

# Report of the Directors

For the year ended 31 December 2006

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 2006.

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 security services (including the provision of manned security services, justice services and security systems) and the management and transportation of cash and valuables.

## 2 Group results

The consolidated result for the year and the appropriation thereof are shown in the consolidated income statement on page 50.

Details of major business activities during the year, future developments, principal risks and uncertainties and prospects of the group are contained in the Operating and Financial Review on pages 10 to 27.

## 3 Dividends

The directors propose the following net dividend for the year:

> Interim dividend of 1.69p (DKK 0.1863) per share paid on 15 December 2006.

> Final dividend of 2.52p (DKK 0.2766) per share payable on 8 June 2007.

Shareholders on the Danish VP register will receive their dividends in Danish Kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish Kroner; in which case they should apply in writing to the Registrars by no later than 9 May 2007.

## 4 Significant business acquisitions, disposals and developments

In January 2006 an option to acquire 49% of Group 4 Nesma For Security and Safety Ltd in Saudi Arabia was purchased.

In April 2006 a further 26% of Group 4 Securitas Emirates LLC in the United Arab Emirates was acquired.

In July 2006 a further 10% of AS Falck Baltics in Estonia was acquired.

In August 2006 50% of Alfa-Segurança in Mozambique was acquired.

In September 2006 the cash management assets and contracts of PT Transnational Solutions in Indonesia were acquired.

In November 2006 75% of G4S Chile Holding, SA was acquired.

In November 2006 Defence Systems Africa was acquired in D R Congo.

In November 2006 Security Systems (Far East) Ltd was acquired in Hong Kong.

In December 2006 the transportation business and related assets of Cognisa Security, Inc., in the USA were disposed of.

In December 2006 agreement was reached for the disposal of G4S Geld-und Wertdienste GmbH, the German cash services business.

In March 2007 50.1% of Fidelity Cash Management Services (Pty) Ltd in South Africa was acquired.

# Report of the Directors (continued)

For the year ended 31 December 2006

## 5 Capital

The authorised and issued share capital of Group 4 Securicor plc at 31 December 2006 is set out on page 91 (note 35 to the consolidated financial statements).

Resolution 8 set out in the Notice of Meeting on page 107 is an ordinary resolution granting the directors power to enable them to allot shares up to an aggregate nominal value of £105,500,000, representing approximately 33% of the issued share capital. The company does not hold any treasury shares as such. However, the 6,022,967 shares held within the employee benefit trust and referred to on page 91 (note 35 to the consolidated financial statements) are accounted for as treasury shares. The intention of the directors is to allot shares upon the exercise of options granted over Securicor plc shares and rolled over into options over the company's shares. The directors do not have any other present intention of exercising this authority.

Resolution 9 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 £15,995,000, representing approximately 5% of the issued share capital.

Resolution 10 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 128,000,000, being a little less than 10% of the number of shares currently in issue. The directors have no present intention of utilising this authority but believe it appropriate to obtain this flexibility in accordance with common business practice.

Information concerning the company's shares held under option is set out on page 91 (note 35 to the consolidated financial statements).

## 6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written off to profit and loss during the year amounted to £1.4m (2005: £1.4m).

## 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 2006 the trade creditors of the company represented 13 days (2005: 30 days) of annual purchases.

At 31 December 2006 the consolidated trade creditors of the group represented 40 days (2005: 46 days) of annual purchases.

## 8 Employee involvement

Employee involvement and consultation is managed in a variety of ways. These include keeping employees informed about current activities, progress and general matters of interest through the group intranet, staff meetings, newsletters, bulletins and similar items produced by various individual companies as well as seeking their views through questionnaires and consultation with union representatives when appropriate.

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

Charitable contributions by the group during the year amounted to £94,000 (2005: £300,000).

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 30 March 2007 in the ordinary capital of Group 4 Securicor plc:

Skagen Alpha Limited	171,939,961* (13.43%)
Deutsche Bank AG	52,939,386 (4.14%)
Legal and General Group Plc	44,633,547 (3.48%)

\* Jørgen Philip-Sørensen is interested in these shares for the purposes of section 324 of the Companies Act.

# Report of the Directors (continued)

For the year ended 31 December 2006

## 11 Auditor

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

## 12 Directors

The directors, biographical details of whom are contained on pages 30 and 31, held office throughout the year; with the exception of Mark Elliott who was appointed on 1 September 2006.

Jørgen Philip-Sørensen and Waldemar Schmidt retired from the board on 30 June 2006.

The directors retiring by rotation are Nick Buckles, Lord Condon and Alf Duch-Pedersen who, being eligible, offer themselves for re-election. The board believes that they possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company and that they should be re-elected at the Annual General Meeting.

Mr Elliott retires in accordance with the Articles of Association and, being eligible, offers himself for election. The board believes that Mr Elliott's considerable knowledge and experience of running an international services business employing large numbers of people is a most valuable addition and therefore recommends that he be elected at the Annual General Meeting.

Of those directors proposed for election or re-election, Lord Condon and Messrs Duch-Pedersen and Elliott do not have contracts of service and Mr Buckles' contract of service has no unexpired term since it is not for a fixed term.

The contracts of service of the executive directors are terminable at 12 months' notice. None of the non-executive directors has a contract of service. The company has executed deeds of indemnity for the benefit of each of the directors whose biographical details appear on pages 30 and 31 in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third party indemnity provisions as defined by section 309 B of the Companies Act 1985 and have been in effect since 3 November 2006. A copy of the form of indemnity is available on the company's website.

Details of directors' interests in the share capital of Group 4 Securicor plc and of the directors' remuneration are set out on pages 39 to 47.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

By order of the board

**Peter David**  
Secretary  
30 March 2007

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