill arising on acquisitions is capitalised and amortised over its useful economic life which is not expected to exceed 20 years. Provision is made for any impairment.

IFRS

As a group operating across the world we welcome moves towards the harmonisation of accounting standards, including the adoption of International Financial Reporting Standards by the European Union. We are required to report in accordance with these standards in 2005 and this reporting will include the restatement of 2004 results, subject to certain specified exceptions. We will re-present the 2004 results in accordance with IFRS in June. Both Group 4 and Securicor have had IFRS conversion projects in place since 2003 and we have identified the following as the significant areas of difference between our results as reported under current UK GAAP and as they will be reported in accordance with IFRS.

Business combinations

In accordance with IFRS 3 Business Combinations, goodwill arising from acquisitions will cease to be subject to an annual amortisation charge. It will instead be held on the balance sheet indefinitely, but subject to an annual impairment test of its recoverability based upon the cash flows of the business streams to which it relates. However, it is possible that certain intangible assets other than goodwill will be identified upon acquisition and subject to an annual amortisation charge. In the business-to-business service industry sector in which we operate the proportion of the intangibles on acquisitions identified as items other than goodwill is generally likely to be insignificant.

Pensions

In accordance with IAS 19 Employee Benefits, pension funding balances will be recognised on the balance sheet. For 2005 this is also the case under UK GAAP with the full implementation of FRS 17 Retirement benefits. The funding deficits currently disclosed in accordance with the transitional rules of FRS 17 may be slightly higher under the asset valuation rules of IAS 19.

Share-based payments

In accordance with IFRS 2 Share-based Payment, a charge to the profit and loss account of the fair value at grant date of items such as share awards and share options is made over the vesting period to which the items relate. This will have limited impact on the results of the group, as share awards, which are cash costs, are chargeable to the profit and loss account under current UK GAAP; all Group 4 Falck A/S share options were cashed out at the time of the combination with Securicor and most Securicor options became exercisable at the same time.

Joint ventures and associates

In accordance with IAS 31 Interests in Joint Ventures, joint ventures will be proportionately consolidated rather than shown within a single net investment line in the balance sheet. This will impact the balance sheet disclosure of our investment in special purpose entities made in respect of PFI projects in the UK justice market. In accordance with IAS 28 Investments in Associates, our share of the profit from associates will be shown as a single post-tax item rather than analysed across profit and loss account categories.

Dividends

In accordance with IAS 1 Presentation of Financial Statements, dividends will be neither a charge to the profit and loss account nor accrued. They will be shown as a movement within reserves when they are declared.

Financial instruments

IAS 39 Financial Instruments: Recognition and Measurement requires that derivatives be carried on the balance sheet and marked to market, save those that are designated at inception as fulfilling a specified hedging function and can be demonstrated to have been effective in that function. This could result in greater profit and loss account volatility. It is, however, anticipated that most of the group's long-term hedging activities will qualify for hedge accounting, under which the derivative contract is accounted for so as to match the treatment of the hedged item. The group will be adopting the optional exemption from the requirement to apply IAS 39 retrospectively in the restatement of the profit and loss account for the year to 31 December 2004.

The application of IFRS changes neither the dynamics of our businesses nor the group's cash flows. In addition, there will not be a significant impact upon reported operating results.

Taxation

The taxation charge of £49.3m provided upon profit before exceptional items and goodwill represents a tax rate of 32.6%. Tax relief has been provided against exceptional items and goodwill amortisation totalling £36.5m. Potential tax assets amounting to £52.2m have not been recognised as their utilisation is uncertain.

Cashflow

Cash generation in the year to 31 December 2004 was good after a strong prior year: Net cash flow from operating activities was £157.5m (2003: £140.5m), and free cash flow after capital expenditure was £64.8m (2003: £69.5m).

Net cash outflow from acquisitions and disposals amounted to £39.9m (2003: inflow £43.7m).

Net cash outflow in the year was £73.2m and the increase in net debt, after allowing for finance leases, borrowings acquired on acquisition of subsidiaries and translation adjustments, was £213.4m.

Financing and treasury activities

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

New treasury policies have been adopted and the hedging activity described below under interest rates and foreign currency is being implemented during 2005.

At the time of the merger all existing committed facilities were replaced and all material hedging positions were closed out.

Financing

On 1 June 2004 Group 4 Securicor entered into a £1,000m multicurrency revolving credit facility with 14 participating banks. This facility consists of a five year committed revolving facility of £800m and a 364-day committed revolving facility of £200m with the ability to convert (at the company's option) into a term loan for a further 12 months of £200m. The group has other available facilities of £265m.

On 24 July 2004 the investors in the former Group 4 Falck's US\$400m private placement lending arrangement were repaid and were also paid a make whole payment of \$15.2m. In addition, related swap contracts were terminated at a cost of \$4m.

At 31 December 2004 net debt of £595.8m represented a gearing of 65%. The group has substantial capacity to finance growth, which will be enhanced by future cash generation from the group's focus upon security activities.

Interest rates

The group's investments and borrowings, including those negotiated after 31 December 2004, are at variable rates of interest linked to LIBOR. The group's interest risk policy requires treasury to fix short term net debt of between 40% and 80% and medium term net debt of between 20% and 40%. There were no swaps outstanding at 31 December 2004.

Foreign currency

The group has many overseas subsidiaries and associates denominated in various different currencies. Treasury policy is to manage significant translation risks in respect of net operating assets and income denominated in foreign currencies. The methods adopted are to use borrowings denominated in foreign currency supplemented by forward contracts. No forward contracts were outstanding at 31 December 2004.

Dividends

The directors recommend a final dividend of 1.85p per share. To former shareholders of Group 4 Falck A/S this represents approximately four times the Group 4 Falck A/S dividend paid for the year to 31 December 2003. For former shareholders of Securicor plc the final dividend, taken with the interim dividend of 0.86p per share, makes a total dividend of 2.71p per share for the year ended 31 December 2004, an increase of 12.9% over the dividend for the year to 30 September 2003.

In proposing this final dividend, the board considered both the appropriate level of dividend cover and the future strategy and prospective earnings of the group. The company intends to follow a progressive dividend policy, with future dividends increasing broadly in line with earnings. Dividend cover in the current year is 5.2 (based on normalised earnings per share) but this is not comparable with future intentions as it excludes both an interim dividend and the results of Securicor prior to 20 July 2004.

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Report of the Directors.

Pensions

The group's major defined benefit pension schemes are those operated in the UK, including the scheme acquired with Securicor. The schemes are closed to all but a small number of new entrants. The full triennial actuarial assessment of the Group 4 schemes was carried out as at 31 March 2002 and of the Securicor scheme at 5 April 2003. These have been updated to 31 December 2004 and the assessment revealed the scheme's funding levels in respect of past service under the different regulatory measures to be as follows:

SSAP 24 Pension costs

There was a net surplus of £2m (£3m after tax).

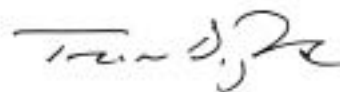
FRS 17 Retirement benefits

This valuation indicated a shortfall of £193m (£135m after tax).

Although the value of the assets in the funds increased by £64m since the reported 2003 figures this was counteracted by a reduction in bond rates, which are used to discount liabilities for FRS 17 purposes. We believe that, over the very long term in which pension liabilities become payable, improved investment returns should eliminate the deficit in the schemes in respect of past service liabilities. However, in recognition of the currently reported deficits, an additional cash contribution of £15m before tax is being made to the schemes in the year commencing 1 January 2005.

Going concern

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



Trevor Dighton
Chief Financial Officer

Corporate Social Responsibility

Group 4 Securicor is committed to being a socially responsible corporate citizen.

Health and Safety

The group has a published Health & Safety policy which acts as a minimum standard for all subsidiary companies throughout the world. Subsidiary operating companies must either adopt the group standard as it is or use it as the basis for their own company policy, ensuring at the same time that they comply with local legislation. In adopting these standards, we seek to create a workplace and work systems which enable staff to feel safe and secure and where management is seen to take a proactive interest in staff welfare.

Nick Buckles is the director responsible for reporting to the board on health and safety matters, assisted by the Group HR Director, Irene Cowden. Responsibility is devolved and delegated through divisional presidents to the managing director of each operating company, who in turn must make one of their company's directors responsible for health and safety. Each company appoints a suitably-qualified person to develop the company's own policies and procedures and to undertake management and employee training. Risk assessment processes must be developed and a procedure put in place for monitoring compliance with policies and procedures. Accident reporting and analysis will be undertaken at both company and group level.

Ethics

The group has a Business Ethics Policy which clarifies the way the group interacts with customers, suppliers, employees, government bodies, investors and the world at large and includes guidance on, amongst other matters, business practice and entertainment, equal opportunities, use of the internet and political contributions. The group statement is treated as a minimum standard.

Group 4 Securicor is a member of Transparency International, a non profit-making, independent, non-governmental organisation, dedicated to increasing government accountability and to curbing both national and international corruption.

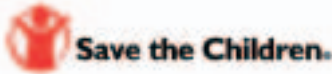
Employment

The group employs over 360,000 employees in over 100 different countries. Our success depends on the commitment and competence of our employees and our human resource strategies are therefore aimed at ensuring that employees are trained to be totally competent in their roles and have the opportunity to develop to their full potential. Formal career and succession management processes help support the movement of managers within and between the various group businesses as part of their career paths. They also enable us to share knowledge and expertise across the businesses.

We believe it is important for employees to be treated fairly and with dignity and respect. Such treatment is the basis for an environment which engenders team spirit and a commitment to the group which in turn helps to maintain good staff retention levels.

Communication and consultation with employees takes place on a wide range of issues. There are a wide variety of channels for communication including newsletters, team briefings and intranets, as well as formal representational relationships with staff associations, trades unions and works councils.

Our policy of equal opportunity ensures that decisions relating to the recruitment, development, promotion and training of individual employees are based solely on job requirements.



Community involvement

Group 4 Securicor has selected the protection, support, education and development of children as a specific area of focus for its charitable and community involvement in 2005 and beyond. With its involvement in so many different countries, the group has entered into a corporate partnership with Save the Children. A substantial sum has been put aside to assist Save the Children with their many projects around the world. At the same time, the group has committed to providing financial support to other projects which benefit needy and underprivileged children. Through this arrangement, employees will receive funding to assist with activities which help children in their local area.

The group has a large number of employees in four of the countries most directly affected by the 2004 tsunami disaster, namely India, Indonesia, Sri Lanka and Thailand. Two of our employees in Aceh, Indonesia, are missing, presumed dead. We made a donation of £100,000 to Save the Children, with a request that the benefit be shared between the four countries named. In addition, we have set up a scheme under which we are matching, pound for pound, tsunami-related donations made to Save the Children by our staff.

Charitable Trust

Prior to the merger, Securicor had a charitable trust which made numerous modest financial donations to charities supporting a wide range of causes. In 2005, Group 4 Securicor will focus on the support of child-related projects around the world and the charitable trust has therefore been discontinued.



Group 4 Securicor companies around the world give direct support to various community projects local to them, three examples of which are shown below.

Trailwalker

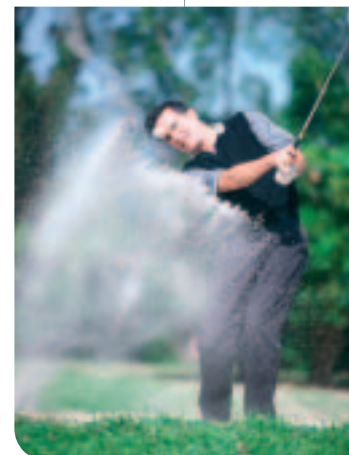
Trailwalker, first held in 1981 in Hong Kong, is a gruelling challenge over 100km of demanding terrain. All funds raised by the event support Gurkha education projects in Nepal and the work of Oxfam in over 80 countries. Securicor Hong Kong has taken part in the event every year since 1999, raising over HK\$560,000 in sponsorship.

Wackenhut Golf Event

In the United States, Wackenhut has held an annual golf event for the last eight years to benefit local and national US charities, all of which work to support needy or deprived children. Over this period, Wackenhut has donated some US\$600,000, raised through sponsorship for the golf. The 2004 event was attended by 140 golfers and the monies raised were donated to The Boys and Girls Club, Junior Achievement, The Victory Junction Gang, The Miami Transplant Foundation, Tremors Foundation and the Hospice of Palm Beach.

Magic Cents

In 2004 Group 4 Belgium sponsored the Magic Cents initiative organised by Child Planet. The company collected over one million cardboard boxes, which had been distributed to a chain of supermarkets and post offices and filled with coins by children, and delivered them free of charge to the National Bank of Belgium. The money raised helps finance projects which aim to improve the lives of children staying in hospital.



Board of Directors



Jørgen Philip-Sørensen



Lord Sharman



Alf Duch-Pedersen



Lars Nørby Johansen



Nick Buckles



Trevor Dighton



Grahame Gibson



Waldemar Schmidt



Malcolm Williamson



Lord Condon



Thorleif Krarup



Bo Lerenius

Jørgen Philip-Sørensen (66)

Chairman

He was chairman and chief executive of Group 4 Securitas (International) BV between 1964 and 2000, and was then chairman of the board of Group 4 Falck A/S from 2000 until the time of the merger. He holds a number of directorships for commercial and charitable entities, including Ecover International BV, Skagen Food A/S, Danish Yacht A/S, Skagen Harbor and Harbour Quay plc, Sorven Holdings Limited, Cotswold Conference Centre Limited and the Foundation for Liver Research. He is chairman of the Nomination Committee. He will retire from the board in June 2006.

Lars Nørby Johansen (55)

Chief Executive Officer

After an earlier academic career, he was appointed technical manager and vice president of the Danish Insurance Association in 1985 and a year later claims manager and vice president of Baltica Insurance A/S. He was CEO of Falck Redningskorps A/S and Falck Holding A/S from 1988 and president and CEO of Group 4 Falck A/S from June 2000 until the time of the merger. He is chairman of Falck A/S and deputy chairman of DONG A/S and William Demant A/S. He will retire from the board at the annual general meeting in June 2005.

Grahame Gibson (52)

Executive director

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

Lord Condon (58)

Non-executive director

He was appointed to the board of Securicor plc in 2000. He joined the Metropolitan Police in 1967 and, after holding various senior appointments in the police force, including a period as Chief Constable of Kent, served as Commissioner of the Metropolitan Police between 1993 and 2000. He was created a life peer in 2001. He is a member of the Remuneration and the Nomination Committees.

Lord Sharman (62)

Joint Deputy Chairman and Senior Independent Director

An accountant, he spent 33 years with KPMG, many of which were in various senior roles within Continental Europe. He 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 Aviva plc, 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. He is chairman of the Audit Committee and a member of the Nomination Committee. He has announced his intention to retire from the board later in the year.

Nick Buckles (44)

Deputy Chief Executive and Chief Operating Officer

He joined Securicor in 1985 as a projects accountant. In 1996 he was appointed managing director of Securicor Cash Services and he became chief executive of the security division of Securicor in 1999. He was appointed to the board of Securicor plc in 2000 and became its chief executive in January 2002. He will succeed Mr Nørby Johansen as the company's chief executive following the annual general meeting in June 2005.

Waldemar Schmidt (64)

Non-executive director

He was appointed to the board of Group 4 Falck A/S in 2000. He is chairman of Superfos Industries A/S and Thrane & Thrane A/S and a non-executive director of Alfa Laval International AB, Enodis plc, Welzorg Group NV and Cicorel SA. He was formerly chief executive of ISS, where he began his career in 1973. He is a member of the Audit Committee.

Thorleif Krarup (52)

Non-executive director

He was appointed to the board of Group 4 Falck A/S in 2003. He is chairman of TDC (Tele Danmark Corporation), deputy chairman of Lundbeck A/S, the Lundbeck Foundation LFI A/S and Chr. Hansen Holding A/S, and a director of Bang & Olufsen A/S, Lundbeckfonden, Scion DTU A/S and the Denmark-America Foundation. He is a former group chief executive of Nykredit A/S, Unibank A/S and Nordea AB. He is a member of the Remuneration Committee.

Alf Duch-Pedersen (58)

Joint Deputy Chairman

He was a member of the board of Group 4 Falck A/S from 2000 until the time of the merger. He joined the board of Falck A/S in 1992 and was its chairman when it merged with Group 4 A/S in 2000. He is CEO of Danisco A/S, chairman of the board of Danske Bank Aktieselskab, deputy chairman of the British Import Union, a director of the Danisco Foundation and a member of the executive committee and the general council of the Confederation of Danish Industries. He is chairman of the Remuneration Committee and a member of the Nomination Committee. He will become the company's chairman in June 2006.

Trevor Dighton (55)

Chief Financial Officer

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

Malcolm Williamson (66)

Non-executive director

He was appointed to the board of Securicor plc in April 2004. After a 28-year career with Barclays Bank, he became managing director of Girobank in 1985. In 1989 he joined Standard Chartered plc, being group chief executive from 1993 to 1998. Between 1999 and 2004 he was president and chief executive of Visa International, Inc., based in San Francisco. He is chairman of Britannic Group plc, CDC Group plc and National Australia Group Europe Limited and a non-executive director of National Australia Bank Limited. He is a member of the Audit Committee.

Bo Lerenius (58)

Non-executive director

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

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Report of the Directors

For the year ended 31 December 2004

The directors have pleasure in presenting their Annual Report together with the audited financial statements of Group 4 Securicor plc and the consolidated financial statements of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 31 December 2004.

Merger of Securicor plc and the security businesses of Group 4 Falck A/S

On 24 February 2004, Securicor plc and Group 4 Falck A/S ("Group 4 Falck") announced that they had agreed terms upon which Securicor and the security businesses of Group 4 Falck would merge. The implementation of the merger involved establishing a new holding company named Group 4 Securicor plc.

Group 4 Securicor plc was formed on 11 December 2003 as a private limited company under the name Precis (2395) Limited which was changed to Group 4 Securicor Limited on 19 February 2004. It was re-registered as a public company on 14 May 2004. As a result of a Scheme of Arrangement of Securicor plc which became effective on 19 July 2004, Group 4 Securicor plc became the ultimate holding company of the Securicor plc group of companies and, on the same date and as the result of a recommended offer for its shares, acquired Group 4 A/S, the holding company of the former security businesses of Group 4 Falck.

Under Financial Reporting Standard 6 (FRS 6), Group 4 A/S was treated as the acquirer of Group 4 Securicor plc and accordingly was combined with Group 4 Securicor plc using merger accounting. This combined entity then accounted for its combination with Securicor plc using the acquisition method of accounting.

The statutory results for Group 4 Securicor plc for the year to 31 December 2004 therefore include the full year of trading of the security businesses of Group 4 Falck and the trading of the businesses of Securicor plc from 20 July 2004 to 31 December 2004. However, the directors consider that it would be of assistance to shareholders to show pro forma combined financial information for the full year; in addition to that required by statute. Certain additional information is therefore included in this report and in the Remuneration Report on pages 37 to 42.

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

1 Principal activities of the group

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

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

2 Group results

The consolidated result for the year and the appropriation thereof are shown in the consolidated profit and loss account on page 47.

Details of major business activities during the year; future developments and prospects of the group are contained on pages 2 to 27.

3 Dividends

The directors propose the following net dividend for the year – Final dividend of 1.85p (DKK 0.1981) per share payable on 12 July 2005.

Shareholders on the Danish VP register will receive their dividends in Danish Kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they elect, by so indicating on their proxy card, to receive Danish Kroner.

4 Business acquisitions, disposals and developments

In July 2004 Group 4 Securicor plc became the ultimate holding company of Securicor plc by virtue of a Scheme of Arrangement of Securicor plc.

In September 2004 Group 4 Technology acquired HISEC, a Copenhagen-based designer and manufacturer of intruder alarm equipment and system components.

In January 2005 Group 4 Securicor plc initiated a compulsory redemption process to acquire, for cash, the remaining Group 4 A/S shares which it did not already own.

In February 2005 Securicor International Valuables Transport acquired OneService, a California-based shipper of diamonds and jewellery.

In March 2005 Securicor Luxembourg and Group 4 Falck Cash Services UK were sold to Brink's.

In March 2005 Securicor Asia Holdings acquired Chubb Security Services in Taiwan, a provider of cash, guarding and electronic security services.

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

Report of the Directors (continued)

For the year ended 31 December 2004

5 Capital

The authorised and issued share capital of Group 4 Securicor plc at 31 December 2004 is set out on page 74 (note 21 to the consolidated financial statements).

Resolution 16 set out in the Notice of Meeting on page 90 is an ordinary resolution granting the directors power to enable them to allot shares up to an aggregate nominal value of £105,000,000, whilst Resolution 17 is a special resolution granting the directors power to enable them to allot shares for cash (a) in connection with a rights or similar issue or (b) other than to existing shareholders, in the latter case such allotment being limited to an aggregate nominal value of £15,800,000.

Resolution 18 is a special resolution seeking authority to make market purchases of the company's shares. The maximum number of shares which could be purchased under this authority is 126,400,000, being approximately 10% of the number of shares currently in issue (1,264,926,253). The directors have no present intention of utilising this authority but believe it appropriate to obtain this flexibility in accordance with common business practice.

Information concerning the company's shares held under option is set out on page 75 (note 21 to the consolidated financial statements).

6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development expenditure written off to profit and loss during the year amounted to £4.1m (2003: £0.3m).

7 Payment of suppliers

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

At 31 December 2004 the trade creditors of Group 4 Securicor plc, the parent company, represented 33 days of annual purchases.

At 31 December 2004 the consolidated trade creditors of the group represented 37.5 days (2003: 36.6 days) of annual purchases.

8 Employee involvement

The group keeps employees informed about current activities, progress and general matters of interest by various methods including:

- (a) staff meetings, newsletters, bulletins and similar items produced by various individual companies;
- (b) the group intranet.

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

9 Political and charitable contributions

The group remains committed to support of charities, the community, job creation and training. Charitable contributions by the group during the year amounted to £328,000 (2003: £138,000).

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

10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 20 April 2005 in the ordinary capital of Group 4 Securicor plc:

Skagen Limited (beneficial ownership of Jørgen Philip-Sørensen)	171,939,961 (13.6%)
Legal & General	42,272,562 (3.3%)

11 Auditors

A resolution to appoint KPMG, chartered accountants, as auditor to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting. The financial statements on pages 47 to 86 have been audited by Baker Tilly, who previously acted as auditor to Securicor plc and who were appointed by the directors to carry out the company's first audit jointly with PricewaterhouseCoopers. However, PricewaterhouseCoopers resigned as joint auditors in January 2005.

Report of the Directors (continued)

For the year ended 31 December 2004

12 Directors

The directors, biographical details of whom are contained on page 29, were appointed on 19 May 2004, with the exception of Trevor Dighton who was appointed on 6 May 2004 and Grahame Gibson who was appointed on 1 April 2005.

Peregrine Secretarial Services Limited was the sole director between 1 January and 6 May 2004 when it resigned and was replaced by Trevor Dighton and Nigel Griffiths. Mr Griffiths resigned as a director on 19 May 2004 and did not receive any remuneration or share options from the company whilst he was a director.

Sir David Gore-Booth, a non-executive director of the company, died on 31 October 2004.

In accordance with the Articles of Association of Group 4 Securicor plc, all the directors will retire at the Annual General Meeting. With the exception of Lars Nørby Johansen they will, being eligible, offer themselves for election. The board believes that all the non-executive directors possess experience and expertise relevant to the company's operations, that they are all committed to the success of the company and that they should, therefore, all be elected at the Annual General Meeting.

The contracts of service of Messrs Buckles and Dighton are terminable at 12 months' notice. The contract of service of Grahame Gibson expires on 1 April 2007 but will, with effect from 1 April 2006, be replaced by a contract terminable at 12 months' notice. None of the non-executive directors has a contract of service.

Jørgen Philip-Sørensen will retire from the board in June 2006 and will then be succeeded as chairman by Alf Duch-Pedersen. Lord Sharman will retire during the second half of this year.

Details of directors' interests in the share capital of Group 4 Securicor plc and of the directors' remuneration are set out on pages 37 to 42.

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

Resolution 19 set out in the Notice of Meeting on page 91 is a special resolution amending Article 172 of the company's Articles of Association to enable the company to indemnify the directors in certain circumstances.

By order of the board

Nigel Griffiths

Secretary
3 May 2005

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN

Corporate Governance Report

The board's report on the company's corporate governance performance for the year ended 31 December 2004 is based on the Combined Code on Corporate Governance published in July 2003 ("the Combined Code").

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

(a) Application of Combined Code principles

The board comprises the non-executive chairman (Jørgen Philip-Sørensen), two non-executive deputy chairmen (Alf Duch-Pedersen and Lord Sharman), five other non-executive directors, the chief executive, the deputy chief executive, the chief financial officer and one other executive director. The board considers all the non-executive directors, with the exception of Mr Philip Sørensen, to be independent. The senior independent director is Lord Sharman.

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

Membership of the three board committees is as follows:

Audit Committee

Lord Sharman (*chairman*)
Waldemar Schmidt
Malcolm Williamson

Remuneration Committee

Alf Duch-Pedersen (*chairman*)
Lord Condon
Thorleif Krarup
Bo Lerenius

Nomination Committee

Jørgen Philip-Sørensen (*chairman*)
Lord Condon
Alf Duch-Pedersen
Lord Sharman

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

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

The board met on four occasions during the year ended 31 December 2004. There were three board meetings and one strategy day, at which presentations on the group's principal businesses were made to the board by senior executives and at which the group's acquisition and growth strategy was discussed. All directors were present at all meetings except for Thorleif Krarup who was absent for one board meeting and for the strategy day. At each meeting, the board receives reports from the chief executive, the chief financial officer and the company secretary and an investor relations report which includes a summary of comments received from major shareholders since the previous board meeting. In addition, the board receives monthly management accounts accompanied by an update report from the chief executive.

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

In the year under review, the Audit Committee met once and the Remuneration Committee met three times. There were no meetings of the Nomination Committee, although it has met since the beginning of the current year. All members attended each of the meetings except for Thorleif Krarup and Bo Lerenius who were absent for one of the meetings of the Remuneration Committee.

The board has appointed an external consultancy to conduct an evaluation of the performance of the board as a whole. Each of the directors has completed a questionnaire seeking views on the current performance of the board and on ways in which its performance can be improved. The results are being collated by the consultancy and will then be discussed with the chairman before being shared with the board. Later in the year, it is intended that the evaluation will be extended to cover the performance of individual board members and of the three board committees. The board considers that, as the board and its committees have only been functioning since July 2004, it is premature to carry out a complete evaluation process at this time.

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

Corporate Governance Report (continued)

The Nomination Committee has appointed an external search consultancy to identify suitable candidates for non-executive positions on the board.

Audit Committee meetings are also attended by representatives of the group's auditors, the chief financial officer, the head of internal audit and the company secretary. The committee considers the group's annual and interim financial statements and any questions raised by the auditors on the financial statements and financial systems. It also considers, amongst other matters, risk management procedures and internal controls and it requires the auditors, who perform certain non-audit work for the company, to provide a Statement of Independence to the committee at the year-end, setting out the auditors' internal procedures for avoiding conflicts. The Audit Committee also meets with the group's auditors in the absence of management. Lord Sharman is the member of the committee with recent and relevant financial experience.

(b) Compliance with provisions of Combined Code

Save as set out below, the company complied throughout the period from 20 July 2004 (the date its shares were admitted to listing on the London Stock Exchange) until 31 December 2004 with the provisions set out in Section 1 of the Combined Code.

Non-compliance with Combined Code

- (i) Provision A3.1 of 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 and currently the company's largest shareholder, is also non-executive chairman. He became chairman of Group 4 Falck in 2000, prior to which he had been chairman of Group 4 Securitas (International) BV since 1964. He currently holds approximately 13.6% of the company's shares. The board believes that Mr Philip-Sørensen's presence on the board is of benefit to the company given his vast experience of putting businesses together and his extensive knowledge of the security industry. Mr Philip-Sørensen will retire in June 2006 when, following a recommendation from the Nomination Committee, he will be succeeded as chairman by Alf Duch-Pedersen, currently joint deputy chairman.
- (ii) Provision B1.6 of the Combined Code recommends that notice or contract periods should be set at 12 months or less. The service contract of Lars Nørby Johansen, the company's chief executive, entitles him to a period of notice from the company of 24 months for a two year transitional period with effect from 19 July 2004, after which his employment may be terminated on 12 months' notice. The board has agreed with Mr Nørby Johansen that he will step down as chief executive and leave the board after the Annual General Meeting on 30 June 2005.

(c) Risk Management and Internal Control

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

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

Prior to the merger, the Group 4 Falck businesses did not have a risk management process which accorded with the internal control guidance for directors on the Combined Code. From the date of the merger, the formal risk management process previously used within the Securicor businesses is being introduced across all the group businesses.

The key features of this process are:

- > A common risk management framework is used to provide a profile of those risks which may have an impact on the achievement of business objectives.
- > Each significant risk is documented, showing an overview of the risk, how the risk is managed, and any improvement actions. The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.
- > Risk review exercises are undertaken at least twice a year and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions.

Corporate Governance Report (continued)

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

Company risk review exercises will be implemented throughout the group during 2005, with the results being reviewed by the divisional and group risk management committees.

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

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

The board has reviewed the group's risk management and internal control system for the year to 31 December 2004 by considering reports from both the Audit Committee and the group risk management committee and has taken account of events since 31 December 2004.

Nigel Griffiths

Secretary

3 May 2005

Remuneration Report

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

The Remuneration Committee met three times during the period under review. The members of the committee, all of whom are considered to be independent, are Alf Duch Pedersen (Chairman), Lord Condon, Thorleif Krarup and Bo Lerenius. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors and certain other of the most senior executives in the company. It is also responsible for the operation of the company's share plans. Its terms of reference are available on the company's website.

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

Lars Nørby Johansen, chief executive, and Nick Buckles, deputy chief executive, provided guidance to the committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden. The committee's remit includes the chairman, the executive directors, the four other members of the group's executive committee and the company secretary.

Remuneration policy

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

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

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

Elements of remuneration

(a) Base salary and benefits

The salaries of the executive directors and the other members of the executive committee were set at 19 July 2004, on completion of the merger, and will be reviewed on 1 January each year, save that the first review will not take place until 1 January 2006. Interim salary reviews may be carried out following significant changes in responsibility. The salaries take account of an extensive benchmarking exercise which was undertaken at the time of the merger and also reflect responsibility, individual performance, internal relativities and salary and other market information supplied by New Bridge Street Consultants. The overall objective is to achieve salary levels which provide a market competitive base salary, with the opportunity to earn above median remuneration through the company's incentive schemes. Benefits include pension arrangements and the provision of company cars, health insurance and life assurance.

(b) Performance-related bonus schemes

The executive directors participated in a performance-related bonus scheme for the six months to 31 December 2004 (which broadly reflected the period from the merger in July 2004), payments under which were dependent on the attainment of defined PBITA profit targets of the group for that period, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. The committee's original intention was to use a range of performance measures but, after further consideration, it concluded that PBITA best reflected the various key drivers of business success within the group. For achievement of profits slightly below the budgeted profit target, a bonus payment of 15% of base salary at 31 December 2004 was due. For achievement of the budgeted target, a bonus payment of 25% of base salary at 31 December 2004 was due, increasing on a straight-line basis up to a bonus payment of 50% of base salary for achievement of a stretch profit target. On an annualised basis, these bonus amounts were thus equivalent to, respectively, 30%, 50% and 100% of base salary. The amounts of the bonuses paid to the executive directors under this scheme are set out in the table on page 39. The bonuses were paid in cash for amounts up to 25% of base salary (50% on an annualised basis) and in the form of deferred shares for the balance. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares. Given the successful financial results, a maximum bonus was earned in respect of the period.

For the current year, the executive directors participate in an annual performance-related bonus scheme, payments under which are dependent on the attainment of defined PBITA profit targets of the group, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. For achievement of profits slightly below the budgeted profit target, a bonus payment of 25% of base salary at 31 December 2005 will be due. For achievement of the budgeted target, a bonus payment of 50% of base salary at 31 December 2005 will be due, increasing on a straight-line basis up to a bonus payment of 100% of salary for achievement of a stretch profit target. Any such bonus up to the value of 50% of the executive director's salary will be paid in cash with any excess balance being awarded in the form of deferred shares. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

The PBITA and PBITA budgeted targets used for the above schemes are the same as the company's budgeted PBITA and PBITA for the corresponding period.

Remuneration Report (continued)

(c) Synergy bonus

For an initial transitional period running from 1 July 2004 until 31 December 2005 (and as explained in the Group 4 Securicor Listing Particulars), the executive directors participate in an additional bonus scheme, payment under which is dependent upon achievement of specified merger synergy savings. For the six months to 31 December 2004, achievement of a specified target amount of savings entitled the executive directors to an award of deferred shares in the company equal in value to 12.5% of base salary, rising to 25% for achievement of a specified stretch target. The synergy savings achieved by the end of December 2004 were ahead of initial expectations and a maximum payout was earned for that period. For the 12 months to 31 December 2005, achievement of a specified target amount of savings will entitle the executive directors to an award of deferred shares in the company equal in value to 25% of base salary, rising to 50% for achievement of a specified stretch target. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

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

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

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

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

The following targets apply to the first half of awards granted in the year under review, with the three-year EPS (earnings per share) period ending on 31 December 2006:

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

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

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

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

The performance conditions will continue to apply (pro rata to the time the allocation has been held) if an employee leaves the group, or in the event of a change of control or restructuring of the company.

The company's current policy is to use market purchased shares to satisfy Performance Share Plan awards.

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

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

Remuneration Report (continued)

Fees, service contracts and letters of appointment

The chairman's annual fee is £160,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £40,000, with a further £40,000 for the role of deputy chairman, £10,000 for the chairmanship of each of the Audit and Remuneration Committees and £10,000 for the role of senior independent director. No other fees are paid for membership of the board committees. These fees are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment for the non-executive directors.

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

Nick Buckles	2 June 2004
Trevor Dighton	2 June 2004
Lars Nørby Johansen	3 June 2004

The contracts of Messrs Buckles and Dighton are terminable by the company on 12 months' notice, whilst the contract of Mr Nørby Johansen was terminable by the company on 24 months' notice until 19 July 2006 after which it would have been terminable on 12 months' notice. The contracts are terminable by the executive directors on twelve months' notice. There are no liquidated damages provisions for compensation payable upon early termination, but the company reserves the right to pay salary in lieu of notice. It is the group's policy that, save for a limited period in respect of Mr Nørby Johansen, it should be able to terminate service contracts of executive directors on no more than 12 months' notice and that payments for termination of contract are restricted to the value of salary and other contractual entitlements for the notice period. The chairman and the other non-executive directors do not have service contracts but letters of appointment which provide for initial three-year terms which began on 19 May 2004. All directors are required to stand for re-election by the shareholders at least once every three years.

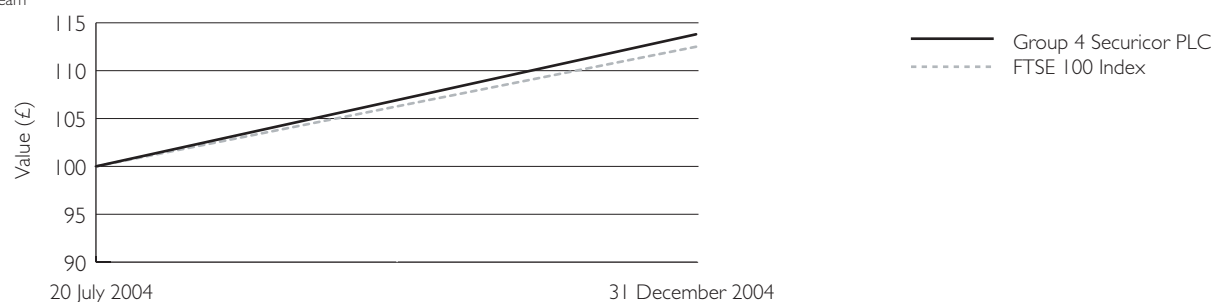
It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees, save that Mr Nørby Johansen was permitted to retain the three non-executive appointments which he held prior to the merger. None of the other executive directors currently holds an external non-executive appointment. Mr Nørby Johansen received aggregate fees of DKK 585,000 (£53,342) for the year ended 31 December 2004 in respect of his three non-executive appointments.

Performance Graph

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

Total shareholder return

Source: Datastream



THE FOLLOWING INFORMATION HAS BEEN AUDITED

Base Salaries and Bonuses

The table below shows pay information for the full year ending 31 December 2004 for those directors who were previously directors of Group 4 Falck. For those directors marked with an asterisk who were previously directors of Securicor plc, it shows pay information for the period 20 July 2004 to 31 December 2004 only.

Pay information for those directors for the full year to 31 December 2004 is shown in the table on page 40.

	Salary and fees £	Benefits £	Performance related bonus £	Synergy bonus (see note 4 below) £	2004 Total £	2003 Total £
Chairman (non executive)						
Jørgen Philip-Sørensen	108,628	–	–	–	108,628	105,342
Executive directors						
Nick Buckles* (see notes 3 and 4 below)	208,650	5,850	233,750	116,875	565,125	–
Trevor Dighton* (see notes 3 and 4 below)	154,964	8,336	175,000	87,500	425,800	–
Lars Nørby Johansen (see notes 1 to 7 below)	582,636	20,837	595,934	156,250	1,355,657	680,718

Remuneration Report (continued)

Base Salaries and Bonuses (continued)

	Salary and fees £	Benefits £	Performance related bonus £	Synergy bonus (see note 4 below) £	2004 Total £	2003 Total £
Other Non Executive directors						
Lord Condon*	17,856	—	—	—	17,856	—
Alf Duch-Pedersen	67,542	—	—	—	67,542	50,251
Sir David Gore-Booth (<i>died 31 October 2004</i>)	29,617	—	—	—	29,617	33,501
Thorleif Krarup	36,103	—	—	—	36,103	24,288
Bo Lerenius*	17,694	—	—	—	17,694	—
Waldemar Schmidt	36,284	—	—	—	36,284	33,501
Lord Sharman*	46,362	—	—	—	46,362	—
Malcolm Williamson*	17,694	—	—	—	17,694	—

Notes:

- Mr Nørby Johansen's salary includes a 20% supplement in lieu of pension.
- Mr Nørby Johansen's performance-related bonus was derived as to £283,434 from Group 4 Falck's bonus scheme and as to £312,500 from the company's bonus scheme.
- The performance-related bonuses derived from the company's bonus scheme were paid as to 50% in cash and as to 50% through the award of deferred Group 4 Securicor shares, based on a share price of 135p, being the average middle market closing price of the company's ordinary shares over the first three days following the company's preliminary results announcement on 14 March 2005.
The awards were:

Nick Buckles	86,574 shares
Trevor Dighton	64,814 shares
Lars Nørby Johansen	115,740 shares
- The synergy bonus payments were made through the award of deferred Group 4 Securicor shares, based on a share price of 135p, being the average middle market closing price of the company's ordinary shares over the first three days following the company's preliminary results announcement on 14 March 2005.
The awards were:

Nick Buckles	86,574 shares
Trevor Dighton	64,814 shares
Lars Nørby Johansen	115,740 shares
- Mr Nørby Johansen received DKK 10,600,000 (£966,356) from Group 4 Falck in June 2004 in consideration of his agreement to a reduction in the notice period under his service contract from 42 months to 24 months. Of this sum, DKK 5,300,000 (£483,268) was paid in cash, whilst the remaining DKK 5,300,000 (£483,268) was paid into Mr Nørby Johansen's pension scheme.
- Mr Nørby Johansen received a cash payment from Group 4 Falck of DKK 6,978,211 (£636,292) in July 2004 as compensation for the cancellation of his options and warrants over Group 4 Falck shares.
- In connection with his family's relocation to London, Mr Nørby Johansen received one-off contributions from the company of £40,000 towards his living expenses and £27,000 for school fees.
- Grahame Gibson is not included in the above table as his appointment as a director was on 1 April 2005.

The table below shows pay information for the full year ending 31 December 2004 for those directors who were directors of Securicor plc until 19 July 2004.

	Salary and Fees £	Benefits £	Performance related bonus (see note 2 below) £	Synergy bonus £	Total for year ending 31 December 2004 £	Total for year ending 31 December 2003 £
Nick Buckles	442,708	15,975	340,000	116,875	915,558	482,881
Trevor Dighton	309,167	18,555	245,000	87,500	660,222	319,671
Lord Condon	37,957	—	—	—	37,957	34,965
Bo Lerenius (<i>appointed 1 April 2004</i>)	27,167	—	—	—	27,167	—
Lord Sharman (<i>appointed 2 May 2003</i>)	125,666	—	—	—	125,666	94,066
Malcolm Williamson (<i>appointed 1 April 2004</i>)	27,167	—	—	—	27,167	—

Notes:

- As a consequence of the Court sanctioning the Securicor plc Scheme of Arrangement in July 2004, 96% of the Securicor plc shares conditionally awarded to Messrs Buckles and Dighton in March 2003 under the Securicor 2003 Performance Share Plan vested. Mr Buckles received 463,968 and Mr Dighton received 290,016 Securicor shares which, at the time of vesting, had a market value of 128.5p per share.
- The performance-related bonuses paid to Messrs Buckles and Dighton included £106,250 for Mr Buckles and £70,000 for Mr Dighton from the Securicor plc bonus scheme, calculated by reference to the management accounts of Securicor plc for the nine months ending 30 June 2004. They represent 6/12 x 50% of base salary as at 30 June 2004.

Remuneration Report (continued)

Base Salaries and Bonuses (continued)

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2004 were:

	£
Executive directors	
Nick Buckles	467,500
Trevor Dighton	350,000
Lars Nørby Johansen	(excluding pension supplement) 625,000
Non-executive directors	
Jørgen Philip-Sørensen (<i>chairman</i>)	160,000
Lord Condon	40,000
Alf Duch-Pedersen	90,000
Thorleif Krarup	40,000
Bo Lerenius	40,000
Waldemar Schmidt	40,000
Lord Sharman	100,000
Malcolm Williamson	40,000

Directors' Share Options

	Option	At 31.12.03	Granted during 2004	Outstanding at 31.12.04	Option Price (p)
Nick Buckles	A	72,901	–	72,901	107.98
	B	95,000	–	95,000	164.00
	C	75,000	–	75,000	133.75
	D	55,000	–	55,000	153.00
	E	700,000	–	700,000	108.00
	F	14,453	–	14,453	64.00
Trevor Dighton	B	55,000	–	55,000	164.00
	C	40,000	–	40,000	133.75
	D	30,000	–	30,000	153.00
	E	350,000	–	350,000	108.00
	F	14,453	–	14,453	64.00

Option A = 1996 Securicor Executive Share Option Scheme, exercisable until June 2008.

Option B = Securicor Executive Share Option Scheme, exercisable until December 2009.

Option C = Securicor Executive Share Option Scheme, exercisable until June 2010.

Option D = Securicor Executive Share Option Scheme, exercisable until December 2010.

Option E = Securicor Executive Share Option Scheme, exercisable until December 2011.

Option F = Securicor Sharesave Scheme, normally exercisable between October 2006 and March 2007.

The above options, which had been granted over Securicor plc shares, were rolled over into options over Group 4 Securicor shares. No further grants of options under these schemes will be made.

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

As a result of implementation of the Scheme of Arrangement of Securicor plc in July 2004, the performance conditions for the executive share options referred to above ceased to apply.

The market price of the ordinary shares at 20 July 2004 (first day of trading) was 123p. At 31 December 2004 it was 140p.

The highest and lowest market prices of an ordinary share during the period 20 July 2004 (first day of trading) to 31 December 2004 were 140p and 110p respectively.

Directors' interests in Performance Share Plan

	At 31.12.03	Shares conditionally awarded during year	Date of award	Market price at date of award	Vesting date	At 31.12.04
Nick Buckles	–	368,830	21.07.04	123p	21.7.07	368,830
Trevor Dighton	–	276,130	21.07.04	123p	21.7.07	276,130
Lars Nørby Johansen	–	493,096	21.07.04	123p	21.7.07	493,096

The conditions subject to which allocations of shares vest under this plan are described under (d) Performance Share Plan on page 38.

Remuneration Report (continued)

Directors' interests in shares of Group 4 Securicor plc

(not including shares conditionally awarded or under option)

	At 31.12.04	At 20.7.04
Nick Buckles	373,741	373,741
Lord Condon	2,000	2,000
Trevor Dighton	271,109	271,109
Alf Duch-Pedersen	36,560	6,560
Thorleif Krarup	3,206	3,206
Bo Lerenius	16,000	16,000
Lars Nørby Johansen	60,044	30,044
Jørgen Philip-Sørensen	171,939,961	171,939,961
Waldemar Schmidt	3,181	3,181
Lord Sharman	8,500	8,500
Malcolm Williamson	2,000	2,000

All interests shown above are beneficial.

No changes in these holdings have taken place since 31 December 2004.

Each of Nick Buckles and Trevor Dighton, who were previously employed within the Securicor plc group, has a deemed interest in 206,332 ordinary shares held in the Securicor Employee Benefit Trust.

Directors' Pension Entitlements

Nick Buckles and Trevor Dighton participate in the non-contributory category of the group's defined benefit pension scheme. The normal retirement age for the category is 60 and members achieve the maximum of 2/3rds of their final pensionable salary at normal retirement age after 20 years' service (10 years' service for those who joined the company prior to 17 March 1987). The pension of 2/3rds accrues uniformly between the date of joining the scheme and normal retirement age. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred beyond normal retirement age.

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

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

Post retirement pension increases are payable at the rate of 5% per annum in respect of pension earned up to 31 December 1994 and in line with the increase in the Retail Prices Index subject to a maximum of 5% in respect of pension earned after that date.

The committee is reviewing pension arrangements in light of the UK tax changes due to come into force in April 2006. It is intended that any measures taken will not increase the company's current pension liabilities as a result of the tax changes. The company does not intend to compensate individuals for changes in personal tax liabilities arising from the legislation.

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2004 (all figures are in £'000s).

	Gross increase in accrued pension	Increase in accrued pension net of inflation	Total accrued pension at 31/12/04	Value of net increase in accrual over period	Total change in transfer value during period	Transfer value of accrued pension at 31/12/04	Transfer value of accrued pension at 31/12/03
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Nick Buckles	17	12	153	102	297	1,575	1,278
Trevor Dighton	4	3	29	48	89	431	342

Notes

- Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
- Transfer values have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.
- 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).
- 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.
- Mr Dighton is currently capped for pension purposes and therefore only accrues pension on benefits up to the statutory cap. Securicor plc previously agreed to pay Mr Dighton a salary supplement equal to 30% of any salary in excess of the cap. This payment was suspended from 6 April 2003, as it may be more tax efficient if such amounts are paid into the pension scheme after April 2006, although the structuring of such payment would not be determined until the company's ongoing pensions review has been concluded.

Alf Duch-Pedersen

Chairman of the Remuneration Committee

3 May 2005

Combined unaudited pro forma financial information

For the year ended 31 December 2004

Basis of preparation

As explained in note 1 to the statement of accounting policies on page 51, the statutory results for Group 4 Securicor plc for the year to 31 December 2004 include the full year of trading of the security businesses of the former Group 4 Falck A/S and the trading of the businesses of Securicor plc for the period from 20 July 2004 to 31 December 2004. However, the directors consider that it is of assistance to shareholders to show pro forma financial information of the combined entities for the full year.

The exchange rates used to translate the pro forma financial information are as stated on page 88.

Combined pro forma turnover and EBITA

	2004 £m	2003 £m	2004 DKKm	2003 DKKm
Turnover				
Total turnover	3,897.6	4,136.9	42,745.5	44,455.2
Less share of Manned Security joint venture (Europe)	(8.2)	(7.2)	(89.9)	(77.4)
Less share of Distribution joint venture (discontinued)	–	(216.7)	–	(2,328.7)
Group turnover	3,889.4	3,913.0	42,655.6	42,049.1
Continuing operations	3,807.5	3,726.8	41,757.4	40,048.2
Discontinued operations	81.9	186.2	898.2	2,000.9
Group turnover	3,889.4	3,913.0	42,655.6	42,049.1
Earnings before interest, taxation, goodwill amortisation and exceptional items (EBITA)				
Continuing operations	207.3	188.0	2,273.5	2,020.3
Discontinued operations	2.4	2.3	26.3	24.7
Group EBITA	209.7	190.3	2,299.8	2,045.0
Share of joint ventures and associates				
Continuing operations	9.2	8.3	100.9	89.2
Discontinued operations	–	4.2	–	45.1
Total EBITA	218.9	202.8	2,400.7	2,179.3

Combined pro forma operating cash flow

	2004 £m	2003 £m	2004 DKKm	2003 DKKm
Cash flow from operating activities				
Group EBITA	209.7	190.3	2,299.8	2,045.0
Depreciation	79.7	75.8	874.1	814.5
Profit on sale of fixed assets	(1.1)	(1.5)	(12.1)	(16.1)
Decrease/(increase) in working capital and provisions	12.7	(12.2)	139.3	(131.1)
Net cash flow from operating activities	301.0	252.4	3,301.1	2,712.3
Net cash flow from capital expenditure	(87.9)	(101.2)	(1,060.5)	(1,087.5)
Operating cash flow	213.1	151.2	2,240.6	1,624.8

Combined pro forma net debt

	2004 £m	2003 £m	2004 DKKm	2003 DKKm
Net debt	595.8	623.1	6,534.2	6,695.8

Combined unaudited pro forma financial information (continued)

For the year ended 31 December 2004

Combined pro forma business sector and geographical analysis

	2004 £m	2003 £m	2004 DKKm	2003 DKKm
Turnover				
Manned Security				
Europe	1,315.9	1,290.4	14,431.6	13,866.7
North America	1,002.6	1,027.8	10,995.7	11,044.7
New Markets	380.1	356.3	4,168.6	3,828.8
Total Manned Security	2,698.6	2,674.5	29,595.9	28,740.2
Security Systems				
Europe	317.9	315.2	3,486.5	3,387.1
North America	1.8	1.3	19.7	14.0
New Markets	29.5	15.6	323.5	167.7
Total Security Systems	349.2	332.1	3,829.7	3,568.8
Cash Services				
Europe	635.1	611.0	6,965.2	6,565.8
North America	64.3	66.1	705.2	710.3
New Markets	68.5	50.3	751.3	540.5
Total Cash Services	767.9	727.4	8,421.7	7,816.6
Total turnover				
Europe	2,268.9	2,216.6	24,883.3	23,819.6
North America	1,068.7	1,095.2	11,720.6	11,769.0
New Markets	478.1	422.2	5,243.4	4,537.0
Less Manned Security joint venture (Europe)	3,815.7 (8.2)	3,734.0 (7.2)	41,847.3 (89.9)	40,125.6 (77.4)
Continuing operations	3,807.5	3,726.8	41,757.4	40,048.2
Discontinued operations	81.9	186.2	898.2	2,000.9
Group turnover	3,889.4	3,913.0	42,655.6	42,049.1
EBITA				
Manned Security				
Europe	75.4	71.6	826.9	769.4
North America	53.1	54.4	582.3	584.6
New Markets	26.0	26.3	285.2	282.6
Total Manned Security	154.5	152.3	1,694.4	1,636.6
Security Systems				
Europe	25.5	18.6	279.7	199.9
North America	0.2	0.1	2.2	1.1
New Markets	2.9	1.1	31.8	11.8
Total Security Systems	28.6	19.8	313.7	212.8
Cash Services				
Europe	44.7	46.5	490.2	499.7
North America	3.9	2.2	42.8	23.6
New Markets	11.0	6.9	120.6	74.2
Total Cash Services	59.6	55.6	653.6	597.5
Total EBITA				
Europe	145.6	136.7	1,596.8	1,469.0
North America	57.2	56.7	627.3	609.3
New Markets	39.9	34.3	437.6	368.6
Head office costs	242.7 (26.2)	227.7 (31.4)	2,661.7 (287.3)	2,446.9 (337.4)
Continuing operations	216.5	196.3	2,374.4	2,109.5
Discontinued operations	2.4	2.3	26.3	24.7
Discontinued joint venture operations	—	4.2	—	45.1
Total group EBITA	218.9	202.8	2,400.7	2,179.3

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditor set out on page 46, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable and prudent;
- > state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business for the foreseeable future.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the company and of the group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Group 4 Securicor plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements on pages 47 to 86. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' Remuneration Report ("the auditable part").

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the directors' Remuneration Report in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the unaudited part of the directors' Remuneration Report, the Chairman's Statement, the Financial Review, the Corporate Governance Report, the Operating Review, the Chief Executive's Overview, the Combined unaudited pro forma financial information and the Summary financial information in Danish Kroner. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the directors' Remuneration Report.

Opinion

In our opinion:

- > the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2004 and of the group result for the year then ended; and
- > the financial statements and the auditable part of the directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditor
Chartered Accountants
2 Bloomsbury Street, London WC1B 3ST
3 May 2005

Consolidated profit and loss account

For the year ended 31 December 2004

	Notes	Before exceptional items 2004 £m	Exceptional items (Note 3) 2004 £m	Total 2004 £m	Before exceptional items 2003 £m	Exceptional items (Note 3) 2003 £m	Total 2003 £m
Turnover							
Total turnover		3,178.4	–	3,178.4	2,569.5	–	2,569.5
Less share of joint ventures		(4.5)	–	(4.5)	–	–	–
Group turnover		3,173.9	–	3,173.9	2,569.5	–	2,569.5
Continuing operations		2,507.8	–	2,507.8	2,455.1	–	2,455.1
Acquisitions		602.5	–	602.5	–	–	–
Discontinued operations	1	63.6	–	63.6	114.4	–	114.4
Group turnover	1	3,173.9	–	3,173.9	2,569.5	–	2,569.5
Operating profit/(loss)							
Continuing operations		84.4	(109.1)	(24.7)	77.6	(15.3)	62.3
Acquisitions		27.5	–	27.5	–	–	–
Discontinued operations	1	1.3	–	1.3	4.5	–	4.5
Group operating profit/(loss)	1	113.2	(109.1)	4.1	82.1	(15.3)	66.8
Share of operating profit in joint ventures and associates							
Continuing operations		2.4	–	2.4	1.7	–	1.7
Acquisitions		3.3	–	3.3	–	–	–
Total operating profit before goodwill amortisation and operating exceptional items	1	168.7	–	168.7	118.4	–	118.4
Goodwill amortisation		(49.8)	–	(49.8)	(34.6)	–	(34.6)
Operating exceptional items	3	–	(109.1)	(109.1)	–	(15.3)	(15.3)
Total operating profit/(loss)	1, 2	118.9	(109.1)	9.8	83.8	(15.3)	68.5
Costs of a fundamental restructuring	3	–	(37.2)	(37.2)	–	–	–
(Loss)/profit on sale or closure of discontinued operations	3	–	(37.3)	(37.3)	–	2.2	2.2
Profit/(loss) on ordinary activities before interest and taxation	1	118.9	(183.6)	(64.7)	83.8	(13.1)	70.7
Net interest:							
– Group		(15.8)	–	(15.8)	(20.4)	(7.3)	(27.7)
– Joint ventures and associates		(1.6)	–	(1.6)	0.2	–	0.2
		(17.4)	–	(17.4)	(20.2)	(7.3)	(27.5)
Profit/(loss) on ordinary activities before taxation		101.5	(183.6)	(82.1)	63.6	(20.4)	43.2
Taxation	7	(49.3)	36.5	(12.8)	(30.6)	(15.8)	(46.4)
Profit/(loss) on ordinary activities after taxation		52.2	(147.1)	(94.9)	33.0	(36.2)	(3.2)
Minority interests		(6.9)	–	(6.9)	(6.5)	–	(6.5)
Profit/(loss) for the year		45.3	(147.1)	(101.8)	26.5	(36.2)	(9.7)
Dividends	8			(23.5)			(3.3)
Retained deficit	22			(125.3)			(13.0)
(Loss)/earnings per share							
Basic loss per share	9			(10.5)p			(1.3)p
Diluted loss per share				(10.5)p			(1.3)p
Normalised earnings per share				9.7 p			8.0 p

Consolidated balance sheet

At 31 December 2004

	Notes	2004 £m	2003 £m
Fixed assets			
Goodwill	12	1,117.9	531.2
Tangible assets	13	341.7	159.8
Net investment in joint ventures:	14		
– Share of gross assets		76.6	–
– Share of gross liabilities		(67.4)	–
	14	9.2	–
Investment in associated undertakings		18.2	2.6
		1,487.0	693.6
Current assets			
Stocks	15	34.1	29.6
Debtors	16	755.0	523.6
Investments	14	97.0	53.1
Cash at bank and in hand	17	184.1	62.7
		1,070.2	669.0
Creditors – amounts falling due within one year			
Borrowings	17	(121.6)	(72.2)
Corporation tax		(21.6)	(12.0)
Proposed dividends		(23.5)	(3.6)
Other	19	(687.6)	(427.5)
		(854.3)	(515.3)
Net current assets		215.9	153.7
Total assets less current liabilities		1,702.9	847.3
Creditors – amounts falling due after more than one year			
Borrowings	17	(665.4)	(379.4)
Other	19	(16.0)	(17.4)
		(681.4)	(396.8)
Provisions for liabilities and charges	20	(103.5)	(126.9)
Net assets	10	918.0	323.6
Capital and Reserves			
Called up share capital	21	316.1	180.4
Reserves	22	571.4	118.4
Equity shareholders' funds		887.5	298.8
Equity minority interests		30.5	24.8
Capital employed		918.0	323.6

The parent company balance sheet and notes are on pages 82 to 86.

The financial statements were approved by the board of directors on 3 May 2005 and signed on its behalf by:

Lars Nørby Johansen
Director

Trevor Dighton
Director

Consolidated cash flow statement

For the year ended 31 December 2004

	2004 £m	2003 £m
Net cash flow from operating activities (note 27)	157.5	140.5
Net cash flow from returns on investments and servicing of finance (note 27)	(21.2)	(19.3)
Taxation	(30.3)	(44.7)
Net cash flow from capital expenditure and financial investment (note 27)	(92.7)	(71.0)
Net cash flow from acquisitions and disposals (note 27)	(39.9)	43.7
Net movement in funding balances with demerged businesses of the former Group 4 Falck A/S	(48.9)	22.4
Dividends paid	(3.3)	(3.3)
Cash flow before use of liquid resources and financing	(78.8)	68.3
Net cash flow from use of liquid resources	(0.6)	(2.2)
Financing:		
Share issue	0.2	–
Net sale of own shares	5.4	0.2
Proceeds on closure of foreign exchange contract	–	22.4
Capital element of finance lease rental payments	(4.5)	(4.1)
Increase/(decrease) in borrowings	210.8	(60.0)
Net cash flow from financing	211.9	(41.5)
Increase in cash in the year	132.5	24.6
Reconciliation of net cash flow to movement in net debt (note 27)		
Increase in cash	132.5	24.6
Increase in liquid resources	0.6	2.2
(Increase)/decrease in debt and lease financing	(206.3)	64.1
Change in net debt resulting from cash flows	(73.2)	90.9
Borrowings acquired with subsidiaries	(163.2)	(0.3)
New finance leases	(4.9)	(1.2)
Movement in net debt in the year	(241.3)	89.4
Translation adjustments	27.9	15.2
Net debt at 1 January 2004	(382.4)	(487.0)
Net debt at 31 December 2004 (note 17)	(595.8)	(382.4)

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2004

	2004 £m	2003 £m
Loss for the year	(101.8)	(9.7)
Translation adjustments taken to reserves net of tax	7.4	15.7
Total (losses)/gains recognised for the year	(94.4)	6.0

Note of historical cost profits and losses

For the year ended 31 December 2004

There is no material difference between the reported loss shown on page 47 and the loss for the year restated on an historical cost basis.

Reconciliation of movement in equity shareholders' funds

For the year ended 31 December 2004

	2004 £m	2003 £m
Loss for the year	(101.8)	(9.7)
Dividends	(23.5)	(3.3)
Retained deficit	(125.3)	(13.0)
Other gains and losses recognised in the year	7.4	15.7
Fair value of shares issued on acquisition of Securicor plc	710.4	–
Consideration paid for purchase of own shares	–	(0.4)
Consideration received on sale of own shares	5.4	0.6
Dividends received from demerged businesses of the former Group 4 Falck A/S	–	11.5
Movement in other demerger related balances with demerged businesses of the former Group 4 Falck A/S	–	12.7
Movement arising from acquisition of minority shareholders of the former Group 4 Falck A/S	(10.0)	–
Movement arising on Employee Benefit Trust reserve	0.8	–
Net increase in shareholders' funds	588.7	27.1
Equity shareholders' funds at 1 January 2004	298.8	271.7
Equity shareholders' funds at 31 December 2004	887.5	298.8

Statement of accounting policies

1 Basis of accounting

As a result of a Scheme of Arrangement of Securicor plc, which became effective on 19 July 2004, Group 4 Securicor plc became the ultimate holding company of the Securicor plc group of companies and, on the same date, and as a result of a recommended offer for its shares, acquired Group 4 A/S, the holding company of the former security businesses of Group 4 Falck A/S. In accordance with the provisions of Financial Reporting Standard 6: Acquisitions and mergers and, on the basis that the transaction has been effected by using a new parent, Group 4 A/S was identified as the acquirer; and the combination with Group 4 Securicor plc has therefore been accounted for using merger accounting principles. The acquisition of Securicor plc by Group 4 A/S has been accounted for under the acquisition method of accounting. The results for Group 4 Securicor plc for the year to 31 December 2004 therefore include the full year of trading of the security businesses of the former Group 4 Falck A/S and the trading of the businesses of Securicor plc for the period from 20 July 2004 to 31 December 2004.

The comparative results for the year to 31 December 2003 are those of the security businesses of the former Group 4 Falck A/S. These were reported in the Listing Particulars for Group 4 Securicor plc of 4 June 2004 in accordance with the Companies Act 1985 and UK accounting standards applicable as at that date. The comparative results were stated in the Listing Particulars in Danish Kroner and have been translated into the financial statements into £ sterling using the rates as reported in the Listing Particulars. The report on the Listing Particulars made by the reporting accountants of the security businesses of the former Group 4 Falck A/S businesses was unqualified.

The financial statements have been prepared in accordance with applicable accounting standards in the UK. A summary of the group's principal accounting policies is given below. These accounting policies have been adopted by the enlarged group. The directors have reviewed the impact of these accounting policies on the financial statements of the group, as previously reported, and are of the opinion that none of the adjustments arising are of such significance as to give rise to the need for a prior year adjustment. The directors have also reviewed the accounting estimates of the previous years and have harmonised these in the preparation of the financial statements. Due to its size, the financial effect of these revisions is disclosed as an exceptional item, within operating profit.

2 Accounting convention

The financial statements are prepared under the historical cost convention.

3 Foreign exchange translation

Foreign currency transactions arising from normal trading activities 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, have been transferred to reserves as disclosed in note 22 to the consolidated financial statements. All other exchange adjustments are taken to the profit and loss account.

4 Basis of consolidation

The consolidated financial statements incorporate the financial results of Group 4 Securicor plc, its subsidiary undertakings and the group's share of the results and net assets of its associates and joint ventures for the year ended 31 December 2004.

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 statements include the relevant proportion of the results of associated undertakings based on the last audited financial statements and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheet 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 statements include the group's share of results based on the last audited financial statements and subsequent management accounts where year ends are not coterminous.

In the consolidated balance sheet the share of gross assets and gross liabilities is shown under the heading "Net investment in joint ventures".

Statement of accounting policies (continued)

4 Basis of consolidation (continued)

Dominant influence

For those associated undertakings and joint ventures where the group exercises dominant influence by virtue of a common control contract the accounting treatment follows that of subsidiary undertakings.

Quasi-subsiidiaries

Entities which do not meet the legal definition of a subsidiary, but in which the group has 100% of the economic interest and exposure to substantially all of the risks and rewards of ownership, are treated as quasi-subsiidiaries in accordance with Financial Reporting Standard 5 : Reporting the substance of transactions. Accordingly, the accounting treatment of such entities follows that of subsidiary undertakings.

5 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.

6 Group turnover

Turnover represents sales, excluding value added tax and sales tax by group companies to external customers. Turnover in the manned security and cash services products and in security systems services is recognised in the period in which the service is provided. Turnover is recognised on security systems installations upon completion in respect of product sales and in accordance with the percentage of completion method in respect of bespoke systems. According to this method, revenue, expenses and income are accounted for in the period in which the service is related.

7 Research and development expenditure

Research expenditure is written off in the year in which it is incurred. Development expenditure represents expenditure incurred in establishing new services and products of the group. Such expenditure is capitalised to the extent that it meets criteria defined in Statement of Standard Accounting Practice 13: Accounting for research and development. In all other circumstances the expenditure is written off in the year in which it is incurred. Capitalised development 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.

8 Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold or long leasehold land. Depreciation is calculated to write off the cost of fixed assets to their estimated residual values by equal annual instalments over their expected economic life 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%

9 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business to bring stock to its present condition and location and includes appropriate overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

10 Current asset investments

Current asset investments comprise investments in securities and investments in subsidiary undertakings excluded from consolidation and in the process of disposal. Listed securities are stated at the lower of cost and their net realisable value. A distinction is made in their presentation between those which fall within the definition of "Liquid resources" given in Financial Reporting Standard 1: Cash flow statements and those which do not.

Statement of accounting policies (continued)

11 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in accordance with Financial Reporting Standard 19: Deferred tax 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.

12 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 to be 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.

13 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. The costs of meeting lease requirements on unoccupied properties are provided for at a discounted rate. Interest is calculated at an applicable interest rate and charged to the profit and loss account in external interest payable. Restructuring provisions are made for the costs of a business reorganisation where the plans are sufficiently detailed and where the appropriate communication to those affected has been undertaken at the balance sheet date.

Expenditure incurred in the year is charged to the relevant provision.

14 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.

Except for unoccupied properties (see note 13 above), 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 consolidated financial statements.

15 Pensions

The group operates various funded pension schemes that are established in accordance with local conditions and practices within the countries concerned. The principal defined benefit schemes are located in the UK. 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.

The principal schemes in use for new employees are defined contribution schemes.

The group has adopted the interim disclosure requirements of Financial Reporting Standard 17: Retirement benefits as shown in note 6 to the consolidated financial statements.

16 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.

17 Share awards

The estimated cost of share awards is spread evenly over the vesting period.

Notes to the consolidated financial statements

1. Class of business and geographical segment analysis

Group 4 Securicor operates in three core product areas, manned security, security systems and cash services. The group derives its revenue and operating profit from Europe, North America, Latin America and Caribbean, Africa, the Middle East and Gulf States, and Asia and Pacific.

Turnover

	Continuing operations 2004 £m	Acquisitions 2004 £m	Discontinued operations 2004 £m	Total 2004 £m	Total 2003 £m
By class of business					
Manned Security					
Europe	840.4	214.7	60.9	1,116.0	864.0
North America	899.0	47.1	–	946.1	911.6
New Markets	207.2	84.9	–	292.1	252.7
Total Manned Security	1,946.6	346.7	60.9	2,354.2	2,028.3
Security Systems					
Europe	313.6	2.3	–	315.9	314.5
North America	1.5	0.3	–	1.8	1.3
New Markets	19.8	6.8	–	26.6	15.6
Total Security Systems	334.9	9.4	–	344.3	331.4
Cash Services					
Europe	203.5	199.4	2.7	405.6	200.9
North America	–	29.8	–	29.8	–
New Markets	22.8	21.7	–	44.5	8.9
Total Cash Services	226.3	250.9	2.7	479.9	209.8
Total turnover	2,507.8	607.0	63.6	3,178.4	2,569.5
Less Manned Security joint venture (Europe)	–	(4.5)	–	(4.5)	–
Total group turnover	2,507.8	602.5	63.6	3,173.9	2,569.5
By geographical segment					
Europe	1,357.5	416.4	63.6	1,837.5	1,379.4
North America	900.5	77.2	–	977.7	912.9
New Markets					
Latin America and Caribbean	68.1	22.0	–	90.1	52.1
Africa	47.3	47.2	–	94.5	48.1
Middle East & Gulf States	35.7	4.2	–	39.9	101.8
Asia and Pacific	98.7	40.0	–	138.7	75.2
Total turnover	2,507.8	607.0	63.6	3,178.4	2,569.5
Less Manned Security joint venture (Europe)	–	(4.5)	–	(4.5)	–
Total group turnover	2,507.8	602.5	63.6	3,173.9	2,569.5
Group turnover	2,507.8	602.5	63.6	3,173.9	2,569.5
Cost of sales	(2,015.2)	(446.1)	(52.6)	(2,513.9)	(2,058.3)
Gross profit	492.6	156.4	11.0	660.0	511.2
Administration expenses	(375.0)	(113.3)	(8.7)	(497.0)	(394.5)
Goodwill amortisation	(33.2)	(15.6)	(1.0)	(49.8)	(34.6)
Operating exceptional items	(109.1)	–	–	(109.1)	(15.3)
Group operating (loss)/profit	(24.7)	27.5	1.3	4.1	66.8

Notes to the consolidated financial statements (continued)

1. Class of business and geographical segment analysis (continued)

Earnings before interest, taxation, goodwill amortisation and exceptional items (EBITA)

	Continuing operations 2004 £m	Acquisitions 2004 £m	Discontinued operations 2004 £m	Total 2004 £m	Total 2003 £m
By class of business					
Manned Security					
Europe	36.5	16.4	2.6	55.5	37.1
North America	51.3	0.9	–	52.2	52.7
New Markets	12.6	6.5	–	19.1	22.3
Total Manned Security	100.4	23.8	2.6	126.8	112.1
Security Systems					
Europe	25.9	(0.9)	–	25.0	18.6
North America	0.2	–	–	0.2	0.1
New Markets	2.9	0.1	–	3.0	1.1
Total Security Systems	29.0	(0.8)	–	28.2	19.8
Cash Services					
Europe	5.6	17.3	(0.3)	22.6	4.4
North America	–	2.1	–	2.1	–
New Markets	4.8	4.0	–	8.8	1.3
Total Cash Services	10.4	23.4	(0.3)	33.5	5.7
EBITA before head office costs	139.8	46.4	2.3	188.5	137.6
Head office costs	(19.8)	–	–	(19.8)	(19.2)
Total EBITA	120.0	46.4	2.3	168.7	118.4
By geographical segment					
Europe	68.0	32.8	2.3	103.1	60.1
North America	51.5	3.0	–	54.5	52.8
New Markets					
Latin America and Caribbean	3.1	3.0	–	6.1	3.7
Africa	6.0	3.5	–	9.5	8.0
Middle East & Gulf States	2.6	0.5	–	3.1	4.7
Asia and Pacific	8.6	3.6	–	12.2	8.3
EBITA before head office costs	139.8	46.4	2.3	188.5	137.6
Head office costs	(19.8)	–	–	(19.8)	(19.2)
Total EBITA	120.0	46.4	2.3	168.7	118.4
Total EBITA	120.0	46.4	2.3	168.7	118.4
Goodwill amortisation	(33.2)	(15.6)	(1.0)	(49.8)	(34.6)
Operating exceptional items (note 3)	(109.1)	–	–	(109.1)	(15.3)
Operating (loss)/profit including share of profit in joint ventures and associates	(22.3)	30.8	1.3	9.8	68.5
Costs of a fundamental restructuring (note 3)	–	(37.2)	–	(37.2)	–
(Loss)/profit on sale or closure of discontinued operations (note 3)	–	–	(37.3)	(37.3)	2.2
Total (loss)/profit on ordinary activities before interest and taxation	(22.3)	(6.4)	(36.0)	(64.7)	70.7
By class of business					
Manned Security	31.5	(0.1)	(35.7)	(4.3)	79.4
Security Systems	(15.5)	(2.1)	–	(17.6)	11.8
Cash Services	(14.6)	6.5	(0.3)	(8.4)	(0.2)
Head office costs	(23.7)	(10.7)	–	(34.4)	(20.3)
	(22.3)	(6.4)	(36.0)	(64.7)	70.7
By geographical segment					
Europe	(21.5)	(5.6)	(36.0)	(63.1)	33.8
North America	30.9	2.0	–	32.9	34.2
New Markets					
Latin America and Caribbean	1.6	2.9	–	4.5	3.7
Africa	(19.4)	1.7	–	(17.7)	6.5
Middle East & Gulf States	2.4	0.4	–	2.8	4.7
Asia and Pacific	7.4	2.9	–	10.3	8.1
Head office costs	(23.7)	(10.7)	–	(34.4)	(20.3)
	(22.3)	(6.4)	(36.0)	(64.7)	70.7

Notes to the consolidated financial statements (continued)

1. Class of business and geographical segment analysis (continued)

Discontinued group operations for the year ended 31 December 2004 represent the operations of Falck Nederland and its subsidiaries and of Group 4 Cash Services UK. In the year to 31 December 2003, turnover from discontinued operations amounted to £109.3m in manned security and £5.1m in cash services. Operating profits/(losses) from discontinued operations before exceptional items and goodwill amortisation in 2003 amounted to £5.2m in manned security and £(0.7)m in cash services. All discontinued operations arise in Europe.

2. Operating profit

Operating profit has been arrived at after taking account of:

	2004 £m	2003 £m
Depreciation of tangible fixed assets:		
– owned assets	55.7	34.5
– assets held under finance leases	5.5	4.8
Impairment of fixed assets	8.2	–
Goodwill amortisation (excluding joint ventures and associated companies)	49.8	34.6
Impairment of goodwill	51.2	–
Amortisation of development expenditure	–	0.7
Research and development expenditure	4.1	0.3
Operating lease rentals payable:		
– plant, machinery and vehicles	32.5	30.6
– other including properties	32.6	24.7
Operating lease rentals receivable:		
– plant and machinery	2.0	1.7
– other including properties	0.2	0.2
Loss/(profit) on disposal of tangible fixed assets	1.1	(1.5)
Cost of Performance Share Plan awards	0.9	–
Government grant received	0.3	–
Net foreign exchange differences	0.5	0.2
Auditors' remuneration for audit services:		
– principal auditors	0.9	1.8
– other auditors	2.6	0.3
Auditors' remuneration for other services:		
– principal auditors	0.1	4.6
– other auditors	1.6	0.2
Total auditors remuneration	5.2	6.9

Baker Tilly replaced the joint auditors, PricewaterhouseCoopers and KPMG C. Jespersen, in 2004. The 2003 figures comprise amounts paid to both PricewaterhouseCoopers and KPMG C. Jespersen.

Auditors' remuneration comprises £3.3m (2003: £2.1) for audit-related services, £0.1m (2003: £0.1m) for due diligence and other transaction-related services, £0.4m (2003: £1.2m) for tax compliance and advisory work, and £1.4m (2003: £3.5m) for other non-audit services. In addition to the amounts shown above the following received fees in connection with the acquisition of Securicor during the year: Baker Tilly £1.9m, PricewaterhouseCoopers £8.6m, KPMG £1.3m.

Notes to the consolidated financial statements (continued)

3. Exceptional items

	2004 £m	2003 £m
Charged to operating profit		
Impairment of goodwill in respect of businesses in Finland, Germany, Poland, South Africa and Austria	(51.2)	–
Adjustment to carrying value of assets and liabilities arising from harmonisation of accounting estimates (Statement of accounting policies, note 1)	(57.9)	–
Restructuring costs incurred upon other acquisitions	–	(0.7)
Restructuring costs incurred in the establishment of a product-based management structure	–	(11.5)
Loss in connection with the Euro conversion	–	(3.1)
	(109.1)	(15.3)
Costs of a fundamental restructuring		
Restructuring costs incurred in connection with the acquisition of Securicor plc into the combined group	(37.2)	–
(Loss)/profit on sale or closure of discontinued operations		
Provision for loss on disposal of Falck Nederland	(34.5)	–
Other	(2.8)	2.2
	(37.3)	2.2
Total exceptional items	(183.6)	(13.1)

4. Net interest

	2004 £m	2003 £m
Interest receivable: group	4.6	5.6
Interest receivable: joint ventures and associates	–	0.2
	4.6	5.8
Interest payable: group		
Bank loans and overdrafts	(18.6)	(22.6)
Other loans	(0.3)	(1.7)
Interest on finance leases	(1.5)	(1.7)
	(20.4)	(26.0)
Interest payable: joint ventures	(1.6)	–
Net interest payable and similar items	(17.4)	(20.2)
Exceptional loss on interest rate swap	–	(7.3)
	(17.4)	(27.5)

The exceptional loss on the interest rate swap in 2003 represented the loss over the period to maturity of the swap from the date on which the loan which the swap was hedging was repaid.

5. Staff costs and employees

Total staff costs were as follows:

	2004 £m	2003 £m
Staff costs, including directors' emoluments:		
Wages and salaries	1,919.8	1,583.0
Social security costs	312.8	263.9
Pension costs	47.3	42.2
	2,279.9	1,889.1

Information on directors' remuneration, share options, longer-term incentive plans and pension contributions and entitlements is set out in the audited section of the Remuneration Report on pages 39 to 42.

Notes to the consolidated financial statements (continued)

5. Staff costs and employees (continued)

The average monthly number of employees of the group during the year was:

	2004 Number	2003 Number
By class of business		
Manned Security	247,200	211,998
Security Services	39,485	7,481
Cash Services	19,534	10,933
Not allocated, including shared administration and head office	94	60
	306,313	230,472
By geographical segment		
Europe	96,274	73,465
North America	49,173	44,520
New Markets	160,772	112,427
Not allocated, including shared administration and head office	94	60
	306,313	230,472

6. Pension arrangements

The group operates various funded pension schemes which are established in accordance with local conditions and practices within the countries concerned. The majority of schemes are of a defined contribution structure, including the contracted-in defined contribution schemes which are the main schemes for new UK employees. In The Netherlands, employees are members of an industry-wide defined benefit scheme, but as it is not possible to separately identify the group's share of the assets and liabilities of the scheme it is accounted for as a defined contribution scheme. Wackenhut Services, Inc. ("WSI") is the administrator of several defined benefit plans in the United States. WSI is responsible for making periodic cost-reimbursable deposits to the various defined benefit plans as determined by independent actuaries. In each instance, the US Department of Energy ("DOE") acknowledged within the contract entered between the DOE and WSI its responsibility for all unfunded pension and benefit liabilities. Therefore, these plans are accounted for as defined contribution schemes. The group operates defined benefit schemes in a number of countries but the only schemes of significance to the group are in the UK. Contributions made to defined contribution schemes and to defined benefit schemes other than in the UK totalled £42.8m (2003: £39.5m).

In the UK, the membership of the Group 4 pension scheme is about 5,000. The membership of the Securicor scheme, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, is about 21,000. The assets of both UK defined benefit schemes are held in separate trustee-administered funds. The pension costs are assessed on the advice of qualified independent actuaries using the projected unit credit method. The cost recognised in the profit and loss account in respect of UK defined benefit schemes amounted to £4.5m (2003: £2.7m), compared to contributions made of £4.2m (2003: £1.9m). Regular actuarial assessments of the schemes are carried out, the latest being at 31 March 2002 in respect of the scheme demerged from the former Group 4 Falck A/S and at 5 April 2003 in respect of the Securicor scheme. Both schemes were certified by an independent actuary as meeting the Minimum Funding Requirement solvency level, in that the market value of assets exceeded the assessment of the schemes' liabilities on a current funding level basis. Both valuations have been updated to 31 December 2004. At that date the market value of the schemes' assets was £845.8m. The most significant actuarial assumptions used in the calculation of liabilities were that the long-term composite rates of return on investments would be 2.3% above the risk-free return, 2.3% to 3.3% above the rate of annual salary increases and 4.3% above the rate of pension increase. The assets comprise 100% of the schemes' liabilities on actuarial assumptions which take account of future service and earnings increases.

Variances arising on the actuarial valuation of the defined benefit schemes are reviewed regularly and, in accordance with Statement of Standard Accounting Practice 24 (SSAP 24): Accounting for pension costs, recognised in the profit and loss account over the average remaining service lives of the schemes' members. A provision of £4.5m (2003: £4.2m) is included in the balance sheet in respect of additional SSAP 24 charges. An additional cash contribution of £15m before tax has been made in the year commencing 1 January 2005, with no profit and loss account impact. The contribution rates in respect of future service benefits are currently at an average of 11% of pensionable earnings in the Group 4 scheme and 14% in the Securicor scheme.

Financial Reporting Standard 17 (FRS 17): Retirement benefits was issued by the Accounting Standards Board in November 2000 but is not fully mandatory until the financial statements for the year ended 31 December 2005. Prior to this, transitional arrangements require the disclosure of certain items by way of note.

Notes to the consolidated financial statements (continued)

6. Pension arrangements (continued)

The major assumptions for the UK defined benefit pension schemes' valuations in accordance with the methodology prescribed by FRS 17 are as follows:

	2004 %	2003 %	2002 %
Rate of increase in salaries	3.8-4.8	3.8	3.3
Rate of increase in pension payment	2.8	2.7	2.4
Discount rate	5.9	5.6	5.5
Inflation assumption	2.8	2.8	2.3

On full compliance with FRS 17, the amounts which would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year, on the basis of the valuation assumptions made as at the previous year ends, are as follows:

	2004 £m	2003 £m
Profit/(loss) on ordinary activities before interest, exceptional items and taxation		
Current service cost	(8.4)	(4.3)
Past service cost	—	—
	(8.4)	(4.3)
Financial items		
Expected return on scheme assets	33.9	5.4
Interest cost on scheme liabilities	(35.1)	(7.0)
	(1.2)	(1.6)
Total included within profit/(loss) before taxation	(9.6)	(5.9)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	30.2	10.1
Experience gains/(losses) on scheme liabilities	2.7	(3.1)
Changes in assumptions in valuation of scheme liabilities	(41.6)	(4.3)
Total actuarial (loss)/gain	(8.7)	2.7

History of experience gains and losses	2004	2003	2002	2001
Difference between expected and actual return on scheme assets:				
Amount (£m)	30.2	10.1	(19.7)	(8.1)
Percentage of scheme assets	4%	11%	(25%)	(8%)
Experience gains/(losses) on scheme liabilities:				
Amount (£m)	2.7	(3.1)	(3.1)	(3.2)
Percentage of scheme liabilities	0%	(2%)	(3%)	(3%)
Total actuarial (loss)/gain:				
Amount (£m)	(8.7)	2.7	(32.0)	(11.2)
Percentage of scheme liabilities	(1%)	2%	(26%)	(10%)

Notes to the consolidated financial statements (continued)

6. Pension arrangements (continued)

The market value of assets in the UK defined benefit schemes at 31 December 2004 and the expected rates of return are as follows:

	2004 £m	2004 %	2003 £m	2003 %	2002 £m	2002 %
Equities	598.5	7.8	79.7	7.8	62.2	7.5
Bonds	215.3	4.9	11.6	4.8	14.5	4.5
Other	32.0	4.9	5.7	4.0	3.7	4.0
Total market value of assets	845.8		97.0		80.4	
Actuarial value of liability	(1,038.6)		(144.2)		(128.2)	
Deficit in the scheme	(192.8)		(47.2)		(47.8)	
Related deferred tax asset	57.8		14.2		14.4	
Net pension liability	(135.0)		(33.0)		(33.4)	

The analysis of the movement in the scheme deficits during the year calculated in accordance with FRS 17 is as follows:

	2004 £m	2003 £m
Deficit in Group 4 scheme at 1 January 2004	(47.2)	(47.8)
Opening adjustment in respect of Global Solutions Limited demerger	(6.9)	–
Deficit in Securicor scheme at 20 July 2004	(127.0)	–
Current service cost	(8.4)	(4.3)
Contributions	6.6	3.8
Expected return on scheme assets	33.9	5.4
Interest cost on scheme liabilities	(35.1)	(7.0)
Actuarial (loss)/gain	(8.7)	2.7
Deficit at 31 December 2004	(192.8)	(47.2)

FRS 17 specifies that pension liabilities should be discounted at an appropriate high quality corporate bond rate. The directors consider that it is appropriate to apply the AA corporate bond rate which most closely approximates to the timescale of the liability profile and the asset portfolio of the schemes and have therefore used such a rate, being 5.9%, at 31 December 2004. The effect of a 0.1% movement in the discount rate is to alter reported liabilities by approximately £14m.

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

The UK defined benefit schemes are largely closed to new members. Under the projected unit method of actuarial valuation prescribed by FRS 17 the current service cost will increase as the members of the scheme approach retirement.

If the pension schemes deficit calculated as above in accordance with FRS 17 had been recognised in the financial statements, the group's net assets and profit and loss account reserve would have been disclosed as follows:

	2004 £m	2003 £m
Net assets excluding pension deficit	918.0	323.6
Pension deficit (net of deferred tax)	(135.0)	(33.0)
Net assets including pension deficit	783.0	290.6
Profit and loss account reserve excluding pension deficit	144.3	271.3
Pension deficit (net of deferred tax)	(135.0)	(33.0)
Profit and loss account reserve including pension deficit	9.3	238.3

Notes to the consolidated financial statements (continued)

7. Taxation

	2004 £m	2003 £m
Group		
UK corporation tax	9.1	3.5
UK corporation tax adjustments for previous years	(4.7)	–
Overseas tax	49.8	21.9
Overseas tax adjustments for previous years	–	4.0
	54.2	29.4
Joint ventures: UK corporation tax	0.2	–
Associated undertakings: overseas tax	0.3	–
Exceptional items: UK corporation tax	(5.1)	–
Exceptional items: overseas tax	(7.2)	15.8
Total current tax	42.4	45.2
Deferred Tax		
Group	(3.2)	(1.9)
Adjustments in respect of previous years	(2.2)	3.1
Exceptional items	(4.1)	–
Exceptional items – adjustments in respect of previous years	(20.1)	–
Total deferred tax	(29.6)	1.2
Tax on profit/(loss) on ordinary activities	12.8	46.4
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%	(24.6)	13.0
(Income)/expenses not (chargeable)/deductible for tax purposes	57.4	11.5
Tax relating to the sale of Wackenhut Corrections Corporation	–	22.0
Timing differences in the recognition of profits and losses for tax purposes	7.3	2.0
Different tax rates on overseas earnings	2.2	0.7
Unutilised overseas losses	4.8	–
Adjustments in respect of previous years	(4.7)	(4.0)
Total current tax	42.4	45.2
The deferred tax charge may be analysed as follows:		
Origination and reversal of timing differences	(7.3)	(1.9)
Adjustments in respect of previous years	(22.3)	3.1
Total deferred tax	(29.6)	1.2

Factors that may impact the group's tax charges in the future include:

1. No deferred tax has been provided in respect of the remittance of earnings from overseas subsidiaries except to the extent that dividends have been accrued as receivable.
2. Tax losses to the value of £52.2m have not been recognised as deferred tax assets as their utilisation is uncertain and/or long-term.

8. Dividends

	2004 £m	2003 £m
Ordinary dividend		
Final (proposed) 1.85p, DKK 0.1981	23.5	3.3

The final dividend will be paid on 12 July 2005 to shareholders on the register on 10 June 2005. The exchange rate used to translate the dividend into Danish Kroner is that at 10 March 2005. The 2003 comparative is the final dividend declared by the former Group 4 Falck A/S for 2003 at the rate of DKK 0.40 per former Group 4 Falck A/S share equivalent to DKK 0.049 per Group 4 Securicor plc share.

Notes to the consolidated financial statements (continued)

9. (Loss)/earnings per share

	2004 £m	2003 £m
Basic		
Loss after taxation	(94.9)	(3.2)
Minority interests	(6.9)	(6.5)
Loss attributable to shareholders	(101.8)	(9.7)
Weighted average number of shares outstanding (m)	966.9	721.8
Basic loss per share (pence)	(10.5)	(1.3)
Diluted		
Weighted average number of shares outstanding (m)	966.9	721.8
Diluted loss per share (pence)	(10.5)	(1.3)
Normalised earnings before goodwill amortisation, discontinued operations and exceptional items		
Loss attributable to shareholders	(101.8)	(9.7)
Exceptional items, goodwill amortisation and discontinued operations (all net of tax)	196.0	67.7
Adjusted attributable profit	94.2	58.0
Weighted average number of shares outstanding (m)	966.9	721.8
Normalised earnings per share (pence)	9.7	8.0

In the opinion of the directors the earnings per share figure of most use to shareholders is the normalised one. This figure better allows the analysis of trends over time and the comparison of different businesses. The adjustments made in this calculation are to:

- Remove the impact of goodwill amortisation. This charge does not aid comparability as it only applies to goodwill arising on acquisitions rather than internally-generated goodwill and it only applies to acquisitions after 1998.
- Remove discontinued operations, so that the measure is on a broadly consistent basis from year to year.
- Remove the impact of one-off exceptional items that are not comparable from year to year.

10. Net assets by class of business and geographical segment

	2004 Group £m	2004 Share of joint ventures and associated undertakings £m	2004 Total net assets £m	2003 Group £m	2003 Share of joint ventures and associated undertakings £m	2003 Total net assets £m
By class of business						
Manned Security	935.6	18.9	954.5	483.9	2.6	486.5
Security Systems	110.8	–	110.8	153.2	–	153.2
Cash Services	518.5	8.5	527.0	88.2	–	88.2
Head office	(114.8)	–	(114.8)	(71.2)	–	(71.2)
Continuing operations	1,450.1	27.4	1,477.5	654.1	2.6	656.7
By geographical segment						
Europe	989.3	9.2	998.5	316.4	–	316.4
North America	452.6	9.7	462.3	343.7	2.6	346.3
New Markets						
Latin America and Caribbean	30.7	–	30.7	1.5	–	1.5
Africa	33.9	–	33.9	29.9	–	29.9
Middle East & Gulf States	10.1	–	10.1	21.0	–	21.0
Asia and Pacific	48.3	8.5	56.8	12.8	–	12.8
Head office	(114.8)	–	(114.8)	(71.2)	–	(71.2)
Continuing operations	1,450.1	27.4	1,477.5	654.1	2.6	656.7
Discontinued operations	36.3	–	36.3	49.3	–	49.3
Total group operations	1,486.4	27.4	1,513.8	703.4	2.6	706.0
Net debt			(595.8)			(382.4)
Total net assets			918.0			323.6

Notes to the consolidated financial statements (continued)

10. Net assets by class of business and geographical segment (continued)

Net assets of continuing operations, before interest bearing debt, includes £862.3m relating to acquisitions.

Discontinued operations included in the group's net assets as at 31 December 2004 represent the operations of Falck Nederland and its subsidiaries, of Group 4 Cash Services UK and of Securicor Luxembourg, all of which are located in Europe. Their net operating assets at 31 December 2004 amounted to £34.1m in manned security and £2.2m in cash services. At 31 December 2003 the net operating assets of discontinued operations, all located in Europe, amounted to £49.6m in manned security and £(0.3)m in cash services.

Share of net assets of joint ventures and associated undertakings represents shares at cost and the group's share of post acquisition reserves (note 14).

11. Acquisitions

As a result of a Scheme of Arrangement, which became effective on 19 July 2004, Group 4 Securicor plc acquired the Securicor plc group of companies in a share for share exchange. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Notes	Net assets acquired £m	Provisional fair value adjustments £m	Provisional fair value of assets acquired £m
Tangible fixed assets	(i)	159.7	(2.7)	157.0
Investments in joint ventures and associates		15.9	–	15.9
Stock	(ii)	6.7	(1.4)	5.3
Debtors	(ii)	220.9	(9.1)	211.8
Deferred tax asset	(iii)	14.8	(8.4)	6.4
Current assets investments	(iv)	6.9	12.3	19.2
Cash		60.1	–	60.1
Debt		(162.7)	–	(162.7)
Creditors – amounts falling due within 1 year	(v)	(228.2)	(4.2)	(232.4)
Creditors – amounts falling due after more than 1 year	(vi)	(4.5)	(2.8)	(7.3)
Minority interests	(vii)	(7.3)	2.4	(4.9)
Net assets		82.3	(13.9)	68.4
Goodwill (note 12)				703.1
				771.5
Satisfied by:				
Purchase consideration from issue of shares				710.4
Transaction costs				61.1
				771.5

Details of fair value adjustments are as follows:

- i) The adjustment to tangible fixed assets is to reflect the market value of properties and the fair value in use of other assets at the date of acquisition
- ii) The adjustment to current assets is to value them at the date of acquisition in accordance with group accounting policies
- iii) The fair value adjustment for deferred tax balances relates to the recognition only of deferred tax assets at amounts considered recoverable in the short term
- iv) An adjustment to the carrying value of Securicor Luxembourg SA, an investment held exclusively for resale, to reflect the net realisable value. The divestment of the operations of Securicor Luxembourg SA was required by the European Commission as a condition for approval of the acquisition of Securicor plc
- v) The recognition of corporation tax and other liabilities in existence at the date of acquisition
- vi) The recognition of obligations and the provision for certain contingent liabilities in existence at the date of acquisition
- vii) The share of fair value adjustments attributable to minority shareholders.

The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These may be adjusted to reflect any development in the issues to which they relate. Final values will be incorporated into the 2005 group financial statements.

The acquired business of Securicor plc contributed £585.8m to turnover and £43.9m to profit before interest, taxation, goodwill amortisation and exceptional items for the part year under Group 4 Securicor plc ownership. It also contributed £103.0m to the group's net operating cash flows, paid £1.7m in respect of taxation and utilised £23.4m for capital expenditure and financial investment.

Notes to the consolidated financial statements (continued)

11. Acquisitions (continued)

Pre-acquisition results of Securicor plc

The summarised consolidated profit and loss account and consolidated statement of total recognised gains and losses of Securicor plc from 1 October 2003 up to its acquisition on 19 July 2004 and the comparatives for its full year to 30 September 2003, stated in accordance with its accounting policies, are as follows:

Securicor plc

Consolidated profit and loss account

	Period to 19 July 2004 £m	Year to 30 September 2003 £m
Group turnover	1,048.4	1,323.8
Group operating profit	52.8	54.2
Share of operating profit in joint ventures and associates	5.3	13.4
	58.1	67.6
Loss on sale or closure of operations	(0.4)	(0.8)
Profit on ordinary activities before interest and taxation	57.7	66.8
Net interest	(6.5)	(17.3)
Profit on ordinary activities before taxation	51.2	49.5
Taxation	(19.3)	(3.9)
Profit on ordinary activities after taxation	31.9	45.6
Minority interests	(1.6)	(1.1)
Profit for the period	30.3	44.5

Securicor plc

Consolidated statement of total recognised gains and losses

	Period to 19 July 2004 £m	Year to 30 September 2003 £m
Profit for the period	30.3	44.5
Translation differences on foreign currency net investment	0.4	(5.1)
Total gains recognised for the period	30.7	39.4

Notes to the consolidated financial statements (continued)

11. Acquisitions (continued)

Other acquisitions

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

	Book value and provisional fair value of assets acquired £m
Fixed assets – tangible	9.3
Stock	0.8
Debtors	4.6
Net debt	(0.5)
Creditors – amounts falling due within one year	(14.6)
Minority interests	(2.6)
Net assets	(3.0)
Goodwill	43.6
	40.6
Satisfied by:	
Cash consideration	24.6
Deferred consideration payments	16.0
	40.6

It is considered that the fair value of the identifiable assets and liabilities acquired is represented by the book value. Goodwill represents the excess of the consideration over the net assets acquired. The other subsidiary undertakings acquired during the year contributed £2.2m to the group's net operating cash flows, paid £0.5m in respect of taxation and utilised £0.5m for capital expenditure and financial investment.

12. Goodwill

	Total £m
Cost	
At 1 January 2004	622.7
Acquisition of Securicor plc	703.1
Other additions	43.6
Amounts written off	(54.7)
Translation adjustments	(16.0)
At 31 December 2004	1,298.7
Amortisation	
At 1 January 2004	(91.5)
Charge for the year	(49.8)
Amounts written off	10.2
Provision for impairment	(51.2)
Translation adjustments	1.5
At 31 December 2004	(180.8)
Net book value	
At 31 December 2004	1,117.9
At 31 December 2003	531.2

Notes to the consolidated financial statements (continued)

13. Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2004	60.8	284.3	345.1
Additions at cost	13.5	89.3	102.8
Acquisition of Securicor plc	72.2	84.8	157.0
Other acquisitions	1.3	8.0	9.3
Disposals	(13.0)	(26.4)	(39.4)
Transfer out of subsidiaries no longer controlled	–	(9.6)	(9.6)
Translation adjustments	2.1	3.6	5.7
At 31 December 2004	136.9	434.0	570.9
Depreciation			
At 1 January 2004	(21.7)	(163.6)	(185.3)
Charge for the year	(7.3)	(53.9)	(61.2)
Disposals	4.7	17.5	22.2
Transfer out of subsidiaries no longer controlled	–	6.0	6.0
Provision for impairment	–	(8.2)	(8.2)
Translation adjustments	(0.7)	(2.0)	(2.7)
At 31 December 2004	(25.0)	(204.2)	(229.2)
Net book value			
At 31 December 2004	111.9	229.8	341.7
At 31 December 2003	39.1	120.7	159.8

Land and buildings

	2004 £m	2003 £m
The net book value of land and buildings comprises:		
Freeholds	57.7	20.5
Long leaseholds (50 years and over)	12.7	–
Short leaseholds (under 50 years)	41.5	18.6
	111.9	39.1

Equipment held under finance leases and included above comprises:

	2004 £m	2003 £m
Net book value	21.9	13.9
Accumulated depreciation	11.7	13.9
Provision for the year	5.3	4.7

Notes to the consolidated financial statements (continued)

14. Investments

Full details of significant investments held by the parent company and the group are detailed within note 30 to the consolidated financial statements.

Investments in associated undertakings and joint ventures

The following are included in the net book value of fixed asset investments:

	Associated undertakings £m	Joint ventures £m	Total £m
Share of net assets/cost			
At 1 January 2004	2.6	–	2.6
Acquisition of Securicor plc	8.9	7.0	15.9
Other additions	3.5	2.4	5.9
Share of retained profit for the year	2.6	(0.2)	2.4
Translation adjustments	0.6	–	0.6
At 31 December 2004	18.2	9.2	27.4

Associates: group share of results and net assets

	2004 £m	2003 £m
Share of turnover	70.0	48.5
Share of profit on ordinary activities before taxation	2.9	1.9
Share of taxation	(0.3)	–
Share of profit on ordinary activities after taxation	2.6	1.9
Share of assets		
Fixed assets	25.6	–
Current assets	11.1	3.0
Share of gross assets	36.7	3.0
Share of liabilities		
Liabilities due within one year	(18.3)	(0.4)
Liabilities due after more than one year	(0.2)	–
Group share of gross liabilities	(18.5)	(0.4)
Share of net assets	18.2	2.6

Joint ventures: group share of results and net assets

	2004 £m	2003 £m
Share of turnover	4.5	–
Share of profit on ordinary activities before taxation	1.2	–
Share of taxation	(0.2)	–
Share of profit on ordinary activities after taxation	1.0	–
Share of assets		
Fixed assets	12.6	–
Current assets	39.6	–
Share of gross assets	52.2	–
Share of liabilities		
Liabilities due within one year	(2.7)	–
Liabilities due after more than one year	(40.3)	–
Group share of gross liabilities	(43.0)	–
Share of net assets	9.2	–

The group's share of net assets of associates and joint ventures includes £nil in respect of purchased goodwill.

Notes to the consolidated financial statements (continued)

14. Investments (continued)

Current asset investments

	2004 £m	2003 £m
Investments in securities – liquid resources	7.1	6.5
Investments in securities – other	53.6	46.6
Investments in subsidiaries not controlled by the group and for resale	36.3	–
	97.0	53.1

Investments in securities primarily comprise listed securities held by the group's wholly-owned captive insurance subsidiaries. The market value of these investments at 31 December 2004 was £59.8m (2003: £56.3m), as quoted on the relevant market as at that date.

All subsidiary undertakings have been included within the consolidated financial statements of the group with the exception of those businesses which the group is required by the European commission to dispose of as a condition of approval of the acquisition of Securicor plc. These businesses comprise Falck Nederland and its subsidiaries, Group 4 Cash Services UK and Securicor Luxembourg.

The subsidiary operations of Falck Nederland and Group 4 Cash Services UK which were owned by the group prior to the acquisition of Securicor plc, have been excluded from the consolidated financial statements because severe long-term restrictions hindered the exercise of the rights of the parent over the subsidiaries' management during the process of divestment. These subsidiary undertakings have therefore been de-consolidated from 20 July 2004. They are shown within current asset investments as they are held for re-sale and at their carrying value as at that date, less an impairment charge of £34.5m in respect of the net realisable value of Falck Nederland. The investment in Securicor Luxembourg, which was acquired as part of Securicor plc, was held exclusively for resale. The results of this subsidiary undertaking have not been consolidated and are shown as an investment at fair value at 31 December 2004.

The operations of Falck Nederland are in the process of being disposed of, whilst the operations of Group 4 Cash Services UK and of Securicor Luxembourg were sold on 4 March 2005. Details of significant transactions which took place between the companies listed above and the group are disclosed in note 28.

15. Stocks

	2004 £m	2003 £m
Raw materials	5.3	6.2
Work in progress	1.1	1.1
Finished goods including consumables	27.7	22.3
	34.1	29.6

Notes to the consolidated financial statements (continued)

16. Debtors

	2004 £m	2003 £m
Amounts falling due within one year		
Trade debtors	568.0	373.2
Amounts recoverable on contracts	10.0	8.8
Amounts owed by associated undertakings	3.9	0.9
Other debtors	70.4	54.4
Prepayments and accrued income	46.3	46.2
Deferred tax asset	41.9	20.0
	740.5	503.5
Amounts falling due after more than one year		
Trade debtors	0.4	8.8
Other debtors	13.7	10.1
Prepayments and accrued income	0.4	1.2
	14.5	20.1
Total debtors	755.0	523.6

The deferred tax movements are analysed in note 20.

17. Net borrowings

	2004 £m	2003 £m
Long-term borrowings		
Unsecured	655.9	149.4
US private placement notes	–	225.5
Finance leases	9.5	4.5
Total long-term borrowings	665.4	379.4
Short-term borrowings		
Bank overdraft (unsecured)	13.9	25.3
Secured loans	58.5	36.7
Unsecured loans	33.8	1.8
Finance leases	15.4	8.4
Total short-term borrowings	121.6	72.2
Total borrowings	787.0	451.6
Investments in securities (liquid resources)	(7.1)	(6.5)
Cash at bank and in hand	(184.1)	(62.7)
Net debt	595.8	382.4

Short term secured loans are secured on trade debtors.

Notes to the consolidated financial statements (continued)

18. Financial instruments

Financial instrument disclosures, excluding short-term debtors and creditors other than bank borrowings as permitted under Financial Reporting Standards 13 (FRS 13): Derivatives and other financial instruments: disclosures, are as follows:

Currency risk

The group conducts business in many currencies. Transaction risk is fairly limited as wherever possible each business operates in local currency, including financing activities. However, the group publishes its financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial portion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding borrowings in foreign currencies. Exchange differences arising on the translation of foreign currency net borrowings are recognised in the statement of total recognised gains and losses to offset exchange differences on foreign currency equity investments, in accordance with Statement of Standard Accounting Practice 20: Foreign currency translation. At 31 December 2004, the group's US dollar (including dollar-related) and euro (including euro-related) net assets before net borrowings respectively were approximately 82% and 46% hedged by net borrowings.

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 31 December 2004 the group had no existing swaps or forward rate agreements.

Financial liabilities

	2004 £m	2003 £m
Fixed rate		
US dollar	–	98.6
Sterling	8.3	–
Euro	8.2	3.2
Other currencies	8.4	8.3
	24.9	110.1
Floating rate		
US dollar	460.4	164.7
Sterling	39.4	–
Euro	209.1	82.7
Other currencies	53.2	94.1
	762.1	341.5
Non-interest bearing		
US dollar	16.0	3.7
Sterling	5.5	–
Euro	7.5	4.7
Other currencies	6.7	16.9
	35.7	25.3
Total financial liabilities		
US dollar	476.4	267.0
Sterling	53.2	–
Euro	224.8	90.6
Other currencies	68.3	119.3
	822.7	476.9

The weighted average interest rate in respect of financial liabilities at fixed rates at 31 December 2004 is 5% and the weighted average period for which the rates are fixed is two years. Interest-bearing financial liabilities at floating rates comprise revolving credit loans and bank overdrafts and bear interest based on short-term interbank rates (predominantly 3-month LIBOR). The weighted average period to maturity of the non-interest bearing liabilities, which comprise other creditors falling due after more than one year (note 19) and other provisions (note 20), is two years.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Maturity of financial liabilities

	2004 £m	2003 £m
Expiring within one year		
Bank overdraft	13.9	25.3
Secured borrowings	58.5	36.7
Unsecured borrowings	33.8	1.8
Finance leases	15.4	8.4
Non-interest bearing	5.0	5.6
	126.6	77.8
Expiring within one to two years		
Unsecured borrowings	215.7	146.6
Finance leases	5.5	2.2
Non-interest bearing	25.5	7.8
	246.7	156.6
Expiring within two to five years		
Unsecured borrowings	440.2	2.8
Finance leases	4.0	2.3
Non-interest bearing	5.2	9.2
	449.4	14.3
Expiring in more than five years		
Unsecured borrowings	–	225.5
Non-interest bearing	–	2.7
	–	228.2
Total	822.7	476.9

Financial assets

	2004 £m	2003 £m
Floating rate		
US dollar	8.7	2.3
Sterling	26.6	–
Euro	50.1	16.7
Other currencies	98.7	43.7
	184.1	62.7
Non-interest bearing		
US dollar	7.6	7.7
Sterling	0.1	–
Euro	4.0	1.7
Other currencies	4.9	16.9
	16.6	26.3
Total financial assets		
US dollar	16.3	10.0
Sterling	26.7	–
Euro	54.1	18.4
Other currencies	103.6	60.6
	200.7	89.0

Interest-bearing financial assets principally comprise money market deposits, current account balances and cash held in ATMs and in 2004 bore interest at a weighted average rate of 1.5%. Non-interest bearing financial assets comprise securities and long-term receivables, excluding £5.0m in respect of pension fund contributions, and the weighted average period to maturity is two years. Investments held by captive insurance companies are not included within financial assets in accordance with FRS 13.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Undrawn committed facilities

	2004 £m	2003 £m
Expiring within one to two years	6.7	71.9
Expiring within two to five years	359.8	9.5
	366.5	81.4

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 31 December 2004 and 31 December 2003.

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.

	2004 Book value £m	2004 Fair value £m	2003 Book value £m	2003 Fair value £m
Primary financial instruments				
Financial assets				
Bank and deposit balances	184.1	184.1	62.7	62.7
Investments	7.1	7.1	6.5	7.9
Other financial assets	9.5	9.5	19.0	20.1
	200.7	200.7	88.2	90.7
Financial liabilities				
Short-term borrowings	(121.6)	(121.6)	(72.2)	(72.2)
Long-term borrowings	(665.4)	(665.4)	(379.4)	(378.6)
Other financial liabilities	(35.7)	(35.7)	(25.3)	(25.3)
	(822.7)	(822.7)	(476.9)	(476.1)
Derivative financial instruments				
Interest rate swaps	(1.7)	(1.8)	(5.9)	(6.2)
Forward foreign currency contracts	–	(0.1)	6.0	6.0
	(1.7)	(1.9)	0.1	(0.2)

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 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 short term money market deposits, current account balances and cash held in ATMs.

Notes to the consolidated financial statements (continued)

18. Financial instruments (continued)

Currency exposures

Currency exposures arise where monetary assets and liabilities are denominated in currencies other than the functional currency of the business in which they are held. In operating businesses such assets and liabilities are intercompany balances. Gains and losses on these monetary assets and liabilities are recorded in the profit and loss account. The following table shows the net currency exposure of the group:

	2004 £m	2003 £m
US dollar	0.7	2.4
Euro	(0.1)	(8.0)
Other currencies	0.6	(13.5)
	1.2	(19.1)

19. Creditors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade creditors	96.7	56.6
Amounts owed to associated undertakings	0.2	0.3
Other taxation and social security costs	105.8	73.4
Other creditors	321.7	176.0
Accruals and deferred income	163.2	71.9
Amounts payable to demerged businesses of the former Group 4 Falck A/S	–	49.3
	687.6	427.5
Amounts falling due after more than one year:		
Other creditors	16.0	13.9
Accruals and deferred income	–	3.5
	16.0	17.4

20. Provisions for liabilities and charges

	2003 £m	Exchange £m	Charged in year £m	Utilised in year £m	Subsidiaries acquired	2004 £m
Insurance reserves	72.3	(2.6)	1.1	(17.8)	1.0	54.0
Pensions	17.6	(0.7)	2.0	(0.6)	–	18.3
Other provisions	11.3	(0.9)	10.4	(7.4)	6.3	19.7
	101.2	(4.2)	13.5	(25.8)	7.3	92.0
Deferred tax (see below)	25.7					11.5
Total	126.9					103.5

Insurance

The insurance reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey, Luxembourg and the US which underwrite the group's cash-in-transit, general liability, workers' compensation and auto liability policies. The 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.

Pensions

The pension provision represents the liability for pension obligations, including those disclosed in note 6 above in respect of UK defined benefit schemes, under SSAP 24.

Other provisions

Other provisions mainly comprise those for restructuring and onerous property leases. Restructuring provisions include amounts for redundancy payments and the cost of closure of activities in acquired businesses. An onerous property provision is provided against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties.

Notes to the consolidated financial statements (continued)

20. Provisions for liabilities and charges (continued)

Deferred tax

The movement in the total deferred tax balance was as follows:

	£m
Provision at 1 January 2004	(25.7)
Asset at 1 January 2004	20.0
Total deferred tax position at 1 January 2004	(5.7)
Profit and loss account	29.6
Acquisition of subsidiary undertakings	6.3
Translation adjustments	0.2
Total deferred tax position at 31 December 2004	30.4
Asset at 31 December 2004	(41.9)
Provision at 31 December 2004	(11.5)

The deferred tax asset is disclosed within debtors (note 16). The total deferred tax position is analysed as follows:

	2004 £m	2003 £m
United Kingdom		
Accelerated capital allowances	(1.1)	–
Other timing differences	2.3	1.5
	1.2	1.5
Overseas		
Tax losses carried forward	15.0	7.1
Other timing differences	14.2	(14.3)
	29.2	(7.2)

Deferred tax recognised in respect of tax losses principally relates to subsidiaries in Canada, Denmark, Germany, The Netherlands, Norway and Sweden. As these entities are returning to profitability, the recovery of tax losses is foreseeable.

21. Share capital

	At 31 December 2004		At 31 December 2003	
	Authorised £	Issued £	Authorised £	Issued £
Group 4 Securicor plc				
Ordinary shares of 25p each (2003: £1 each)	499,950,002	316,009,216	100	2
Redeemable preference shares of £1 each	49,998	49,998	–	–
Total	500,000,000	316,059,214	100	2

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

Notes to the consolidated financial statements (continued)

21. Share capital (continued)

At 31 December 2003, the authorised share capital of the company was £100 divided into 100 ordinary shares with a nominal value of £1 each, of which two were issued. 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; and each of the two issued ordinary shares of £1 each were subdivided into 20 ordinary shares of 5 pence each. On 11 May 2004, the company allotted the 49,998 redeemable preference shares fully paid. The redemption of these shares is mandatory at a nil premium. Redemption occurs automatically on the availability of distributable reserves. 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 five ordinary shares of 5 pence each were consolidated into one ordinary share of 25 pence each. On 19 July 2004, pursuant to the combination of the security businesses of the former Group 4 Falck A/S with Securicor plc, 655,834,513 ordinary shares of 25 pence each were issued to the 90.0% of the shareholders of the former Group 4 Falck A/S who accepted the initial offer and 542,222,079 ordinary shares of 25 pence each were issued to the shareholders of Securicor plc. On 4 October 2004, 65,970,476 ordinary shares of 25 pence each were issued to a further 9.1% of the shareholders of the former Group 4 Falck A/S who accepted the mandatory offer. The consolidated balance sheet shows the shares issued to the shareholders of the former Group 4 Falck A/S within the opening balance at 1 January 2004, in accordance with the treatment of this transaction as a merger as explained in the statement of accounting policies, note 1.

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

Executive share option scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise dates
2	98,332	107.98p	2005-2008
63	2,365,000	164p	2005-2009
68	1,630,000	133.75p	2005-2010
73	1,238,235	153p	2005-2010
51	5,193,310	108p	2005-2011
13	730,000	130p	2005-2012
16	610,000	85p	2006-2013
5	175,000	82.75p	2006-2013
1	25,000	79.75p	2006-2013
10	385,000	91p	2006-2013

The proceeds from shares allotted under this scheme during the year amounted to £268,576 (2003: nil)

Sharesave scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise dates
657	855,306	143p	until 31 March 2005
633	1,221,487	104p	2005-2006
1,725	9,173,926	64p	2006-2007

The proceeds from shares allotted under this scheme during the year amounted to £24,323 (2003: nil).

All of the above options are inclusive of those held by directors as set out in the Remuneration Report on page 41.

An Employee Benefit Trust established by Securicor plc holds 206,332 shares in Group 4 Securicor plc (to satisfy share options exercisable by former employees of Securicor plc) which cost £187,641. As at 31 December 2004, the market value of the shares was £288,865.

Notes to the consolidated financial statements (continued)

22. Reserves

	Profit & loss account £m	Share premium £m	Merger reserve £m	Other reserves £m	Total £m
At 1 January 2004	271.3	–	(138.4)	(14.5)	118.4
Retained deficit	(125.3)	–	–	–	(125.3)
Shares issued	–	0.2	–	–	0.2
Sale of own shares	(9.1)	–	–	14.5	5.4
Arising on acquisition of Securicor plc	–	–	564.7	(0.2)	564.5
Movements to Employees Benefit Trust reserve	–	–	–	0.8	0.8
Translation adjustments	7.4	–	–	–	7.4
At 31 December 2004	144.3	0.2	426.3	0.6	571.4

Goodwill of £45.8m arising on acquisitions since 1989 has been written off to reserves up to 31 December 2004 (2003: £45.8m).

23. Quasi-subsiary

The group owns all of the shares in Wackenhut Services, Inc. ("WSI"), under US Foreign Ownership Controlling Interest provisions. WSI provides security services to US Government agencies including security services on sites deemed to be strategically sensitive. Whilst the group is represented on the WSI board through shareholder proxies, operational control remains with an independent board reporting directly to the US government. The results of WSI are consolidated into the group's results on the basis that WSI is considered to be a "quasi-subsiary" in accordance with Financial Reporting Standard 5: Reporting the substance of transactions.

The financial results of WSI prepared in accordance with group accounting policies and included in the consolidated financial statements, are as follows:

	2004 £m	2003 £m
Profit and loss account:		
Turnover	237.0	241.4
Profit on ordinary activities before taxation	16.4	17.6
Tax on profit on ordinary activities	(5.8)	(6.3)
Profit for the year	10.6	11.3
Balance Sheet		
Fixed assets	6.6	0.9
Current assets	65.7	50.3
Creditors – amounts falling due within one year	(42.2)	(25.8)
Amounts payable to group companies	–	(10.6)
Total assets less current liabilities	30.1	14.8
Creditors – amounts falling due after more than one year	(2.3)	–
Provisions for liabilities and charges	(2.2)	(1.9)
Net assets	25.6	12.9
Cash flow statement		
Net cash flow from operating activities	(12.6)	13.3
Net cash flow from returns on investments and servicing of finance	2.1	2.9
Net cash flow from capital expenditure and financial investment	(0.5)	(0.6)
Net cash flow from acquisitions and disposals	(5.5)	–
Taxation	(3.4)	(0.8)
Dividends paid	(4.5)	(15.7)
Cash flow before use of liquid resources and financing	(24.4)	(0.9)
Net cash flow from financing	24.4	0.9
Decrease in cash in the year	–	–

Notes to the consolidated financial statements (continued)

24. Contingent liabilities

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

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

Argenbright is being sued and a number of lawsuits have been served upon it. Securicor plc has also been named in some of the lawsuits.

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

Additionally, contingent liabilities exist in respect of agreements entered into in the normal course of business.

25. Operating lease commitments

	2004 Land and Buildings £m	2004 Other £m	2003 Land and buildings £m	2003 Other £m
Annual commitments at 31 December 2004 on operating leases which expire:				
Within one year	11.3	15.9	4.5	7.8
Between two and five years	22.8	28.0	10.0	17.2
After more than five years	14.7	2.6	8.4	1.0
	48.8	46.5	22.9	26.0

26. Capital commitments

	2004 £m	2003 £m
Contracted	9.0	16.7

27. Cash flow statement

Reconciliation of operating profit to operating cash flows

	2004 £m	2003 £m
Group operating profit	4.1	66.8
Non cash items		
Depreciation	61.2	39.5
Amortisation of intangible assets	–	0.7
Amortisation of goodwill	49.8	34.6
Exceptional impairment of goodwill	51.2	–
Exceptional impairment of fixed assets	8.2	–
Loss/(profit) on sale of fixed assets	1.1	(1.5)
	171.5	73.3
Movement in working capital		
Decrease in stocks	1.6	0.4
Decrease in debtors	2.3	0.1
Increase/(decrease) in creditors	14.8	(0.1)
Decrease in provisions	(16.9)	–
	1.8	0.4
Restructuring costs incurred upon the integration of Securicor plc	(19.9)	–
Net cash flow from operating activities	157.5	140.5

Notes to the consolidated financial statements (continued)

27. Cash flow statement (continued)

Return on investments and servicing of finance

	2004 £m	2003 £m
Interest received	4.5	5.3
Interest paid	(20.4)	(26.1)
Proceeds on closure of interest rate swap	–	3.9
Interest element of finance lease payments	(3.0)	(1.6)
Dividends paid to minority interest	(2.3)	(0.8)
Net cash outflow from returns on investments and servicing of finance	(21.2)	(19.3)

Capital expenditure and financial investment

	2004 £m	2003 £m
Purchase of tangible fixed assets	(97.9)	(76.6)
Purchase of intangible fixed assets	–	(1.6)
Sale of tangible fixed assets	16.2	20.7
Purchase of investments	(11.0)	(13.5)
Net cash outflow from capital expenditure and financial investment	(92.7)	(71.0)

Acquisitions and disposals

	2004 £m	2003 £m
Purchase of subsidiary undertakings	(93.3)	(4.7)
Purchase of interest in associated undertakings	(5.9)	–
Net cash balances acquired	60.1	0.3
Sale of subsidiary undertakings	(0.8)	–
Sale of operations and assets held for resale	–	68.0
Settlement of deferred acquisition payments	–	(19.9)
Net cash outflow from acquisitions and disposals	(39.9)	43.7

Cash flow relating to exceptional items

	2004 £m	2003 £m
Within net cash flow from operating activities		
Restructuring costs incurred upon the integration of Securicor plc	(19.9)	–
Restructuring costs incurred upon other acquisitions	–	(3.8)
Restructuring costs incurred in the establishment of a product-based management structure	(2.9)	(8.3)
Loss in connection with the Euro conversion	–	(4.7)
	(22.8)	(16.8)
After net cash flow from operating activities		
Loss on interest rate swap closed	–	(1.5)
	(22.8)	(18.3)

Notes to the consolidated financial statements (continued)

27. Cash flow statement (continued)

Analysis of net debt

	2003 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Exchange £m	Other non cash £m	2004 £m
Cash in hand and at bank	62.7	121.1	–	0.3	–	184.1
Overdrafts	(25.3)	11.4	–	–	–	(13.9)
Increase in cash in the year		132.5				
Debt due after more than one year	(374.9)	(179.0)	(126.7)	24.7	–	(655.9)
Debt due within one year	(38.5)	(31.8)	(24.6)	2.6	–	(92.3)
Investments – liquid resources	6.5	0.6	–	–	–	7.1
Finance leases	(12.9)	4.5	(11.9)	0.3	(4.9)	(24.9)
Total	(382.4)	(73.2)	(163.2)	27.9	(4.9)	(595.8)

Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £4.9m.

Acquisitions of subsidiary undertakings

A summary of the cash flow effects of the acquisition of Securicor plc and the acquisition of other subsidiary undertakings in the year is provided in note 11.

28. Related party transactions

All transactions with related parties are entered into in the normal course of business

Transactions and balances with joint venture and associated undertakings

	2004 £m	2003 £m
Transactions		
Turnover	12.6	–
Balances		
Debtors	0.1	0.1
Loans	7.4	–

Turnover in 2004 relates to fees of £8.4m charged to Bridgend Custodial Services Limited and fees of £4.2m charged to STC (Milton Keynes) Limited (both joint venture undertakings).

Details of principal joint ventures and associated undertakings are shown in note 30.

Transactions with Mr Jørgen Philip-Sørensen, the chairman

The group purchased air transport services of £13,950 (2003: £8,096) and leased office facilities for £108,076 (2003: £643,774) from Mr Jørgen Philip-Sørensen at cost price.

Transactions with the former Securicor plc businesses prior to their acquisition on 19 July 2004.

	2004 £m	2003 £m
Transactions		
Turnover	0.7	1.3
Cost of sales	0.2	0.5

Turnover comprises security services subcontracted from Securicor and sales of security products to Securicor. Cost of sales comprises security services subcontracted to Securicor.

Notes to the consolidated financial statements (continued)

28. Related party transactions (continued)

Transactions with demerged businesses of the former Group 4 Falck A/S	2004 £m	2003 £m
Transactions		
Turnover	3.9	3.5
Balances		
Debtors	0.6	—
Creditors	—	49.3

Turnover comprises guarding services rendered.

29. Post balance sheet events

In January 2005, the group initiated a compulsory redemption process to acquire, at an anticipated cash outflow of £10m, the remaining Group 4 A/S shares which it did not already own.

In February 2005, Securicor International Valuables Transport acquired OneService, a California-based shipper of diamonds and jewellery. In March 2005 Securicor Asia Holdings acquired Chubb Security Services in Taiwan, a provider of cash, guarding and electronic security services, and Securicor Canada acquired Universal ATM Services, an Ontario-based provider of cash logistics and ATM services.

In March 2005, Securicor Luxembourg and Group 4 Falck Cash Services UK were sold to Brink's.

30. Significant investments

The companies listed below are those which were part of the group at 31 December 2004 and which in the opinion of the directors significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole.

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

Holding companies	H
Manned security	M
Security systems	S
Cash services	C

These businesses operate principally in the country in which they are incorporated and are held indirectly unless stated otherwise.

	Product segment	Country of Incorporation	Ultimate ownership
Subsidiary undertakings			
Group 4 Falck AG	M+S	Austria	100.0%
Group 4 Total Security SA / NV	M	Belgium	100.0%
Group 4 Technology SA / NV	S	Belgium	100.0%
Group 4 Securitas SA / NV	C	Belgium	100.0%
Group 4 Falck (Canada) Limited	M+S	Canada	100.0%
Securicor Canada Limited	C	Canada	100.0%
Group 4 Falck A/S	M+S+C	Czech Rep	100.0%
Falck Securitas Sikring A/S	S	Denmark	100.0%
Falck Securitas Vagt A/S	M+S	Denmark	100.0%
AS Falck Baltics	M	Estonia	55.0%
Falck Eesti	M+S	Estonia	55.0%
Falck Security Oy	M+S	Finland	100.0%
Falck Cash Services Oy	C	Finland	100.0%
Group 4 Falck Sécurité S.A.S	M+S	France	100.0%
Eurovaleur S.A.R.L.	C	France	100.0%
Group 4 Falck Sicherheitsdienste GmbH, München	M	Germany	100.0%
Group 4 Falck Geld-und Wertdienste GmbH, Berlin	C	Germany	100.0%
Securicor Geld-und Wertdienste GmbH	C	Germany	100.0%
Securicor Sicherheitsdienste GmbH	M	Germany	100.0%
Wackenhut Security Hellas S.A.	M+S+C	Greece	95.0%

Notes to the consolidated financial statements (continued)

30. Significant investments (continued)

	Product segment	Country of Incorporation	Ultimate ownership
Securicor Hong Kong Limited	C	Hong Kong	100.0%
Securicor Guarding Services (Hong Kong) Limited	M	Hong Kong	100.0%
Securicor Gurkha Services Limited	M	Hong Kong	100.0%
Group 4 Falck (Hungary) Kft	M+C	Hungary	100.0%
Group 4 Securitas Guarding Limited (year ended 31 March)	M	India	40.0%
Group 4 Falck Limited	S	Ireland	100.0%
Securicor Security Services Ireland Limited	M+C	Ireland	100.0%
Hashmira Company Limited	M	Israel	50.0%
Hashmira Security Technologies (1971) Limited	S	Israel	50.0%
Group 4 Falck, Société de Surveillance et de Sécurité SA	M+C	Luxembourg	100.0%
Securicor Luxembourg SA (sold March 2005)	M+C	Luxembourg	100.0%
Falck Security BV	M	Netherlands	100.0%
Falck Airport Security BV	M	Netherlands	100.0%
Securicor Beheer BV	M	Netherlands	100.0%
Geldnet BV	C	Netherlands	100.0%
Falck Norge AS	M+S+C	Norway	100.0%
Group 4 Sp.z.o.o.	M+S+C	Poland	100.0%
Falck Sp.z.o.o.	M+S+C	Poland	100.0%
Group 4 Falck (Pty) Limited	M+S	South Africa	75.0%
Securicor (South Africa) (Pty) Limited	M	South Africa	60.0%
Falck Security AB	S	Sweden	100.0%
Falck Alarm AB	M+S+C	Sweden	100.0%
Group 4 Total Security Limited	M	England	100.0%
Group 4 Technology Limited	S	England	100.0%
Wackenhut U.K. Limited	M	England	100.0%
Securicor Security Limited	M	England	100.0%
Securicor Cash Services Limited	C	England	100.0%
Securicor Cash Centres Limited	C	England	100.0%
Securicor Justice Services Limited	M	England	100.0%
Securicor Aviation Limited	M	England	100.0%
The Wackenhut Corporation	M	USA	100.0%
Wackenhut Services, Inc.	M	USA	100.0%
Argenbright Security, Inc.	M	USA	100.0%
Holding and Head Office Companies			
Group 4 Falck Treasury A/S	H	Denmark	100.0%
Group 4 A/S (99.7% directly owned subsidiary of Group 4 Securicor plc)	H	Denmark	100.0%
Group 4 Securicor Holdings Limited (100% directly owned subsidiary of Group 4 Securicor plc)	H	England	100.0%
Securicor Holdings BV	H	Netherlands	100.0%
Securicor International BV	H	Netherlands	100.0%
Securicor International Limited	H	England	100.0%
Securicor Group Limited	H	England	100.0%
Securicor Asia Holdings Limited	H	British Virgin Islands	100.0%
Joint ventures and associated undertakings			
Space Gateway Support LLC	M	USA	23.0%
Bridgend Custodial Services Limited	M	England	49.5%
STC (Milton Keynes) Limited	M	England	49.0%
Safeguards Securicor Sdn Bhd	M+C	Malaysia	49.0%

Parent company balance sheet (including employee benefit trust)

At 31 December 2004

	Notes	2004 £m
Fixed assets		
Tangible assets	(b)	4.5
Investments	(c)	337.1
		341.6
Current assets		
Debtors	(d)	1,369.4
Cash at bank and in hand		19.4
		1,388.8
Creditors – amounts falling due within one year		
Proposed dividends	8	(23.5)
Other	(e)	(740.8)
		(764.3)
Net current assets		624.5
Total assets less current liabilities		966.1
Creditors – amounts falling due after more than one year		
Borrowings (unsecured)	(f)	(633.5)
Provisions for liabilities and charges	(g)	(4.6)
Net assets		328.0
Capital and reserves		
Called up share capital	21	316.1
Reserves	(h)	11.9
Equity shareholders' funds	(i)	328.0

The financial statements were approved by the board of directors on 3 May 2005 and signed on its behalf by:

Lars Nørby Johansen
Director

Trevor Dighton
Director

Notes to the parent company balance sheet

(a) Incorporation

Group 4 Securicor plc was incorporated on 11 December 2003 as Precis (2395) Limited, on 19 February 2004 changed its name to Group 4 Securicor Limited and on 14 May 2004 changed its name to Group 4 Securicor plc. On 19 July 2004 the company acquired 90% of Group 4 A/S and 42.5% of Group 4 Securicor Holdings Limited. In October 2004 it acquired a further 9% of Group 4 A/S. Group 4 A/S owns 57.5% of Group 4 Securicor Holdings Limited, which jointly owns the security businesses of the former Group 4 Falck A/S and the businesses of Securicor plc.

(b) Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
On incorporation	–	–	–
Additions at cost	2.4	0.3	2.7
Transfer from subsidiary undertakings	0.7	6.1	6.8
Disposals	(0.1)	(2.5)	(2.6)
At 31 December 2004	3.0	3.9	6.9
Depreciation			
On incorporation	–	–	–
Transfer from subsidiary undertakings	(0.5)	(2.5)	(3.0)
Charge for the year	–	(0.6)	(0.6)
Disposals	0.1	1.1	1.2
At 31 December 2004	(0.4)	(2.0)	(2.4)
Net book value			
At 31 December 2004	2.6	1.9	4.5

	2004 £m
The net book value of land and buildings comprises:	
Short leaseholds (under 50 years)	2.6

(c) Fixed asset investments

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings

	Total £m
Shares at cost:	
On incorporation	–
Additions	337.1
31 December 2004	337.1
Net Book Value	
At 31 December 2004	337.1

Full details of significant investments held by the parent company and the group are detailed within note 30 to the consolidated financial statements.

Notes to the parent company balance sheet (continued)

(d) Debtors

	2004 £m
Amounts owed by group undertakings	1,353.0
Other debtors	8.9
Prepayments and accrued income	7.5
	1,369.4

Included in other debtors is £0.6m with regard to deferred tax and £5.0m due after more than one year.

The undiscounted deferred tax asset is compiled as follows:

	2004 £m
Accelerated capital allowances	0.6

(e) Creditors

	2004 £m
Amounts falling due within one year:	
Trade creditors	1.9
Amounts owed to group undertakings	717.6
Corporation tax	5.3
Other taxation and social security costs	0.6
Other creditors	10.8
Accruals and deferred income	4.6
	740.8

(f) Unsecured borrowings

The unsecured borrowings are at floating rates, including some financial liabilities fixed in accordance with the applicable bank reference rate for periods of one month. The figures shown take into account interest rate swaps used to manage interest rate risk.

The total borrowings are in the following currencies:

	2004 £m
Sterling	40.0
Euro	199.7
US dollar	393.8
	633.5

The payment profile of the unsecured borrowings is as follows:

	2004 £
Repayable within one to two years	193.3
Repayable within two to five years	440.2
	633.5

There were no fixed rate financial liabilities and no financial liabilities upon which no interest is paid at 31 December 2004.

Notes to the parent company balance sheet (continued)

(f) Unsecured borrowings (continued)

Undrawn committed facilities are as follows:

	2004 £m
Repayable within one to two years	6.7
Repayable within two to five years	359.8
	366.5

The fair value of the company's financial instruments equates to their book values. Fair values are determined by reference to market values, where available, or calculated by discounting cash flows at prevailing interest rates.

(g) Provision for liabilities and charges

	2004 £m
Provisions relating to onerous property contracts	4.6

The company 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 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:

	2004 £m
Transferred from group undertakings	4.4
Profit and loss account	0.2
	4.6

(h) Reserves

	Profit & loss account £m	Share premium £m	Own shares £m	Employee Benefit Trust reserve £m	Total £m
On incorporation	–	–	–	–	–
Retained profit	11.1	–	–	–	11.1
Transferred from other group undertakings	–	–	(0.2)	–	(0.2)
Movement in Employee Benefit Trust reserve	–	–	–	0.8	0.8
Premium allotment during the year	–	0.2	–	–	0.2
At 31 December 2004	11.1	0.2	(0.2)	0.8	11.9

As permitted by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial period from 11 December 2003 to 31 December 2004 attributable to shareholders after dividends was £11.1m.

(i) Reconciliation of movements in equity shareholder's funds

For the year ended 31 December 2004

	2004 £m
Retained profit for the year	11.1
Movement in Employee Benefit Trust reserve	0.8
Own shares acquired	(0.2)
Issue of share capital	316.3
Net increase in shareholder's funds	328.0
Opening equity shareholder's funds	–
Closing equity shareholder's funds	328.0

Notes to the parent company balance sheet (continued)

(j) Operating lease commitments

Commitments at 31 December 2004 on operating leases which expire:

	2004 Land and buildings £m	2004 Other £m
Within one year	0.1	–
Between one year and five years	0.3	0.2
After more than five years	0.5	–
	0.9	0.2

(k) Post balance sheet events

In January 2005, the group initiated a compulsory redemption process to acquire, at an anticipated cash outflow of £10m, the remaining Group 4 A/S shares which it did not already own.

Group financial record

£m	2004	2003	2002	2001
Turnover	3,173.9	2,569.5	2,152.6	1,237.3
Earnings before interest, taxation, goodwill amortisation and exceptional items	168.7	118.4	93.7	57.5
Profit before taxation and exceptional items	101.5	63.6	49.9	36.2
Profit/(loss) attributable to shareholders	(101.8)	(9.7)	7.6	17.5
Fixed assets	1,487.0	693.6	658.5	290.3
Net assets	918.0	323.6	290.8	138.4
Net debt (£m)	595.8	382.4	487.0	142.5
Net debt/equity (%)	65	118	167	103
Return on net assets (%)	11	20	17	26
Normalised earnings per ordinary share (pence)	9.7p	8.0p	6.1p	4.5p
Dividend per ordinary share (pence)	1.85p	0.46p	0.43p	0.40p
Average headcount (number)	306,313	230,472	218,278	136,081

It is not possible to show comparative results for a full 5 years because Group 4 Falck only came into existence during 2000 as a result of a merger between the Group 4 and Falck groups.

Summary financial information in Danish Kroner

Basis of preparation

The summary financial information is a simple translation of Group 4 Securicor plc's consolidated financial statements into Danish Kroner at the stated rates of exchange. The financial information provided below is prepared under UK GAAP as used in the preparation of Group 4 Securicor plc's consolidated financial statements. It does not represent a restatement under Danish GAAP which would be different in some significant respects.

Exchange rates for translation

	Profit and Loss		Balance sheet	
	2004	2003	2004	2003
Sterling to Danish Kroner	10.967	10.746	10.507	10.580

Consolidated profit and loss account presented in Kroner for illustrative purposes only

For the year ended 31 December 2004

	Before exceptional items 2004 DKKm	Exceptional items 2004 DKKm	Total 2004 DKKm	Before exceptional items 2003 DKKm	Exceptional items 2003 DKKm	Total 2003 DKKm
Group turnover	34,808.6	–	34,808.6	27,611.8	–	27,611.8
Group operating profit/(loss)	1,241.5	(1,196.5)	45.0	882.2	(164.4)	717.8
Profit/(loss) on ordinary activities before taxation	1,113.2	(2,013.6)	(900.4)	683.4	(219.2)	464.2
Taxation	(540.7)	400.3	(140.4)	(328.8)	(169.8)	(498.6)
Profit/(loss) on ordinary activities after taxation	572.5	(1,613.3)	(1,040.8)	354.6	(389.0)	(34.4)
Minority interests	(75.7)	–	(75.7)	(69.8)	–	(69.8)
Profit/(loss) for the year	496.8	(1,613.3)	(1,116.5)	284.8	(389.0)	(104.2)
Dividends			(257.7)			(35.5)
Retained deficit			(1,374.2)			(139.7)
(Loss)/earnings per share						
Basic loss per share DKK			(1.15)			(0.14)
Diluted loss per share DKK			(1.15)			(0.14)
Normalised earnings per share DKK			1.06			0.86

Consolidated balance sheet presented in Kroner for illustrative purposes only

As at 31 December 2004

	2004 DKKm	2003 DKKm
Goodwill	11,745.8	5,620.1
Tangible assets	3,590.2	1,690.7
Investment in joint ventures and associated undertakings	287.9	27.5
Fixed assets	15,623.9	7,338.3
Stocks	358.3	313.1
Debtors	7,932.8	5,539.7
Investments	1,019.2	561.8
Cash at bank and in hand	1,934.3	663.4
Current assets	11,244.6	7,078.0
Creditors – amounts falling due within one year	(8,976.1)	(5,451.9)
Net current assets	2,268.5	1,626.1
Total assets less current liabilities	17,892.4	8,964.4
Creditors – amounts falling due after more than one year	(7,159.5)	(4,198.1)
Provision for liabilities and charges	(1,087.5)	(1,342.6)
Net assets	9,645.4	3,423.7

Summary financial information in Danish Kroner (continued)

Consolidated statement of total recognised gains and losses presented in Kroner for illustrative purposes only

For the year ended 31 December 2004

	2004 DKKm	2003 DKKm
Loss for the year	(1,116.5)	(104.2)
Translation adjustments offset in reserves net of tax	81.2	168.7
Total (losses)/gains recognised for the year	(1,035.3)	64.5

Note of historical cost profits and losses presented in Kroner for illustrative purposes only

For the year ended 31 December 2004

There is no material difference between the reported loss shown on page 88 and the loss for the year restated on an historical cost basis.

Reconciliation of movement in equity shareholders' funds presented in Kroner for illustrative purposes only

For the year ended 31 December 2004

	2004 DKKm	2003 DKKm
Loss for the year	(1,116.5)	(104.2)
Dividends	(257.7)	(35.5)
Retained deficit	(1,374.2)	(139.7)
Other gains and losses recognised in the year	(211.6)	(58.3)
Fair value of shares issued on acquisition of Securicor plc	7,791.1	–
Consideration paid for purchase of own shares	–	(4.3)
Consideration received on sale of own shares	59.2	6.4
Dividends received from demerged businesses of the former Group 4 Falck A/S	–	123.6
Movement in other demerger related balances with demerged businesses of the former Group 4 Falck A/S	–	136.5
Movement arising from acquisition of minority shareholders of the former Group 4 Falck A/S	(109.7)	–
Movement arising on Employee Benefit Trust reserve	8.8	–
Net increase in shareholders' funds	6,163.6	64.2
Equity shareholders' funds at 1 January 2004	3,161.3	3,097.1
Equity shareholders' funds at 31 December 2004	9,324.9	3,161.3

Consolidated cash flow presented in Kroner for illustrative purposes only

For the year ended 31 December 2004

	2004 DKKm	2003 DKKm
Net cash flow from operating activities	1,727.3	1,509.8
Net cash flow from returns on investments and servicing of finance	(232.5)	(207.4)
Taxation	(332.3)	(480.3)
Net cash flow from capital expenditure	(1,016.6)	(763.0)
Net cash flow from acquisitions and disposals	(437.6)	469.6
Net movement in funding balances with the demerged businesses of the former Group 4 Falck A/S	(536.3)	240.8
Dividends paid	(36.2)	(35.5)
Cash flow before use of liquid resources and financing	(864.2)	734.0
Net cash flow from use of liquid resources	(6.6)	(23.6)
Net cash flow from financing	2,323.9	(446.0)
Increase in cash in the year	1,453.1	264.4
Net Debt	6,260.1	4,045.8

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Group 4 Securicor plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Thursday, 30 June 2005 at 2.00 pm.

Resolutions 1 to 16 inclusive will be proposed as ordinary resolutions. Resolutions 17 to 19 inclusive will be proposed as special resolutions.

Ordinary Business

1. To receive the financial statements of the company for the year ended 31 December 2004 and the reports of the directors and the auditor thereon.
2. To receive and approve the directors' Remuneration Report for the year ended 31 December 2004.
3. To declare a final dividend.
4. To elect Nick Buckles as a director:
5. To elect Lord Condon (member of Remuneration Committee) as a director:
6. To elect Trevor Dighton as a director:
7. To elect Alf Duch-Pedersen (member of Remuneration Committee) as a director:
8. To elect Grahame Gibson as a director:
9. To elect Thorleif Krarup (member of Remuneration Committee) as a director:
10. To elect Bo Lerenius (member of Remuneration Committee) as a director:
11. To elect Jørgen Philip-Sørensen as a director:
12. To elect Waldemar Schmidt as a director:
13. To elect Lord Sharman as a director:
14. To elect Malcolm Williamson as a director:
15. To appoint KPMG as auditor of the company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders, and to authorise the directors to fix their remuneration.

Special Business

16. That the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £105,000,000 provided that the authority hereby given shall expire on 1 June 2010, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexpired authorities previously granted to the directors to allot relevant securities be and are hereby revoked.
17. That the directors be and are hereby granted, pursuant to section 95 of the Act, power to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record dates as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
 - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £15,800,000.

and shall expire on 1 June 2010 save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting (continued)

18. That the company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25p each in the capital of the company provided that:
- (i) the maximum number of shares which may be purchased is 126,400,000;
 - (ii) the minimum price which may be paid for each share is 25p;
 - (iii) the maximum price which may be paid for each share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and
 - (iv) this authority shall expire at the conclusion of the Annual General Meeting of the company to be held in 2006 (except in relation to the purchase of shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry).
19. That the Articles of Association of the company be amended by the deletion of Article 172 and the insertion of the following text at Article 172 in substitution:
- "Subject to the provisions of the Act, the Company may:
- (a) indemnify any person who is or was a director; directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company; and/or
 - (b) purchase and maintain insurance for any person who is or was a director against any loss or liability or any expenditure he may incur; whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to the Company or any associated company.
- For the purposes of this article, "associated company" has the same meaning as in section 309A of the Act."

By Order of the Board

Nigel Griffiths
Secretary
10 May 2005

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN

Notes

- (a) Every member entitled to attend and vote at the meeting may appoint another person as his proxy or proxies to attend and vote thereat instead of him and such proxy or proxies need not be a member or members. Forms appointing proxies must be deposited at the office of the company's registrar by 2.00 pm on 28 June 2005. The appointment of a proxy or proxies will not prevent a member from attending and voting at the annual general meeting should he decide to do so.
- (b) Copies of the directors' service contracts will be available for inspection at the registered office from the date of the above notice until the date of the meeting and at the place of the meeting from 15 minutes prior to until close of the meeting.
- (c) To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a person may cast), a person must have his or her name entered on the register of ordinary shares by no later than 2.00 pm on 28 June 2005. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (d) By attending the meeting, a member expressly agrees that he is requesting and willing to receive any communications made at the meeting.

Financial calendar and corporate addresses

Results announcements

Interim results – September
Final results – March

Dividend payment

Final payable – 12 July 2005

Annual General Meeting

30 June 2005

Registered office

The Manor
Manor Royal
Crawley
West Sussex
RH10 9UN
Telephone: +44 (0)20 8770 7000

Registered number

4992207

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: +44 (0)870 162 3100
Fax: +44 (0)20 8639 2342
Email: ssd@capitaregsitrars.com

Auditor

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Stockbrokers

Deutsche Bank AG London
Winchester House
Great Winchester Street
London EC2N 2DB

Financial advisors

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

Greenhill & Co. International
Regent Gate
56-58 Conduit Street
London W1S 2YZ

Group 4 Securicor website

www.group4securicor.com

BOTSWANA CAMEROON CENTRAL AFRICAN REPUBLIC DEMOCRATIC REPUBLIC OF CONGO EGYPT GAMBIA GHANA IVORY COAST KENYA LESOTHO MALAWI MOROCCO MOZAMBIQUE NAMIBIA NIGERIA SIERRA LEONE SOUTH AFRICA TANZANIA UGANDA ZAMBIA CANADA UNITED STATES ARGENTINA BARBADOS BOLIVIA CHILE COLOMBIA COSTA RICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GUATEMALA GUYANA HONDURAS JAMAICA MEXICO NICARAGUA PANAMA PARAGUAY PERU PUERTO RICO TRINIDAD & TOBAGO URUGUAY VENEZUELA AUSTRALIA AZERBAIJAN BANGLADESH BRUNEI CHINA GUAM HONG KONG INDIA INDONESIA KAZAKHSTAN KOREA MACAU MALAYSIA NEPAL PAKISTAN PHILIPPINES SINGAPORE SRI LANKA TAIWAN THAILAND UZBEKISTAN AUSTRIA BELGIUM BULGARIA CZECH REPUBLIC CYPRUS DENMARK ESTONIA FINLAND FRANCE GERMANY GREECE GUERNSEY HUNGARY IRELAND ISLE OF MAN JERSEY LATVIA LITHUANIA LUXEMBOURG MALTA THE NETHERLANDS NORWAY POLAND ROMANIA RUSSIA SLOVAKIA SLOVENIA SWEDEN TURKEY UKRAINE UNITED KINGDOM BAHRAIN ISRAEL JORDAN KUWAIT OMAN QATAR SAUDI ARABIA UNITED ARAB EMIRATES YEMEN BOTSWANA CAMEROON CENTRAL AFRICAN REPUBLIC DEMOCRATIC REPUBLIC OF CONGO EGYPT GAMBIA GHANA IVORY COAST KENYA LESOTHO MALAWI MOROCCO MOZAMBIQUE NAMIBIA NIGERIA SIERRA LEONE SOUTH AFRICA TANZANIA UGANDA ZAMBIA CANADA UNITED STATES ARGENTINA BARBADOS BOLIVIA CHILE COLOMBIA COSTA RICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GUATEMALA GUYANA HONDURAS JAMAICA MEXICO NICARAGUA PANAMA PARAGUAY PERU PUERTO RICO TRINIDAD & TOBAGO URUGUAY VENEZUELA AUSTRALIA AZERBAIJAN BANGLADESH BRUNEI CHINA GUAM HONG KONG INDIA INDONESIA KAZAKHSTAN KOREA MACAU MALAYSIA NEPAL PAKISTAN PHILIPPINES SINGAPORE SRI LANKA TAIWAN THAILAND UZBEKISTAN AUSTRIA BELGIUM BULGARIA CZECH REPUBLIC CYPRUS DENMARK ESTONIA FINLAND FRANCE GERMANY GREECE GUERNSEY HUNGARY IRELAND ISLE OF MAN JERSEY LATVIA LITHUANIA LUXEMBOURG MALTA THE NETHERLANDS NORWAY POLAND ROMANIA RUSSIA SLOVAKIA SLOVENIA SWEDEN TURKEY UKRAINE UNITED KINGDOM BAHRAIN ISRAEL JORDAN KUWAIT OMAN QATAR SAUDI ARABIA UNITED ARAB EMIRATES YEMEN BOTSWANA CAMEROON CENTRAL AFRICAN REPUBLIC DEMOCRATIC REPUBLIC OF CONGO EGYPT GAMBIA GHANA IVORY COAST KENYA LESOTHO MALAWI MOROCCO MOZAMBIQUE NAMIBIA NIGERIA SIERRA LEONE SOUTH AFRICA TANZANIA UGANDA ZAMBIA CANADA UNITED STATES ARGENTINA BARBADOS BOLIVIA CHILE COLOMBIA COSTA RICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GUATEMALA GUYANA HONDURAS JAMAICA MEXICO NICARAGUA PANAMA PARAGUAY PERU PUERTO RICO TRINIDAD & TOBAGO URUGUAY VENEZUELA AUSTRALIA AZERBAIJAN BANGLADESH BRUNEI CHINA GUAM HONG KONG INDIA INDONESIA KAZAKHSTAN KOREA MACAU MALAYSIA NEPAL PAKISTAN PHILIPPINES SINGAPORE SRI LANKA TAIWAN THAILAND UZBEKISTAN AUSTRIA BELGIUM BULGARIA CZECH REPUBLIC CYPRUS DENMARK ESTONIA FINLAND FRANCE GERMANY GREECE GUERNSEY HUNGARY IRELAND ISLE OF MAN JERSEY LATVIA LITHUANIA LUXEMBOURG MALTA THE NETHERLANDS NORWAY POLAND ROMANIA RUSSIA SLOVAKIA SLOVENIA SWEDEN TURKEY UKRAINE UNITED KINGDOM BAHRAIN ISRAEL JORDAN KUWAIT OMAN QATAR SAUDI ARABIA UNITED ARAB EMIRATES YEMEN BOTSWANA CAMEROON CENTRAL AFRICAN REPUBLIC DEMOCRATIC REPUBLIC OF CONGO EGYPT GAMBIA GHANA IVORY COAST KENYA LESOTHO MALAWI MOROCCO MOZAMBIQUE NAMIBIA NIGERIA SIERRA LEONE SOUTH AFRICA TANZANIA UGANDA ZAMBIA CANADA UNITED STATES ARGENTINA BARBADOS BOLIVIA CHILE COLOMBIA COSTA RICA DOMINICAN REPUBLIC ECUADOR EL SALVADOR GUATEMALA



Group 4 Securicor

Group 4 Securicor plc
The Manor
Manor Royal
Crawley
West Sussex RH10 9UN
Telephone: +44 (0)20 8770 7000

Registered no. 4992207

www.group4securicor.com