FINANCIAL REPORT 2005

PROSEGUR

Financial report

SUMMARY

Auditors' report

PRICEWATERHOUSECOOPERS

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Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts for the first financial year prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

AUDITOR´S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Prosegur Compañía de Seguridad, S.A.

We have audited the consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2005, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

The accompanying consolidated annual accounts for 2005 correspond to the first consolidated annual accounts prepared by the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS - EU), which generally require that the financial statements include comparative information. In this respect, for comparative purposes and in compliance with Spanish Corporate Law, the Parent Company's Directors have presented the amounts for the previous year, that have been restated to comply with IFRS-EU effective at 31 December 2005, together with the amounts for 2005, for each of the items in the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes to the consolidated annual accounts. Therefore, the figures for the previous year differ from those contained in the consolidated annual accounts for 2004 which were prepared in accordance with the accounting standards effective in that year. The differences resulting from the application of IFRS-EU to consolidated equity at 1 January and 31 December 2004 and to the consolidated results for 2004 of the Group are set out in note 5 to the accompanying consolidated annual accounts. Our opinion refers solely to the 2005 consolidated annual accounts. On 1 April 2005 we issued our audit report on the consolidated annual accounts for 2004, prepared under accounting standards effective in that year, in which we expressed an unqualified opinion.

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

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In our opinion, the accompanying consolidated annual accounts for 2005 present fairly, in all material respects, the consolidated financial position of Prosegur Compañía de Seguridad, S.A. and its subsidiaries as at 31 December 2005 and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards as adopted by the European Union which are consistent with those applied in the preparation of the consolidated financial statements for the previous year, which are included in the accompanying consolidated annual accounts for 2005 for comparative purposes.

The accompanying consolidated Directors' Report for 2005 contains the information that the Prosegur Compañía de Seguridad, S.A.'s Directors consider relevant to the Group's position, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report agrees with that of the consolidated annual accounts for 2005. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Prosegur Compañía de Seguridad, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by Lorenzo López Álvarez
Partner

26 April 2006

Consolidated balance sheet as at 31 December 2005 and 2004- ASSETS

Data in thousands of Euros

ASSETS	Note	2005	2004
Property, plant and equipment	7	211,600.8	177,849.0
Goodwill	8	241,520.8	177,861.3
Intangible assets	9	65,625.2	13,310.0
Investments in associates	10	2,649.3	0.0
Available-for-sale financial assets and others	11	4,810.2	2,822.6
Deferred tax assets	21	45,512.3	43,638.0
Non-current assets		**571,718.6**	**415,480.9**
Inventories	12	17,418.5	12,157.4
Trade and other receivables	13	392,596.8	290,575.6
Other financial assets	14	17,021.1	12,950.2
Cash and cash equivalents	15	32,072.3	41,371.6
Current assets		**459,108.7**	**357,054.8**
Total assets		**1,030,827.3**	**772,535.7**

The notes included on pages 11 to 85 are an integral part of these consolidated annual report.

Consolidated balance sheet as at 31 December 2005 and 2004- LIABILITIES

Data in thousands of Euros

SHAREHOLDERS' EQUITY	Note	2005	2004
Capital & reserves attributable to the Company's shareholders			
Share capital	16	37,027,5	37,027.5
Share premium	16	25,471.6	25,471.6
Treasury shares	16	(775.2)	(993.9)
Revaluation reserve and other reserves	17	343.1	(13.5)
Cumulated translation adjustment	18	9,086.5	(1,372.2)
Retained earnings and other reserves	19	250,785.6	206,540.4
Minority interests		**101.2**	**403.4**
Total shareholders' equity		**322,040.3**	**267,063.3**
LIABILITIES			
Financial liabilities	20	99,143.6	105,773.4
Deferred tax liabilities	21	36,030.8	37,139.8
Long-term provisions	22	60,831.2	60,130.0
Non-current liabilities		**196,005.6**	**203,043.2**
Trade and other payables	23	254,619.3	198,783.6
Current tax liabilities	21	18,713.3	18,517.9
Financial liabilities	20	215,014.2	47,923.9
Derivative financial instruments	24	5,314.8	2,931.9
Other liabilities	25	19,119.8	34,271.9
Current liabilities		**512,781.4**	**302,429.2**
Total liabilities		**708,787.0**	**505,472.4**
Total shareholders' equity and liabilities		**1,030,827.3**	**772,535.7**

The notes included on pages 11 to 85 are an integral part of these consolidated annual report.

Consolidated income statement for the years ended 31 December 2005 and 2004

Data in thousands of Euros v

	Note	2005	2004
Revenue	26	1,387,770.3	1,112,275.9
Change in stocks of finished products and work in progress		5,261.1	1,109.5
Used raw materials and materials for consumption		(44,676.6)	(27,208.2)
Employee benefits expense	27	(973,640.3)	(758,451.2)
Amortisation/depreciation and impairment losses charges	7,8,9	(38,400,4)	(36,822.0)
External work, services and supplies		(119,735.5)	(90,825.6)
General expenses		(94,664.7)	(88,443.4)
Taxes		(7,999.1)	(6,108.1)
Operating profit		**113,914.8**	**105,526.9**
Net financing costs	28	(16,965.5)	(4,918.2)
Share of profit /(loss) of associates	10	(50.7)	-
Profit before tax		**96,898.6**	**100,608.7**
Income tax	21	(35,716.3)	(27,554.4)
Profit for the year on continued operations		**61,182.3**	**73.054,3**
Profit/(loss) for the year on discontinued operations	37	4,097.4	(38,411.7)
Consolidated profit for the year		**65,279.7**	**34,642.6**
Attributable to:			
Minority Interests		(22.3)	128.6
Shareholders		65,302.0	34,514.0
Earnings per share for profit on continued operations attributable to shareholders during the year (Euros per share) - Basic and diluted	29	0.99	1.18
Earnings per share for profit on discontinued operations attributable to shareholders during the year (Euros per share) - Basic and diluted	29	0.07	(0.62)

The notes included on pages 11 to 85 are an integral part of these consolidated annual report.

Consolidated statement of changes in equity for the years ended 31 December 2005 and 2004

Data in thousands of Euros

	Attributable to company shareholders							
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Revaluation reserve and other reserves (Note 17)	Cumulative Translation Adjustment (Note 18)	Retained earn. & other reser. (Note 19)	Minority interests	Total Shareholders' equity
Balance at 1 January 2004	**37,027.5**	**25,471.6**	**(4,130.6)**	**-**	**-**	**187,763.0**	**734.8**	**246,866.3**
Gross income/(expense) recognised directly in equity				(20.8)				(20.8)
Tax effect				7.3				7.3
Net income/(expense) recognised directly in equity	-	-	-	(13.5)	-	-	-	(13,5)
Currency translation adjustment					(1,372.2)			(1,372.2)
Changes in scope of consolidation						(663.3)	(125.5)	(788.8)
Profit for the financial year						34,514.0	128.6	34,642.6
Acquisition/Sale treasury shares			3,136.7					3,136.7
Dividend for 2003						(15,073.3)	(334.5)	(15,407.8)
Balance at 31 December 2004	**37,027.5**	**25,471.6**	**(993.9)**	**(13.5)**	**(1,372.2)**	**206,540.4**	**403.4**	**267,063.3**
Balance at 1 January 2005	**37,027.5**	**25,471.6**	**(993.9)**	**(13.5)**	**(1,372.2)**	**206,540.4**	**403.4**	**267,063.3**
Gross income/(expense) recognised directly in equity				548.6				548.6
Tax effect				(192.0)				(192.0)
Net income/(expense) recognised directly in equity	-	-	-	356.6	-	-	-	356.6
Currency translation adjustment					10,458.7			10,458.7
Changes in scope Of consolidation						(722.3)	(148.5)	(870.8)
Profit for the financial year						65,302.0	(22.3)	65,279.7
Acquisition/Sale treasury shares			218.7					218.7
Dividend for 2004						(20,334.5)	(131.4)	(20,465.9)
Balance at 31 December 2005	**37,027.5**	**25,471.6**	**(775.2)**	**343.1**	**9,086.5**	**250,785.6**	**101.2**	**322,040.3**

The notes included on pages 11 to 85 are an integral part of these consolidated annual report.

Consolidated cash flow statement for the years ended 31 December 2005 and 2004

Data in thousands of Euros

		2005	2004
Cash flows from operating activities			
Cash generated through operations	31	111,821.2	130,241.1
Interest paid		(16,109.8)	(12,064.0)
Tax paid		(27,830.2)	(20,088.3)
Net cash generated through operating activities		67,881.2	98,088.8
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(82,156.0)	(941.3)
Acquisition of investments in associates	10	(2,700.0)	-
Acquisition of property, plant & equipment (PPE)l		(49,177.7)	(32,657.1)
Acquisition of intangible assets		(22,588.2)	(6,837.3)
Income on disposal of Property, Plant and Equipment		1,742.0	23,203.6
Sale of subsidiaries, net of cash		17.4	-
Acquisition of other financial assets		-	(12,950.2)
Net disposal of available-for-sale assets		2,792.4	58.6
Interest received		893.9	139.0
Net cash used in investing activities		(151,176.2)	(29,984.7)
Cash flows from financing activities			
Changes in financial borrowing		98,968,6	(35,347.4)
Changes in other debts		1,883,5	-
Financial lease payments		(9,241,6)	(873.1)
Dividends paid to minority interests	30	(131.4)	(334.5)
Dividends paid to shareholders	30	(20,334.5)	(15,073.0)
Net cash received / (used) in financing activities		71,144.6	(51,628.0)
Net (decrease) / increase in cash and cash equivalents		**(12,150.4)**	**16,476.1**
Cash, cash equivalents and overdrafts at the beginning of the year	15	41,371.6	25,500.5
Gains/(losses) on cash and overdraft exchange rate differences		2,851.1	(605.0)
Cash, cash equivalents and overdrafts at year end	**15**	**32,072.3**	**41,371.6**

The notes included on pages 11 to 85 are an integral part of these consolidated annual report

Notes to consolidated annual accounts for the year ended 31 December 2005

Data in thousands of Euros

NOTE I_ General information

Prosegur Compañía de Seguridad, S.A. (from now on, the Company) is a providing security servicies company and at 2005 year end helds a group (from now on, the Group), consisting of 65 companies: Prosegur Compañía de Seguridad, S.A., parent company, 61 subsidiaries and 3 associates. In addition, the Group is taking part with other entities in six joint ventures. Appendices I, II and III of these notes include additional information regarding the entities included in the scope of consolidation and Appendix IV provides details of the companies in judicial administration. The Group's companies helds shares in the capital of other entities totalling less than 20 percent and over which they do not have significant influence.

The Group provides services in Spain, Portugal, Italy, France, Argentina, Chile, Uruguay, Paraguay, Brazil and Peru. Likewise, it provides services in Romania via two associate companies. During the year, the Group acquired control of the CESS Group and the Nordés Group, which provides security services in Spain, both on a corporate and residential basis.

For the purposes of preparing these consolidated annual accounts, the term Group is understood to apply when the parent company has one or more subsidiaries and the parent company has control over these subsidiaries, either directly or indirectly. The principles applied when preparing the Group's consolidated annual accounts, as well as the scope of consolidation are detailed in Note 2.2. Appendix I of these notes breaks down the identification details of the 61 subsidiaries that have been fully consolidated within the scope of consolidation. Appendix II of these notes breaks down the identification details of the 3 associate companies included in the scope of consolidation using the equity method.

Prosegur Compañía de Seguridad, S.A., the Group's parent company, was incorporated in Madrid on 14 May 1976 as a limited liability company (Sociedad Anónima). It is entered in the Register of Companies in Madrid, book 4,237, sheet 22, section 3a, page number 32,805 and entry 1st. The Company is entered with number 112 in the Special Register of Private Security Companies dependent on the Spanish Ministry of Interior.

Prosegur Compañía de Seguridad, S.A's registered office is located in Madrid in Calle Pajaritos, 24. The Company's main offices are also located at the same address.

The company's purpose is described in article 2 of its Articles of Association and in accordance with Law 23/1992 of 30 July on Private Security and subject to the authority attributed to the Armed Forces and the Spanish police. The Company's purpose is therefore the nationwide provision of the following services and activities:

1. The surveillance and protection of property, premises, spectacles, events and conventions.

2. The personal protection of specific persons, subject to the relevant authorisation.

3. The holding, custody, counting and classification of coins, notes, securities, stocks and other items requiring special protection due to their financial or intrinsic value or their dangerous nature and without affecting the operations of the financial entities themselves.

4. The transportation and distribution of the items referred to above, using vehicles that meet the requirements set out by the Spanish Ministry of the Interior where applicable, so that they are not confused with those vehicles used by the Armed Forces and the Spanish Police.

5. The installation and maintenance of security apparatus, equipment and systems.

6. The use of control centres to receive, verify and transmit alarm signals and to alert the Armed Forces or Police, as well as the provision of services within the authority of the aforementioned State security services.

7. Security planning and advisory services.

8. The deployment of private estate wardens for the surveillance and protection of rural properties.

The Company's purpose expressly excludes all those activities requiring compliance with specific legislation that the company do not comply with and in particular, financial intermediation activities, which are reserved by law for collective financial investment institutions and by the Securities and Exchange Act for collective investment institutions.

The parent company currently operates essentially in Spain. The Group operates in 11 countries, organised into three geographic areas —Spain, the rest of Europe and Latin America— using two business lines:

- Corporate security services

This is a set of organisational services, products and measures that provide security solutions relating to companies and corporations in order to minimise or neutralise incidents that could put employees, facilities, visitors and information assets at risk.

- Residential security services

This consists of a set of security services, products and solutions centred on preventing and protecting houses and small businesses and their contents from unforeseen incidents, as well as personal attention and assistance security services. Changes in the scope of consolidation during the year have been the following:

- The CESS Group was acquired. It is made up of CESS Compañía Europea de Seguridad S.A. and ESC Servicios Generales S.L. (Note 34).
- The Nordés Group was acquired. It is made up of the following companies: Atecyr S.L., Nordés Instalaciones S.A., Nordés Sistemas S.A., Nordés Mantenimiento S.A., Nordés CRA S.A., Nordés Vigilancia S.A. and Nordés Control.S.A. (Note 34).
- Nordés Prosegur Tecnología was set up and part of the business from Prosegur Compañía de Seguridad and from the Nordés Groups companies has been contributed to it (Note 34).

The following companies stopped being a part of the Group during 2005:

- Prosegur Bolivia was sold in June 2005 and in January 2005, Prosegur Universal Security, S.A., Prosegur Primera Agencia, S.A. and Prosegur Administración, S.A., which operated in Panama, were sold.
- Three companies located in the north of France went bankrupt in April, as detailed in note 37. Two subsidiaries belonging to one of the bankrupt companies are considered to have left the scope of consolidation, as detailed in Appendix IV.
- In December 2005, the 25.10 percent that Barclays Bank held in Prosegur Seguridad, S.A. was acquired, meaning that Prosegur Compañía de Seguridad holds one hundred percent of this company.

The Group is controlled by Gubel S.A., incorporated in Madrid and which holds 50.075 percent of the Company's shares. The Company is publicly listed in Madrid and Barcelona.

The Group's 2004 consolidated annual accounts were approved by the General Meeting of Shareholders on 27 June 2005. These annual accounts were prepared in accordance with Spanish accounting principles and do not therefore coincide with the 2004 amounts included in these annual accounts, which were prepared according to the International Financial Reporting Standards adopted by the European Union (see Note 5.2 for the reconciliation of equity and the year's profit/(loss), as well as a description of the main changes).

These consolidated annual accounts were drawn up by the Board of Directors on the 30 March 2006 and are pending approval by the General Meeting of Shareholders. Nevertheless, the directors understand that these annual accounts will be approved as presented.

NOTE 2_ Summary of key accounting principles

Below is a description of the key accounting principles adopted in the preparation of these consolidated annual accounts. These policies have been consistently applied to all the years presented.

2.1. Basis of preparation

The Group's consolidated annual accounts at 31 December 2005 were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for use in the European Union and approved by European Commission Regulations in force on 31 December 2005. These are the first consolidated annual accounts to be presented in accordance with the aforementioned standards (see Note 5).

The policies identified below have been applied uniformly to all years presented in these consolidated annual accounts.

Until the year ending 31 December 2004, inclusive, the Group's consolidated annual accounts were prepared in accordance with current commercial legislation and with the standards set out in the General Accounting Plan and Royal Decree 1815/1991, by which the standards for the preparation of consolidated annual accounts are approved (generally accepted accounting principles (Spanish GAAP)). Given that these standards differ in some areas from the criteria set out in the IFRS, the Group's management has restated the figures corresponding to 2004 for the purpose of presenting comparative information in accordance with the IFRS.

The consolidated annual accounts have been prepared using the historic cost approach, although they have been modified due to the revaluation of the buildings in Pajaritos and Acacias in Madrid and the Hospitalet building in Barcelona (See note 5.2) and the recognition of financial instruments on a fair value basis in accordance with the IFRS.

The preparation of consolidated annual accounts in accordance with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. Note 4 identifies the areas involving the greatest levels of judgement or complexity, or the areas where assumptions and estimates are significant for the consolidated annual accounts.

Given the closeness of its expiry date in October 2007, negotiations have begun with financial institutions connected to the Group to contract a new syndicated loan, which will replace the current one and will provide a longer time period in terms of the debt's expiry date. Prosegur's solid financial situation, together with the competitiveness of the corporate debt market, means that the Company will be able to obtain similar conditions to the current syndicated loan.

Short-term financial debt has increased with regards the previous year, mainly due to the draw down of loan agreements in Spain. The high short-term figure in relation to the long-term figure is explained through the payments made in recent acquisitions of companies with short-term debt that are awaiting restructuring.

2.2. Consolidation principles

Subsidiaries

Subsidiaries are all entities over which the Group controls the financial policies and the running that generally accompanies a share of over fifty percent of voting rights. When considering whether the Group controls another entity or not, the existence and the effect of potential voting rights that are currently exercisable or convertible shall be considered. Subsidiaries are consolidated as of the date on which control is transferred to the Group and they are excluded from consolidation on the date on which this control ends.

The acquisition method is used to account for the Group's acquisition of subsidiaries. The acquisition cost is the fair value of the assets delivered, of the equity instrument issued and the liabilities incurred or borne on the date of the exchange, plus the costs directly attributable to the acquisition. The identifiable assets acquired and the identifiable liabilities and contingencies borne in a business combination are initially valued at fair value on the date of acquisition, independently of the extent of minority interests. The acquisition cost's excess in relation to the fair value of the Group's share in the identifiable net assets acquired is recognised as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, following the revaluation of the relevant identification and valuation of the net assets acquired.

Intercompany transactions are eliminated, as well as intragroup balances and unrealised gains. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment loss in the transferred asset. In order to guarantee uniformity with the policies adopted by the Group, the subsidiaries' accounting policies are modified when necessary.

Appendix I of these notes breaks down the identification details of the 61 subsidiaries fully consolidated within the scope of consolidation.

In January 2005, the one hundred percent sale of the three companies operating in Panama was concluded, meaning that they are no longer consolidated.

In March, one hundred percent of CESS Compañía Europea de Servicios de Seguridad, S.A. and ESC Servicios Generales, S.L. was acquired (see Note 34).

In April 2005, three French companies went bankrupt, meaning that the control over these companies and their consolidation also ended on this date (see Note 37).

In May, the Nordés Group fully joined, which consists of the companies Atecyr, S.A., Nordés Instalaciones, S.A., Nordés Sistemas, S.A., Nordés Mantenimiento, S.A., Nordés C.R.A., S.A., Nordés Vigilancia, S.A. and Nordés Control, S.L.

In June 2005, the General Meetings of Prosegur Compañía de Seguridad, S.A. and Atecyr, S.A., Nordés Instalaciones, S.A., Nordés Sistemas, S.A., Nordés Mantenimiento, S.A. and Nordés C.R.A., S.A., approved the merge of these companies by Prosegur Compañía de Seguridad, S.A. Transactions relating to Atecyr, S.A., Nordés Instalaciones, S.A., Nordés Mantenimiento, S.A. and Nordés C.R.A., S.A., the companies merged, shall be considered for accounting purposes by the Company, in terms of the transfer of equity, as of 1 May 2005 (see note 34).

In June 2005, the General Meetings of Prosegur Compañía de Seguridad, S.A. and CESS Compañía Europea de Servicios de Seguridad, S.A., approved the merge of the latter by Prosegur Compañía de Seguridad, S.A. Transactions relating to CESS Compañía Europea de Servicios de Seguridad, S.A., the company merged, shall be considered for accounting purposes by the Company, in terms of the equity transferred, as of 1 January 2005 (see Note 34).

In June 2005, the Company transferred one hundred percent of its share in ESC Servicios Generales to Nordés Control at carring value, without generating any kind of capital gain. Subsequently, on 28 June 2005, the merger of Nordés Contol by ESC Servicios Generales was approved, changing Nordés Control's company name to ESC Servicios Generales.

In June, 100% of Prosegur Bolivia, S.A. was sold.

On 27 December 2005, the deed relating to the increase of capital of Nordés Prosegur Tecnología, S.L. via a non-monetary contribution by Prosegur Compañía de Seguridad, S.A. was notarised. This contribution consisted of all assets and rights, via which the following branch of business is developed: the installation and maintenance of electrical facilities, security systems, fire prevention systems, fire detection and extinguishing systems and connection services to alarm call centres for large clients (with all the personal, material, financial and constructive experience resources linked to this business).

Associates

Associates are all entities over which the Group exercises significant influence, but does not have control. A share of between 20 and 50 percent of voting rights generally accompanies this control. Investments in associates are accounted for using the equity method and they are recognised initially at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified in the acquisition.

The Group's share in losses or gains subsequent to the acquisition of associates is recognised in the income statement.

Accumulated movements subsequent to the acquisition are adjusted against the investment's carrying amount. When the Group's share in an associate's losses is equal to or greater than its share in the associate, including any other uninsured receivables, the Group does not recognise the additional losses, unless commitments have been incurred or payments made on behalf of the associate.

Unrealised intragroup gains via transactions between the Group and its associates are eliminated according to the Group's share percentage in the associates. Unrealised losses are also eliminated, except when the transaction provides evidence of an impairment loss of the asset being transferred. In order to guarantee uniformity with the policies adopted by the Group, the associates' accounting policies are modified when necessary.

Appendix II to these notes breaks down the identification details of the 3 associates included in the scope of consolidation using the equity method.

Joint Ventures

Joint ventures are a system of collaboration between business people for a certain period of time, either determined or undetermined, for the development or undertaking of a piece of work, a service or the supply of goods.

The proportional part of items in the balance sheet and the income statement relating to the joint venture are included in the balance sheet and the income statement corresponding to the participating entity in accordance with the share percentage.

Appendix III to these notes breaks down the identification details of the 6 joint ventures included in the scope of consolidation using the proportional consolidation method.

2.3. Segment reporting

A business segment is a group of assets and operations responsible for supplying products or services subject to risks and returns that are different from other business segments. A geographical segment is responsible for supplying products or services within a specific financial environment, subject to the risks and returns that are different from those of other segments operating in other financial environments. Each of the defined segments is assigned the costs it incurs directly. Each geographical area has its ownfunctional structure. In terms of business segments, there are some costs relating to the functional structure that are common and which are shared out in relation to commitment time or degree of use.

2.4. Transactions in foreign currency

Functional and presentation currency

The items included in the annual accounts of each of the Group's entities are valued using the currency in which the entity mainly operates («functional currency»). The consolidated annual accounts are presented in thousands of Euros (except where otherwise stated), as this is the functional and presentation currency of the parent company.

Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates in force on the date of the transaction. Losses and gains in foreign currencies resulting from the payment of these transactions and the translation based on the closing rate of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except if they are deferred in shareholders' equity, such as cash flow hedges.

Translation differences in relation to non-monetary items, such as equity instruments held at fair value through profit or loss, are presented as part of the fair value gain or loss. Translation differences in relation to non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in shareholders' equity in the revaluation reserve.

Group entities

The results and the financial position of all the Group's entities (none of which operate in hyperinflationary economies) that have a functional currency that is different to the presentation currency are converted into the presentation currency in the following way:

1. The assets and liabilities in each balance sheet presented are converted at the closing rate on the balance sheet date.

2. The income and expenses in each income statement are converted at the average, monthly exchange rates.

3. All resulting exchange rate differences are recognised as a separate element of shareholders' equity.

Adjustments to goodwill and fair value that arise in the acquisition of a foreign entity are dealt with as assets and liabilities of the foreign entity and are converted at the closing rate.

2. 5. Property, plant and equipment (PPE)

Land and buildings essentially consist of operational offices. Property, plant and equipment is recognised at its acquisition cost less depreciation and the corresponding, accumulated impairment losses, except in the case of lands, which are presented net of impairment losses. The historic cost includes expenses directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, only when it is likely that the future economic benefits associated with the elements will flow into the Group and the cost of the element can be determined in a reliable way. Other repairs and maintenance are charged against the income statement during the year in which the costs are incurred.

Lands do not depreciate. Depreciation of other assets is calculated using the straight-line method to assign costs to remaining values in relation to their estimated useful lives:

	Coefficient (%)
Buildings	2 & 3
Technical fixtures & machinery	10 to 25
Other fixtures & tools	10 to 30
Furniture	10
Computer hardware	25
Transport elements	16
Other property, plant and equipment	10 to 25

The remaining value and useful life of assets is revised and adjusted if necessary on each balance sheet date. When an asset's carrying amount is greater than its estimated recoverable amount, its value is reduced immediately to its recoverable amount (Note 2.7). Losses and gains through the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying amount and are included in the income statement.

2.6. Intangible assets

Goodwill

Goodwill represents the excess of the acquisition cost in relation to the fair value of the Group's share in the identifiable net assets of the subsidiary / associate acquired on the date of acquisition. Goodwill relating to the acquisition of subsidiaries is included in Goodwill on the balance sheet. Goodwill relating to the acquisition of associates is included in investments in associates. Goodwill is tested each year for impairment loss and is recognised at cost less accumulated impairment losses. Losses and gains through the sale of an entity include the goodwill carrying amount relating to the sold entity.

Goodwill is assigned to cash generating units (CGU) with the aim of testing impairment losses. Goodwill acquired as of 1 January 2004 remains valued at acquisition cost and goodwill acquired prior to this date remains registered at net value accounted for at 31 December 2003, in accordance with Spanish accounting criteria in force on the aforementioned date.

From 1 January 2004, goodwill is not amortised and at each year end or before, if there are explosive elements, an estimate is made of whether any impairment has occurred that reduces its recoverable value and the relevant write-down is registered, as detailed in note 8.

Computer programmes

Licences for computer programmes acquired are capitalised based on the cost incurred in acquiring them and preparing them for the use of the specific programme. These costs amortise during their estimated useful life (five years). Expenses relating to the development or maintenance of computer programmes are recognised as an expense when they are incurred.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are recognised for the purpose of assigning the price paid in business combinations for their fair value on the date of acquisition, when these assets are clearly identifiable as such. These assets are recognised at fair value on the date of acquisition less accumulated impairment losses. Impairment loss tests are carried out at least once a year and whenever there are factors that indicate a possible impairment loss.

2.7. Impairment loss of assets

Assets that have an indefinite useful life are not subject to depreciation and their value is analysed annually to determine whether there are impairment losses. The value of assets subject to depreciation is analysed to determine whether there are impairment losses whenever there is an occurrence or change in circumstances that suggests that the carrying amount might not be recoverable. An impairment loss is recognised at the difference between the asset's carrying amount and its recoverable value. The recoverable amount is the greater between an asset's fair value less the sales costs and the value in use. For the purpose of assessing impairment losses, assets are grouped using the lowest level at which there are identifiable, separate cash flows (cash generating units).

2.8. Financial assets

The Group uses the following categories to classify its investments: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Classification depends on the reason for the investment acquisition. Management decides on the investment classification when initially recognised and revises this classification every time the financial information is presented.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is acquired essentially to be sold in the short-term or if it is designated as such by management. Derivatives are also classified as acquired for trading unless they are designated as hedges (note 3.2). Assets in this category are classified as current assets if they are held for trading or it is expected that they will be realised in the 12 months following the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or established payments that are not listed on active markets. They arise when the Group supplies money, goods or services directly to a debtor without the intention of trading with the receivable. They are included in current assets, except for expiry dates greater than 12 months from the balance sheet date, which are classified as non-current assets. Loans and receivables are included in clients and other receivables in the balance sheet (Note 2.10). Loans and receivables are accounted for at amortised cost in accordance with the effective interest method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or established payments and fixed maturity dates, which the Group's management intends to and has the ability to hold until they expire. Held-to-maturity investments are accounted for at amortised cost in accordance with the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated to this category or are not classified in any other category. They are included in non-current assets unless management intends to dispose of them in the 12 months following the balance sheet date.

Acquisitions and disposals of investments are recognised on the date of trading, in other words, the date on which the Group commits itself to acquiring or selling the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not recorded at fair value through profit and loss. Investments are written-off in accounting terms when they have expired or the rights to receive cash flows from the investments have been transferred and the Group has substantially transferred all risks and rewards derived from ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are accounted for subsequently at fair value.

Realised and unrealised losses and gains that arise from changes in fair value in the financial assets at fair value through profit and loss category are included in the income statement in the year in which they arise. Unrealised losses and gains that arise from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in shareholders' equity. When securities classified as available-for-sale are sold or suffer impairment losses, the accumulated adjustments in fair value are included in the income statement as losses and gains relating to the securities.

In order to valuate investments that are not listed, the Group establishes fair value using valuation techniques that include the use of recent free transactions between interested and duly informed parties, transactions relating to other essentially similar instruments, the analysis of discounted cash flows and improved option pricing models to reflect the issuer's specific circumstances.

On each balance sheet date, the Group evaluates whether there is objective evidence that a financial asset or a group of financial assets could have suffered impairment losses. In the case of capital securities classified as available-for-sale, consideration is given to whether there has been a significant or prolonged decrease in the fair value of the securities below their cost, in order to determine if the securities have suffered impairment losses.

If there is any evidence of this kind for the available-for-sale financial assets, the accumulated loss determined as the difference between the acquisition cost and the current fair value less any impairment loss relating to this financial asset previously recognised in losses and gains, is eliminated from shareholders' equity and it is recognised in the income statement. Impairment losses recognised in the income statement for equity instruments are not reversed via the income statement.

2.9. Inventories

Inventories are recognised either at cost or at their net realisable value, the lower of the two distinguishing between:

- Inventories in storage and uniforms are recognised at weighted average cost.
- Facilities in progress are recognised at facilities cost, which includes materials and parts consumed and the standard cost of labour employed, which doesn't differ from the actual costs that have occurred during the year.

Net realisable value is the estimated sales price during the normal run of business, less applicable variable sales costs.

2.10. Trade receivables

Trade receivables are initially recognised at nominal value, which does not differ substantially from fair value. Subsequently a provision for impairment loss is set up when there is objective evidence that the Group will not be able to collect all amounts owed to it in accordance with the original conditions of the receivables. The provision amount is recognised in the income statement.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash, sight deposits with credit institutions, other short-term cash investments with an original expiry date of three months or less and overdrafts. Overdrafts are classified as financial liabilities under current liabilities in the balance sheet.

2.12. Share capital

Ordinary shares are classified as shareholders' equity. When any of the Group's entities acquires Company shares (treasury shares), the consideration paid (net of income taxes), including any directly attributable incremental cost, is deducted from the equity attributable to the Company's shareholders until its derecognition or disposal. When these shares are sold, any amount received, net of any directly attributable incremental transaction cost and the corresponding effect of income tax, is included in shareholders' equity attributable to the Company's shareholders.

2.13. Government grants

Government grants are recognised at fair value when it is reasonably likely that they will be collected and the Group will fulfil the conditions set out. Government grants relating to costs are deferred and are recognised in the income statement during the period needed to correlate them with the costs that they intend to compensate.

Government grants relating to the acquisition of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis during the expected life of the corresponding assets.

2.14. Liabilities

Liabilities are initially recognised at fair value, net of the costs incurred in the transaction. Subsequently, liabilities are valued at amortised cost; any difference between the funds obtained (net of the costs necessary to obtain them) and the redemption value is recognised in the income statement during the life of the debt in accordance with the effective interest method. Liabilities are classified as current liabilities unless the Group has the unconditional right to defer their payment during a minimum of 12 months after the balance sheet date.

2.15. Deferred tax

In accordance with the balance method, deferred tax is calculated in relation to the temporary differences that arise among the tax bases of assets and liabilities and their carrying amounts in consolidated annual accounts. However, if deferred taxes arise from the initial recognition of a liability or an asset in a transaction that is different from a business combination that does not affect either the accounting result or the tax gain or loss at the time of the transaction, then it is not accounted for.

Deferred tax is determined by using tax rates (and laws) that are approved or are about to be approved on the balance sheet date and which are expected to be applied when the corresponding tax deferred asset is realised or the tax deferred liability is liquidated.

Tax deferred assets are recognised to the extent to which It is likely that they will have future tax benefits, which may compensate for the temporary differences.

Deferred taxes are recognised in relation to the temporary differences that arise in investments in subsidiaries and associates, except in those cases when the Group is able to control the date on which the temporary differences are reversed and it is likely that they are not going to be reversed in the foreseeable future.

2.16. Employee benefits

Share compensation

The Group has a number of compensation plans based on shares and payable in shares or cash. The fair value of employee services received in exchange for the awarding of shares is recognised as an expense. The total amount charged to expenses during the accrual period is determined in relation to the fair value of the shares awarded. On each balance sheet date, the Company revises its estimates of the number of shares expected to be exercisable and recognises the impact of the revision of the original estimates, if applicable, on the income statement.

Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate their contract before the usual retirement age or when an employee voluntarily accepts the termination of their working relationship in exchange for these benefits. The Group recognises these benefits when it has demonstrably committed itself to terminating current employees' jobs in accordance with a detailed formal plan and without there being the possibility of retracting the decision or providing termination benefits as a result of an offer made to encourage a voluntary resignation.

Profit and bonus-sharing plans

The Group recognises bonus and profit-sharing as a liability and an expense based on a formula that takes EBITA (earnings before interest, taxes and amortisation) into account, considering primary and secondary segments.

Pension commitments and related liabilities

The Group is obliged by local Italian regulations to recognise the end of a working relationship treatment (Trattamento di Fine Rapporto (TFR)) in Italy, which consists of recognising an amount to be paid to each employee at the time they leave the Company for whatever reason.

In order to quantify its current value, an actuarial study has been carried out using the following parameters:

- Rotation rate: 16%
- Annual inflation rate: 2%
- Annual TFR revaluation rate: 3%
- Annual salary increase rate: 4.5% for executives (the only one not found in the census on 31.12.03), 3% for managers and employees and 3% for operators.
- Annual discount rate: 4%
- Mortality table: ISTAT 2000
- Invalidity table: INPS industry
- Retirement age: 65 for men and 60 for women.

Companies located in France should make a provision to cover employees' retirement. An actuarial study has been carried out to quantify current value. The following parameters were used:

- Annual inflation rate: 1.4%
- Annual discount rate: 3.5%
- Annual salary increase rate: 2%
- Rotation rate for the under 50s: 4%
- Retirement age: 65

The previous benefits are defined benefits, given that the benefit received by the employee at the time of retirement or at the end of the working relationship —in the case of Italy— is defined in accordance with one or more factors, such as age, years of service or remuneration.

The liability recognised in the balance sheet with regards these commitments is the current value of the commitment for defined benefits on the balance sheet date, together with adjustments for unrecognised actuarial losses or gains and costs for past services. This commitment is calculated annually by independent actuaries in agreement with the Projected Unit Credit Method. The current value of the commitment is determined by discounting future estimated cash flows, in accordance with the assumptions previously expressed.

Actuarial losses and profits that arise from adjustments due to experience or changes to actuarial assumptions are charged or credited to the income statement during the average expected remaining working life of the employees. Costs for past service are recognised immediately in the income statement.

2.17. Provisions

Provisions for restructuring and legal claims are recognised when:

1. The Group has a current obligation, whether legal or implicit, as a consequence of past events.

2. It is more likely than not that an outflow of resources will be nece-ssary to settle the obligation than not.

3. The amount has been estimated in a reliable way.

4. When a number of similar obligations exist, the likelihood of whether an outflow for settlement will be necessary is determined by considering the type of obligations as a whole. A provision is recognised even when the likelihood of an outflow with regards any item within the same type of obligations is small.

Provisions for restructuring include penalties for the cancellation of leases and payments for the dismissal of employees. Provisions for future operation losses are not recognised.

2.18. Revenue recognition

Ordinary revenue includes fair value through the sale of goods and services, net of added value tax, refunds and discounts and after eliminated intragroup sales. Ordinary revenue is accounted for in accordance with accrual criteria and is recognised as follows:

1. Sales of goods are recognised when a Group entity has delivered the products to the client, the client has accepted the products and are valued at the fair value of the consideration to be received.

2. Sales of services are recognised in the accounting year in which the services are provided, without including taxes levied on these operations and deducting discounts included in the invoice that don’t relate to prompt payment.

3. Interest income is accounted for in accordance with a time portion basis in relation to the outstanding principal amount and taking into consideration the applicable effective interest rate.

4. Dividend income is recognised when the right to receive payment is established.

2.19. Leases

When a Group entity is the lessee

Property, plant and equipment leases in which the Group substantially retain all the risks and rewards derived from the ownership of the assets are classified as finance leases. Finance leases are recognised at the begining of the contract for the lower of the fair value of the leased asset and the current value of minimum leasing payments. Each leasing payment is broken down into the debt reduction and the financial charge, so that a constant interest rate is obtained in relation to the outstanding debt. The payment obligation derived from the lease, net of financial charge, is recognised within long-term liabilities. The interest relating to the financial charge is charged to the income statement during the life of the lease with the aim of obtaining a constant, periodical interest rate in relation to the debt balance pending repayment in each period. Property, plant and equipment acquired under finance leasing agreements are depreciated in the shorter of the two following periods: the asset's useful life and the leasing term, when there is no possibility of transferring ownership; if the opposite is true, depreciation is undertaken in accordance with the asset's estimated useful life.

Leases in which the lessor keeps a significant part of the risks and rewards derived from ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis during the leasing period.

When a Group entity is the lessor

Assets leased to third parties under operating lease contracts are included in property, plant and equipment on the balance sheet. These assets are depreciated during their expected useful life based on coherent criteria applied to similar Group property.

Income derived from leases is recognised on a straight-line basis during expected useful life.

2.20. Building contracts

The cost of building contracts is recognised when this cost is incurred. When the result of a building contract cannot be estimated reliably, the contract income is only recognised up to the limit of contract costs incurred that are likely to be recovered.

When the result of a building contract can be estimated reliably and it is likely that it will be profitable, contract income is recognised during the life of the contract. When it is likely that the contract costs will exceed the total contract income, the expected loss is recognised immediately as an expense.

The Group uses the percentage of completion method to determine the relevant amount to be recognised in a specific period. The percentage of completion is determined in reference to the contract costs incurred on the balance sheet date, expressed as a percentage of the total estimated costs for each contract. Costs incurred during the year in relation to future activity of a contract are excluded from the contract costs in order to determine the percentage of completion. These are recorded as inventories, prepayments and other assets, depending on their nature.

The Group records the gross amount owed by clients for work on all contracts in progress as an asset, when the costs incurred plus the benefits recognised (less recognised losses) exceed partial billing. The billing portion that has not yet been paid by clients and withholdings are included in clients and other receivables.

The Group records the gross amount owed to clients for work on all contracts in progress as a liability when partial billing exceeds the cost incurred plus the benefits recognised (less recognised losses).

2.21. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and are recognised at the lesser of the following two: the carrying amount and the fair value less sales costs if the carrying amount is essentially recovered via a sales transaction instead of via continued use.

The Group adopted IFRS 5 early on 1 January 2004 prospectively in accordance with the regulator standards. The early adoption of IFRS 5 has resulted in a change of accounting policy for non-current assets (or disposal groups) held for sale. Non-current assets (or disposal groups) held for sale were not previously classified or presented as current assets or liabilities. There is no difference between the valuation of non-current assets (or disposal groups) held for sale or for continued use. Application of IFRS 5 did not have any impact on the previous year's consolidated annual accounts, except for the difference between the presentation of results and cash flows relating to discontinued operations.

2.22. Dividend distribution

The dividend distribution to the shareholders is recognised as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the shareholders.

2.23. New IFRS standards and interpretations

New accounting standards (IFRS) and interpretations (IFRIC) have been approved and published, which are expected to come into force for accounting years beginning 1 January 2006 or after. Below is an assessment of the impact of these new regulations by the Group's management.

1. IFRS 6, Exploration for and Evaluation of Mineral Resources

In December 2004, IASB issued International Financial Reporting Standard 6 Exploration for and Evaluation of Mineral Resources (IFRS 6). The publication of this IFRS set out, for the first time, regulations on the accounting of exploration and evaluation expenses, including the recognition of exploration and evaluation assets. This IFRS applies to annual periods beginning on or after 1 January 2006. The Prosegur Group does not have prospecting and evaluation operations at 31 December 2005, so this standard will not be applied to Prosegur Group's consolidated annual accounts.

2. IFRS 7, Financial Instruments: disclosure

During August 2005, IASB issued IFRS 7, Financial Instruments: disclosure, and an amendment to IAS 1, Presentation of financial statements – Capital disclosures. This IFRS introduces new requirements to improve information disclosed on the financial instruments presented in annual accounts and replaces IAS 30, Disclosures in the annual accounts of Banks and similar Financial Institutions, and some of the requirements of IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS1 introduces requirements for disclosures about an entity's capital. IFRS 7 applies to annual periods beginning on or after 1 January 2007. The early application of this standard is recommended. The Group has not yet decided whether to adopt this standard in advance. The application of this standard will not be significant in relation to Prosegur's consolidated annual accounts.

3. Amendment to IAS 39, Cash flow hedge accounting of forecast intragroup transactions

In April 2005, IASB issued an amendment to IAS 39 regulations, Financial Instruments: Recognition and measurement. The amendment allows foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge in consolidated annual accounts, provided that the transaction is denominated in a currency that is different from the functional currency of the entity undertaking that transaction and foreign currency risk will affect the consolidated annual accounts. The amendment also states that if the hedge of an intragroup forecast transaction qualifies for hedge accounting, any gain or loss that is recognised directly or indirectly in equity in accordance with the hedge accounting rules in IAS 39 should be reclassified into gain or loss in the same annual period or periods during which the foreign currency risk of the hedged transaction affects the consolidated results. The amendment contains detailed transition standards. This amendment is effective on 1 January 2006, although early application is recommended. The Group has not decided to adopt this standard early and it is not expected that the amendment will have a significant impact on the consolidated annual accounts.

4. Amendment to IAS 39, Fair value option

In June 2005, IASB issued an amendment to the fair value option of IAS 39, Financial Instruments: Recognition and Measurement. The amendment allows irrevocable allocation of financial instruments that meet certain criteria when initial recognition takes place at fair value through profit and loss. The criteria that need to be met, according to the amendment, include that the fair value through profit or loss designation eliminates or significantly reduces an accounting mismatch, that a group of financial assets or financial liabilities or both are managed and its performance is evaluated on the basis of its fair value in accordance with a documented risk management or investment strategy and when an instrument has an embedded derivative that meets certain conditions. This amendment is effective as of 1 January 2006, although early application is recommended. Prosegur has decided not to adopt this standard early and it has not yet decided whether to apply the fair value option after the standard comes into effect.

5. IAS 39 and amendment to IFRS 4, Financial Guarantee Contracts

In August 2005, IASB issued modifications to the requirements for financial guarantee contracts by way of amendments restricted to IAS 39, Financial Instruments: Recognition and Measurement and to IFRS 4, Insurance Contracts. These amendments aim to guarantee that issuers of financial guarantee contracts recognizes the resulting liabilities in their balance sheets. The amendments define a financial guarantee contract as a contract that requires the issuer to make specific payments to reimburse the holder for a loss incurred as a result of a specific debtor failing to make a payment when it is due, according to the original conditions or modifications of a debt instrument.

These contracts can be of different legal types, including a guarantee, some kind of credit letter or credit insurance. Issuers should apply the amendments for annual periods beginning on or after 1 January 2006. Early application is recommended. The Prosegur Group has decided not to adopt this standard early. It is not expected that the amendment will have a significant impact on the Group's consolidated annual accounts.

6. IFRIC 4, Determining whether an arrangement contains a lease

In December 2004, IFRIC issued IFRIC 4, Determining whether an arrangement contains a lease. IFRIC 4 establishes rules to determine whether arrangements that are not legally recognised as leases should be accounted for in accordance with IAS 17 Leases. The standard specifies that an arrangement contains a lease if it depends on the use of specific assets and includes a right to control the use of these assets. IFRIC 4 is obligatory for annual periods beginning on or after 1 January 2006. Early application is recommended. The Group is currently analysing the impact of this standard on its consolidated annual accounts, having opted not to apply IFRIC 4 early, but applying it to its 2006 annual accounts, as well as the transitory regulations stated in IFRIC 4, based on the facts and circumstances that existed on 1 January 2005.

7. IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

In December 2004, IFRIC issued IFRIC 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds. IFRIC 5 explains how to deal with foreseen fund reimbursements set up to pay for the cost of decommi-ssioning plants (such as a nuclear plant); equipment (such as cars), or in the undertaking of environmental restoration or rehabilitation (such as the restoration of polluted waters or the restoration of lands used for mining). The entity shall apply this interpretation for annual periods beginning on or after 1 January 2006. The Group does not have investments in decommissioning, restoration or rehabilitation funds, so the interpretation of this standard will not impact on its consolidated annual accounts.

8. IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

In September 2005, IFRIC issued IFRIC 6 Liabilities arising from participating in a specific market – Waste electrical and electronic equipment. IFRIC 6 sets out rules on the accounting of liabilities arising from management costs relating to the decommissioning of waste electrical and electronic equipment supplied to private households. An entity shall apply this interpretation for annual periods beginning on or after 1

December 2005. The Group is currently analysing the impact of this standard on its consolidated annual accounts, having opted not to apply IFRIC 6 early.

9. IFRIC 7, Applying the Restatement Approach under IAS 29

In November 2005, IFRIC issued IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies. IFRIC 7 clarifies the requirements under IAS 29 Financial Reporting in Hyperinflationary Economies with regards how to restate the comparative figures in annual accounts when an entity detects hyperinflation in the economy of the currency used in the financial statements and how to restate the concepts of deferred taxes in the initial balance. An entity shall apply this interpretation to annual periods beginning on or after 1 January 2006. The Group does not currently operate in hyperinflationary countries under IAS 29. As a result, this interpretation will not impact on its consolidated annual accounts.

10. Clarification and amendment to IAS 21, Effects of Changes in Foreign Exchange Rates

On 15 December 2005, IASB issued a clarification and modification of IAS 21 Effects of Changes in Foreign Exchange Rates. This clarified that a net investment in a foreign entity could occur between subsidiaries of the same parent company (in other words, between sister companies). It modified the treatment of exchange rates that arise when the investment currency isn't the functional currency of the foreign operation nor of the entity making the net investment. In these cases, differences arising in the individual annual accounts of either of the entities should be allocated to equity (the regulation currently in force requires these differences to be recognised in losses and gains). The modification applies to annual periods beginning on or after 1 January 2006, although early application is recommended. The Prosegur Group does not apply the treatment of net investment in any investment in subsidiaries with annual accounts in foreign currency.

NOTE 3_ Financial Risk Management

3.1. Financial risk factors

The Group's operations are exposed to different financial risks: market risk (including foreing exchange rate and interest rate risk), credit risk, counterparty risk, settlement risk and cash flow interest rate risk. The Group's financial risk management programme focuses on an analysis of the uncertainty of financial markets and tries to minimise the potential adverse effects on the Group's financial profitability. The Group uses derivatives to hedge certain risks. Financial risk management is carried out by the Group's Central Treasury Department, in accordance with the policies approved by the Board of Directors. This department identifies, evaluates and hedges financial risks in close collaboration with the Group's operational units.

Foreing exchange risk

The Group operates in an international field and therefore, it is exposed to foreing exchange risks through transactions using foreign currency, especially the US dollar, the Argentine Peso and the Brazilian Real. The foreing exchange risk arises from future transactions, recognised assets and liabilities and net investments in foreign operations.

In order to control the foreing exchange risk that arises from financial transactions and recognised assets and liabilities, the Group's entities use forward contracts, agreed with the Group's treasury department, which will subsequently enter into the agreements in the corresponding market. The foreing exchange risk arises when future transactions, recognised assets and liabilities are denominated in a currency that isn't the Company's functional currency. The Group's treasury department is responsible for managing the net position of each foreign currency using external forward contracts in foreign or local currency, in accordance with the competitiveness of the contracts.

Considering that the Group has defined a long-term or quasi permanent player strategy in the foreign markets in which it operates, foreing exchange risk management policies that are strictly linked to shareholders' equity invested in the corresponding country are not adopted / set out. With the aim of mitigating the impact on operating cash flow, financing operations in functional currency are entered into in order to set up "quasi natural" cash flow matching.

Credit risk

The Group doesn't have significant credit risk concentrations. The Group has policies to ensure that sales are made to clients with sufficient credit history.

Counterparty risk

Operations with derivatives and spot operations are only entered into with financial institutions with a healthy credit history. The Group has policies to restrict the amount of risk with any financial institutions.

Liquidity risk

Careful management of liquidity risk implies the maintenance of enough cash and tradable securities, the availability of financing via a sufficient amount of committed credit facilities and the ability to liquidate market positions. Given the dynamic nature of underlying business, the Group treasury department's objective is to maintain financing flexibility using the availability of committed credit lines.

Cash flow and fair value interest rate risk

Given that the Group doesn't have significant interest-bearing assets, income and cash flows from the Group's operating activities are fairly independent of changes in market interest rates.The Group's main interest rate risk factor arises from interest rate based liabilities. Liabilities contracted at variable interest rates expose the Group to cash flow interest rate risks. Fixed rate loans expose the Group to fair value interest rate risks.

The Group manages cash flow interest rate risks via variable to fixed rate swaps. The financial effect of these interest rate swaps is to convert liabilities with variable interest rates to fixed interest rates. In general, the Group obtains long-term liabilities at variable interest rates and swaps them to fixed rates in accordance with the suitability and competitiveness of future interest rate trends (forward). Under interest rate swaps, the Group commits with other parties to exchange, fairly often (in general, quarterly) the difference between fixed and variable interest calculated in accordance with the notionals entered into.

Price volatility risk

As the Group is a company providing services and is intensive in human capital, there aren't significant price volatility risks.

3.2. Derivative and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is signed and subsequently their fair value is adjusted. The method for accounting for the resulting loss or gain depends on whether the derivative is designated as a hedging instrument and, if this is the case, the nature of the item hedged. The Group designates specific derivatives as fair value hedge of recognised assets or liabilities or a firm commitment (fair value hedge), anticipated transaction hedges (cash flow hedges) or net investment in foreign operation hedges.

At the beginning of the operation, the Group documents the relationship between the hedging instruments and the items hedged, as well as the aim of its risk management and the strategy for undertaking the different hedging transactions. The Group also documents an evaluation, both at the beginning of the hedge, as well as subsequently and in a continual way, of whether the derivatives used in the hedging transactions are effective when compensating for changes in the fair value or cash flows of the assets hedged.

Note 24 includes information on the fair value of different derivatives used in hedging transactions.

Fair value hedges

Changes in the fair value of the designated derivatives, which meet the requirements for being considered as fair value hedging transactions, are recognised through profit/(loss) together with any change in the fair value of the asset or liability being hedged which is attributable to the hedged risk.

Cash flow hedges

The effective part of changes to the fair value of designated derivatives, and which qualify as cash flow hedges, are recognised in shareholders' equity. The gain or loss corresponding to the non-effective part is recognised immediately in the income statement.

When the hedging instrument expires or is sold, or when a hedging operation no longer meets the requirements for applying hedge accounting, the retained earnings or losses in shareholders' equity up until this moment will continue to be included in shareholders' equity and are recognised when the anticipated transaction is finally recognised in the income statement. If however, it is no longer likely that the aforementioned transaction takes place, the retained earnings or losses in shareholders' equity are immediately transferred to the income statement.

Derivatives that do not qualify for hedge accounting

Certain derivatives do not meet the criteria for the application of hedge accounting. Changes in the fair value of any derivative that does not qualify for hedge accounting are recognised immediately in the income statement.

3.3. Fair value estimate

The fair value of financial instruments traded in active markets (such as officially listed derivatives and investments acquired for trading) is based on market prices at year-end. The market price used by the Group for financial assets is the current market buyer price; the appropriate market price for financial liabilities is the current market seller price.

The fair value of financial instruments that are not listed on an active market is determined using valuation techniques. The Group uses different methods and undertakes assumptions that are based on existing market conditions on each of the balance sheet dates. Market prices for similar instruments are used for long-term debt. In order to determine the fair value of other financial instruments, remaining techniques are used, such as estimated discounted cash flow. The fair value of interest rate swaps is calculated as the fair value of estimated future cash flows. The fair value of forward exchange rate contracts is determined using forward exchange rates on the market on the balance sheet date.

It is assumed that the nominal value less estimated credit adjustments of receivables and payables comes close to the fair value. The fair value of financial liabilities for the purpose of presenting financial information is estimated by discounting future contractual cash flows at current market interest rates available for the Group for similar financial instruments.

NOTE 4_ Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements regarding the future. The resulting accounting estimates, by definition, rarely equal the corresponding actual results. Those estimates and judgements that have a significant risk of resulting in an actual adjustment to the carrying amounts of assets and liabilities in the following year are explained below.

Estimated impairment loss in goodwill

The Group annually tests whether goodwill has suffered any impairment loss, in accordance with the accounting policy described in Note 2.6. Recoverable amounts relating to cash generating units have been determined using value in use calculations. These calculations require the use of estimates (Note 8).

The recoverable amount is the greater between the market value minus the necessary sales cost and the value in use, which is understood as the present value of future estimated cash flows. In order to estimate value in use, the Group prepares forecasts of future cash flows before tax using the most recent budgets approved by the Company's directors. These budgets include the best available estimates of income and cost of cash generating units using past experience and future expectations.

These expectations cover the next three years, providing estimates of flows in future years applying reasonable growth rates, which are never increasing and never exceed the growth rates of previous years.

These flows are discounted to calculate the present value at a rate that includes the business' capital cost and geographical area in which it operates.

The present calculation of money and risk premiums used in general by analysts for the geographical area are taken into account when making this calculation. If the recoverable amount is less than the asset's net carrying amount, the corresponding forecast for impairment loss for the difference is charged to *Amortisation/depreciation and charges for impairment loss* in the consolidated income statement.

Depreciations undertaken in relation to goodwill are not reversible.

Income tax

The Group is subject to income tax in many jurisdictions. A significant level of judgement is required to determine the global forecast for income tax. The ultimate tax determination for many transactions and calculations is uncertain during the ordinary course of business. The Group recognises liabilities for foreseen tax problems using estimates of whether additional taxes will be needed. When the final tax result in relation to these issues is different from the amounts initially recognised, the differences will have an effect on income tax and the forecasts for deferred taxes in the year in which the determination is made.

Claims

Management estimates provisions corresponding to future claims based on historic information on claims, as well as recent trends that may suggest that past information on costs could differ from future claims. In addition, management is supported by external employment, legal and tax consultants in order to make the best estimates possible.

NOTE 5_ Transition to IFRS

5.1. Basis for transition to IFRS

5.1.1. Application of IFRS 1

The consolidated annual accounts at 31 December 2005 are the first consolidated annual accounts in accordance with IFRS, meaning that the Group has applied IFRS 1 in the preparation of these accounts. The transition date to IFRS for Prosegur Compañía de Seguridad, S.A. is 1 January 2004. The Group prepared its opening balance sheet in accordance with IFRS on the aforementioned date.

During the preparation of these first consolidated annual accounts in accordance with IFRS 1, the Group has applied all obligatory exceptions and some optional exemptions.

5.1.2. Exemptions to retrospective application chosen by the Group

Prosegur Compañía de Seguridad, S.A. has opted to apply the exemptions to complete retrospective application of IFRS as detailed below:

Business combinations

Prosegur Compañía de Seguridad, S.A. has applied the exemption included in IFRS 1 for business combinations. It has therefore not restated the business combinations that took place prior to the transition date on 1 January 2004.

Fair value as attributed cost

Prosegur Compañía de Seguridad, S.A. has opted to value certain elements of property, plant and equipment at fair value on 1 January 2004. The application of this exemption is detailed in Note 5.2.1.

Employee benefits

The Group has opted to recognise all accumulated actuarial gains and losses at 1 January 2004. The application of this exemption is detailed in Note 5.2.1.

Accumulated translation differences

Prosegur Compañía de Seguridad, S.A. has chosen to value accumulated translation differences prior to 1 January 2004 at zero. This exemption has been applied to all subsidiaries in accordance with what is stated in IFRS 1.

Designation of financial assets and liabilities

The Group has reclassified a number of securities as available-for sale investments and as financial assets at fair value through profit and loss.

Share-based payment

The Group has chosen to apply the exemption relating to share-based payment. The Group has applied IFRS 2 since 1 January 2004 to those action plans that were issued prior to 7 November 2002, but which did not expire until 1 January 2005. The application of this exemption is detailed in Note 5.2.1.

5.1.3. Exemptions to the retrospective application followed by the Group

Prosegur Compañía de Seguridad, S.A. has applied the following obligatory exceptions to the retrospective application of IFRS:

Estimates

Estimates under IFRS at 1 January 2004 are consistent with estimates made on the same date under the previous accounting principles, unless there is evidence to prove that the aforementioned estimates were wrong.

Assets held for sale and discontinued operations

Management applies IFRS 5 prospectively at 1 January 2004, according to what is described in Note 2.21. As a result, the obligatory exception has not been applied to the retrospective application of IFRS defined by IFRS 1 for these purposes.

5.2. Reconciliation of IFRS and local accounting principles (Spanish GAAP)

The following reconciliation offers a quantification of the impact of the transition to IFRS:

- Shareholders' equity at 1 January 2004 and 31 December 2004 (Note 5.2.1.).
- Profit/(loss) for the year ended 31 December 2004 (Note 5.2.2.).

Below is an explanation of the actual adjustments made to the balance sheet and the income statement:

5.2.1. Reconciliation of shareholders' equity at 1 January 2004 and 31 December 2004

	At 1 January 2004	Note 5.2.1	At 31 December 2004
TOTAL SHAREHOLDERS' EQUITY according to local accounting principles (Spanish GAAP)	**235,567**		**243,870**
Revaluation adjustments to property, plant & equipment	25,561	1	25,275
Accrual adjustments from rental contracts	(14,312)	2	(14,039)
Adjustments to set-up expenses and intangible assets	(252)	3	(237)
Adjustments to staff costs provision	(3,530)	4	(1,098)
Adjustments to goodwill		5	16,906
Adjustments due to addition of minority interests	735	6	403
Adjustments to financial instruments	(2,604)	7	(1,906)
Adjustments to other provisions	1,595	8	(5,671)
Adjustments to treasury shares		9	(676)
Adjustments due to deferred taxes	4,106	10	4,899
Adjustments due to the purchase of P. Seguridad			(663)
TOTAL SHAREHOLDERS' EQUITY according to IFRS	**246,866**		**267,063**

1. Adjustments to property, plant & equipment

At 1 January 2004

Management has applied the fair value exemption as an attributed cost in relation to the buildings where the Company offices are located in the Calles Pajaritos and Acacias in Madrid, as well as the building located in Hospitalet in Barcelona. In the valuation carried out on 31 December 2003 by an independent valuer, these properties were valued at 43,129 thousand Euros, whereas their carrying amount in accordance with the Spanish GAAP amounted to 3,805 thousand Euros. Therefore, a revaluation of 39,324 thousand Euros has been created with a deferred tax liability of 13,763 thousand Euros.

At 31 December 2004

A depreciation of 439 thousand Euros has occurred, with an associated tax effect of 154 thousand Euros.

2. Accruals from rental contracts

At 1 January 2004

The effect of clients registering for our residential security operations has been accrued in accordance with the estimated useful life of the contracts, which, according to historic experience, has been estimated at 8 years. Likewise, the best estimate possible of the estimated useful life of the assets subject to rental has been undertaken, based on the average life of the contracts to which they relate. This has meant a reduction in shareholders' equity of 14,312 thousand Euros, having taken the associated tax effect of 7,707 thousand Euros into account.

At 31 December 2004

The net effect change to equity corresponds to the associated accrual of income resulting from registration fees and the relevant depreciation of the best possible estimate of useful life, amounting to a net figure of 420 thousand Euros, with an associated tax effect of 147 thousand Euros.

3. Adjustments to set-up expenses and property, plant and equipment (PPE)

At 1 January2004

Under Spanish GAAP, intangible assets and deferred expenses that are expected to generate profits in future financial years are recognised at cost, adjusted for the amortisation effect, which is calculated on a straight-line basis during the period in which it is expected that the profits will be generated. These deferred expenses do not meet the criteria for defining an asset under IFRS, resulting in their elimination from the balance sheet and them being charged to retained earnings. The amount adjusted for this item rises to 252 thousand Euros, with an associated tax effect of 135 thousand Euros.

At 31 December 2004

The client registrations that had been generated during the financial year have been eliminated, as well as the depreciation undertaken on these assets during the year with an associated tax effect of 128 thousand Euros.

4. Adjustments to staff costs

At 1 January 2004

Recognition of the adjustment to the present value of defined benefit liabilities described in Note 2.16, amounting to 452 thousand Euros, net of the associated tax for 158 thousand Euros, as well as the recognition of liabilities relating to compensation plans for managers based on shares at the transition date and amounting to 4,978 thousand Euros, net of the related tax effect amounting to 1,742 thousand Euros.

At 31 December 2004

The changes produced relate to the adjustment on the aforementioned date of the provisions made for these items, net of tax effect.

5. Adjustments to goodwill

At 31 December 2004

In applying IFRS 3 as of 1 January 2004, which does not permit the amortisation of goodwill, the amortisation originating in the financial year amounting to 18,186 thousand Euros has been reversed and the tax effect relating to the aforementioned goodwill, which is deductible for tax purposes, has been considered on this date amounting to 1,280 thousand Euros.

6. Adjustments due to addition of minority interests

At 1 January 2004

Minority interests have been reclassified in equity, as according to the general accounting plan's previous criteria, they did form part of shareholders' equity. Significant effects in relation to this item have not been identified as a result of IFRS reconciliation.

At 31 December 2004

The amount corresponding to minority interests for the year has been adjusted.

7. Adjustments to financial instruments

At 1 January 2004

In accordance with IAS 39, the registration of financial instruments at fair value on the transition date for accounting purposes has been adjusted, as they did not qualify as hedging instruments. This meant a decrease of 4,005 thousand Euros in equity and it represented the accounting for a diferred tax asset amounting to 1.401 thousands Euros.

At 31 December 2004

Valuations of the financial instruments described above have been updated, resulting in an increase of 1,094 thousand Euros in equity. This carries associated tax amounting to 383 thousand Euros. In addition, a financial instrument was acquired during the 2004 financial year, in accordance with hedge accounting, amounting to 20 thousand Euros, net of tax effect.

8. Adjustments to other provisions

At 1 January 2004

At the transition date, other provisions responding to likely risks have been adjusted to the amount of 1,932 thousand Euros, with an associated tax effect of 337 thousand Euros.

At 31 December 2004

In accordance with the application of IAS 38, the adjustment of assets denominated contingent assets has been taken into consideration and the adjustment of provisions for likely hedged risks at closing amounting to 5,349 thousand Euros, with an associated tax effect of 322 thousand Euros.

9. Adjustments to treasury shares

At 1 January 2004

At 31 December 2003, treasury shares amounted to 4,130,6 thousand Euros. These shares were to be delivered to certain managers in accordance with approved compensation plans. They were therefore completely provided for. Under the new regulations, treasury shares have a lower value in equity and therefore this provision has been reversed. Likewise, the value of the treasury shares against equity needs to be eliminated.

At 31 December 2004

During the financial year, the results originating from treasury share operations have been adjusted, as well as the movement of this provision, which was made in accordance with the general accounting plan. The net effect in equity relating to this operation means the recognition of the reversal of income through operations with treasury shares amounting to 676 thousand Euros.

10. Adjustments due to deferred taxes

At 1 January 2004 and at 31 December 2004, tax deferred assets were recognised which, in accordance with the prudence principle defined in the general accounting plan, were not previously recognised, even though they are included in the business forecasts relating to the operations that generated them

11. Adjustment due to the purchase of Prosegur Seguridad
On the basis of the acquisition, on the 16 December 2004, of an additional shareholding of 25.1 percent in Prosegur Seguridad, S.A., a company over which the Group previously had control, the price differential paid in relation to the Company's net assets has been entered in equity.

5.2.2. Reconciliation of income statement for year ended 31 December 2004

	Note 5.2.2	Spanish GAAP	Transition to IFRS effect	IFRS
Revenue	1	1,182,826	(70,550)	1,112,276
Change in inventories of finished products		1,110	-	1,110
Used raw materials and materials for consumption	2	(28,202)	994	(27,208)
Employee benefit expense	3	(835,730)	77,278	(758,451)
Amortisation/depreciation and charges for impairment loss	4	(75,181)	38,359	(36,822)
External work, services and supplies	5	(95,173)	4,347	(90,826)
General expenses	6	(82,973)	(5,470)	(88,443)
Taxes	7	(7,216)	1,108	(6,108)
Operating profit		**59,461**	**46,066**	**105,527**
Net financing costs	8	(9,883)	4,965	(4,918)
Share in profit/(loss) of associates		-	-	-
Profit before tax		**49,578**	**51,031**	**100,609**
Income tax	9	(14,959)	(12,595)	(27,554)
Profit from operating activities		**34,618**	**38,436**	**73,054**
Extraordinary items	10	(11,497)	11,497	-
Profit for year from discontinued operations	11	-	(38,412)	(38,412)
Profit for year		**23,122**	**11,521**	**34,643**
Profit attributed to external partners		129	-	129
Profit for year attributed to parent company		**22,993**	**11,521**	**34,514**

In terms of the Spanish GAAP opening balances, a number of reclassifications have taken place, including:

The balance for amortisation of goodwill for the amount of 39,411 thousand Euros has been added to the amortisation/depreciation and charges for impairment losses caption. Expenses included in employee benefit expenses (staff recruitment and training, travel expenses and meals) have been reclassified in general expenses for the amount of 21,309 thousand Euros.

Changes in bad debts provision for 1,635 thousand Euros and other income to the amount of 344 thousand Euros have been reclassified in general expenses.

Items for uniform expenses and work undertaken on fixed assets to the amount of 13,534 thousand Euros have been reclassified in provisioning and general expenses
The main adjustments made to the income statement due to the effect of transition to IFRS are the following:

1. Revenue

Discontinued operations	(70,983)
Accruals from rented security alarms	433
Total effect – Increase / (Decrease) in sales	**(70,550)**

2. Used commodities and raw materials for consumption

Discontinued operations are eliminated amounting to 914 thousand Euros and 80 thousand Euros is eliminated for rented security alarms.

3. Employee benefit expense

- Reclassification of discontinued operations results in a decrease in expenditure amounting to 73,582 thousand Euros.
- Adjustment relating to the valuation of the provision made for the compensation plan for managers via shares at 2004 year end, which under Spanish GAAP were based on treasury shares amounting to 3,823 thousand Euros of income.
- Adjustment of the provision made for the commitment to defined staff benefits at 2004 year end.
- Adjustment to the provision made for voluntary collaboration amounting to 44 thousand Euros of expenditure.

4. Amortisation/depreciation and charges for impairment loss

- Reclassification of discontinued operations results in a decrease amounting to 299 thousand Euros.
- The buildings where the offices are located in Pajaritos and Acacias in Madrid and Hospitalet in Barcelona, have been restated at fair value on the transition date when applying the fair value exemption as an attributed cost. The revaluation at fair value has resulted in an increase to the amortisation/depreciation charge of 439 thousand Euros.
- The adjustment of other items has resulted in a decrease amounting to 17 thousand Euros.
- The amortisation of goodwill has been eliminated, amounting to 18,186 thousand Euros.
- 20,296 thousand Euros have been transferred to profit from discontinued operations for the impairment loss of goodwill in the joint venture in the north of France.

5. External work, services and supplies

The reclassification of discontinued operations has resulted in a decrease amounting to 4,347 thousand Euros.

6. General expenses

- Reclassification of discontinued operations has resulted in a decrease amounting to 17,221 thousand Euros (includes 13,000 thousand Euros of provision to hedge risks resulting from the closure of the joint venture)
- In accordance with the evaluation undertaken of the provision for compensation to managers via shares described in adjustment 3 above, the accounting recognition carried out in accordance with the general accounting plan has been reversed, resulting in an increase amounting to 3,957 thousand Euros.
- In accordance with the application of IAS 38, the adjustment of assets denominated contingent assets has been considered in relation to liabilities registered by the Company and amounting to 7,237 thousand Euros.
- Reclassification of extraordinary items results in an increase amounting to 11,497 thousand Euros, as described in section 10.

7. Taxes

Reclassification of discontinued operations has resulted in a decrease amounting to 1,108 thousand Euros.

8. Net financing costs

- Reclassification of discontinued operations has resulted in a decrease amounting to 472 thousand Euros.
- The valuation of financial hedges at 2004 year end that can not be dealt with in accordance with the hedge accounting set out in IAS 39 has generated the recognition, for accounting purposes, of income to the amount of 1,094 thousand Euros.
- Income from exchange rate differences amounts to 3,399 thousand Euros, which under Spanish GAAP was accounted for as equity when considered as hedging operations net of investments, even though the operations do not qualify as such for IFRS purposes.

9. Income tax

This amount includes the overall effect of valuing the impacts described above in the IFRS reconciliation process in accordance with

IAS 12, as well as the reclassification of the tax effect related to discontinued operations amounting to 8,844 thousand Euros.

10. Extraordinary results

11,497 thousand Euros from extraordinary results under previous accounting standards have been reclassified to general expenses in accordance with IFRS.

11. Discontinued operations

The net profit/(loss) of discontinued operations is broken down in accordance with the effects described above (see note 37).

NOTE 6_ Segment reporting

6.1. Primary segment reporting format: geographical areas

At 31December 2005, the Group is organised worldwide in three primary segments: Spain, Rest of Europe, Latin America. There are no other segments that require separate reporting.

Segment results for the year ended 31 December 2004 are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Sales	608,873	224,679	274,286	4,438	1,112,276
Operating profit	65,505	11,470	25,743	2,809	105,527
Net financing costs (Note 28)	844	248	3,756	70	4,918
Profit before tax	64,661	11,222	21,987	2,739	100,609
Income tax	18,415	560	8,310	269	27,555
Profit for year from continuing operations	46,246	10,662	13,677	2,470	73,054
Discontinued operations	-	-	-	(38,412)	(38,412)
Minority interests	(131)	11	(1)	(8)	(129)
Profit/(loss) for the year	**46,115**	**10,673**	**13,676**	**(35,950)**	**34,514**

Segment results for the year ended 31 December 2005 are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Sales	754,819	238,014	394,529	408	1,387,770
Operating profit	78,859	4,429	29,563	1,064	113,915
Net financing costs (Note 28)	8,833	(596)	9,214	(486)	16,965
Share of profits/(losses) from associates	-	51	-	-	51
Profit before tax	70,026	4,974	20,349	1,550	96,899
Income tax	22,343	6,396	6,643	334	35,716
Profit for year from continuing operations	47,683	(1,422)	13,706	1,216	61,183
Discontinued operations	-	-	-	4,097	4,097
Minority interests	-	3	19	-	22
Profit/(loss) for the year	**47,683**	**(1,419)**	**13,725**	**5,313**	**65,302**

Details of other segment items included in the income statement for the year ended 31 December 2004 are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Depreciation of PPE (Note 7)	15,322	11,092	7,153	92	33,659
Amortisation of intangible assets (Note 9)	2,630	219	314	-	3,163
Goodwill impairment loss (Notes 8 & 37)	-	-	-	20,296	20,296
Prov. for deprec. of insolvencies & inventories	1,056	1,579	275	-	2,910

Costs that are not allocated to the goodwill impairment loss item relate to discontinued operations.

Details of segments included in the income statement for the year ended 31 December 2005 are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Depreciation of PPE (Note 7)	16,897	5,978	10,534	21	33,430
Amortisation of intangible assets (Note 9)	4,298	125	547	-	4,970
Prov. for deprec. of insolvencies & inventories	1,148	2,411	295	-	3,854

Costs that are not allocated related to discontinued operations.

Details of the segment assets and liabilities at 31 December 2004 and investments in non-current assets during the year ended on this date are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Total assets & liabilities	137,669	61,011	162,234	12,448	373,362
Investments in non-current assets (Notes 7, 9 & 10)	26,010	7,192	19,189	-	52,391

Details of the segment assets and liabilities at 31 December 2005 and investments in non-current assets during the year ended on this date are as follow:

	Spain	Rest of Europe	Latin America	No allocated	Group
Total assets & liabilities	265,896	67,366	212,543	3,488	549,293
Investments in non-current assets (Notes 7, 9 & 10)	46,144	2,303	63,571	-	112,018

Total segment assets and liabilities include non-current assets and non-financial working capital, which comprises current assets less current liabilities excluding cash and cash equivalents, liabilities from banks, derivative financial instruments and includes investments in associates.

Intra-group loan balances are not considered.

Investments in non-current assets include PPE (Note 7) and intangible asset additions (Note 9) including additions resulting from acquisitions via business combinations (Notes 7, 9 & 34).

6.2. Secondary segment reporting: segment activities

The Group's 3 geographical segments operate with 2 activities.

Spain is the Company's country of origin, which is also the main operating company. Its main area of business is corporate security.

The Group's sales are classified as follow:

Sales	2005	2004
Corporate security	1,306,477	1,039,177
Residential security	81,293	73,099
Total	**1,387,770**	**1,112,276**

Sales are allocated in accordance with the segment in which the client is located.

Total assets	2005	2004
Corporate security	541,880	365,394
Residential security	7,413	7,968
Assets not allocated	-	-
	549,293	**373,362**

The total assets are allocated in accordance with their use.

Investments in non-current assets	2005	2004
Corporate security	103,098	40,913
Residential security	8,920	11.478
	112,018	**52,391**

Investments in non-current assets are allocated in accordance with the use of the assets.

NOTE 7_ Property, Plant and Equipment

Details and movements in different Property, Plant and Equipment are as follow:

	Land & buildings	Technical fixture & machinery	Other mixtures and furniture	Other fixed assets	Prepayments & assets in progress	Total
At 1 January 2004						
Cost or valuation	94,977.9	26,900.2	120,202.2	98,898.1	3,833.6	344,812.0
Accumulated depreciation & impairment losses	(16,976.9)	(17,965.2)	(58,350.9)	(62,376.2)	-	(155,669.2)
Carrying amount at 1 January 2004	**78,001.0**	**8,935.0**	**61,851.3**	**36,521.9**	**3,833.6**	**189,142.8**
Year ended 31 December 2004						
Initial net carrying amount	78,001.0	8,935.0	61,851.3	36,521.9	3,833.6	189,142.8
Exchange rate differences	(486.5)	(97.7)	(89.4)	73.1	(321.8)	(922.3)
Additions	997.6	2,379.8	19,015.1	11,415.8	11,745.2	45,553.5
Disposals	(1,443.0)	(1,872.3)	(37,224.5)	(6,725.2)	(540.4)	(47,805.4)
Accum. depr. write offs	209.0	142.3	18,778.8	6,409.6	-	25,539.7
Depreciation charge	(2,325.6)	(2,429.0)	(17,334.2)	(11,570.5)	-	(33,659.3)
Transfers	427.3	23.6	1,622.8	5,232.1	(7,305.8)	-
Final net carrying amount	**75,379.8**	**7,081.7**	**46,619.9**	**41,356.8**	**7,410.8**	**177,849.0**
At 31 December 2004						
Cost or valuation	94,473.3	27,333.6	103,526.2	108,893.9	7,410.8	341,637.8
Accumulated depreciation & impairment losses	(19,093.5)	(20,251.9)	(56,906.3)	(67,537.1)	-	(163,788.8)
Net carrying amount at 31 December 2004	**75,379.8**	**7,081.7**	**46,619.9**	**41,356.8**	**7,410.8**	**177,849.0**

	Land & buildings	Technical fixture & machinery	Other mixtures and furniture	Other fixed assets	Prepayments & assets in progress	Total
Year ended 31 December 2005						
Initial net carrying amount	75,379.8	7,081.7	46,619.9	41,356.8	7,410.8	177,849.0
Exchange rate differences	2,294.2	824.2	1.386.0	4.166.7	538.9	9,210.0
Additions	1,857.1	2,248.4	18,320.8	20,848.3	13,870.7	57,145.3
Disposals	(1,950.3)	(1,040.2)	(10,417.0)	(8,074.9)	(1,227.6)	(22,710.0)
Accum. depr. write offs	538.3	373.1	10,417.3	8,961.7	-	20,290.4
Depreciation charge	(2,140.4)	(2,892.9)	(13,563.3)	(14,833.3)	-	(33,429.9)
Exclusion from scope of consolidation	(510.6)	-	(1,169.6)	(2,110.4)	(1.4)	(3,792.0)
Deprec. exclusion scope of consolidation	181.3	-	1,169.3	1,193.0	-	2,543.6
Inclusion in scope of consolidation	1,783.7	24.8	2,305.5	3,554.0	40.6	7,708.6
Deprec. inclusion in scope of consolidation	(147.2)	(8.1)	(898.4)	(2,160.5)	-	(3,214.2)
Transfers	2,817.6	(0.9)	2,768.1	2,698.4	(8,283.2)	-
Other depreciation movements	-	-	-	-	-	-
Final net carrying amount	**80,103.5**	**6,610.1**	**56,938.6**	**55,599.8**	**12,348.8**	**211,600.8**
At 31 December 2005						
Cost or valuation	101,275.6	29,389.9	117,889.6	132,086.4	12,350.2	392,991.7
Accumulated depreciation & impairment losses	(21,172.1)	(22,779.8)	(60,951.0)	(76,486.6)	(1.4)	(181,390.9)
Net carrying amount at 31 December 2005	**80,103.5**	**6,610.1**	**56,938.6**	**55,599.8**	**12,348.8**	**211,600.8**

The buildings located in Pajaritos and Acacias streets in Madrid and in Hospitalet in Barcelona were last revalued on 31 December 2003, on the basis of valuations carried out by independent experts. The methodology from Spanish standard ECO 805/2003 was used in the valuation of the three buildings. In order to obtain the market value of the Hospitalet building, the benchmark cost method was used, the plot of land was considered for the building in Acacias street, according to its present residential planning use and for the building in Pajaritos street, the benchmark method was used. Capital gains of revaluation, net of the corresponding deferred taxes, were credited to retain earnings and other reserves.

Other fixtures and furniture category includes installations leased to third parties by the Group under operating leases with the following carrying amounts:

	2005	2004
Rented installations	53,667.9	46,493.6
Accumulated depreciation	(28,049.7)	(24,757.7)
	25,618.2	**21,735.9**

The income statement included rent through the leasing of installations amounting to 67,522 thousand Euros (2004: 65,748 thousand Euros).

During 2005, the Company invested in armed vehicles that comply with Euro III standard in terms of non-polluting particles. This investment, recognised as an increase in PPE value, amounts to 3,180 thousand Euros (2004: 7,331 thousand Euros) and has resulted in a reduction in the corporate income tax quota of 111 thousand Euros (2004: 256 thousand Euros). Likewise, at 2005 year end, the Company does not have environmental contingencies or legal claims or income and expenses for this item.

PPE subject to financial leases in which the Group figures as leasses is as follows:

	2005	2004
Cost of capitalised financial leases	21,915.4	13,938.8
Accumulated depreciation	(7,605.6)	(4,528.2)
Net carrying amounts	14,309.8	9,410.6


PROSEGUR

NOTE 8_ Goodwill

	Goodwill
At 1 January 2004	
Net carrying amount at 1 January 2004	**196,696.3**
Year ended 31 December 2004	
Initial carrying amount	196,696.3
Additions	1,660.9
Disposals	(200.0)
Impairment losses from discontinued operations	(20,295.9)
Net carrying amount at 31 December 2004	**177,861.3**

During 2004, goodwill arising from the investment in Chile was adjusted and a lesser payment was written down for the investment in Securité Europeene de L'Espace Industriel (SEEI). Both acquisitions were made prior to the IFRS transition date.

Year ended 31 December 2005	
Initial net carrying amount	177,861.3
Inclusion in scope	64,171.7
Exclusion from scope	(512,2)
Net carrying amount at 31 December 2005	**241,520.8**

During 2005, goodwill from the purchase of the CESS Groups amounting to 26,834 thousand Euros and the Nordés purchase amounting to 30,439 thousand Euros was included. There is a deferred payment in the purchase of the Nordés Group, which has been considered as an additional amount to goodwill and is valued at fair value amounting to 6,899 thousand Euros. Goodwill allocated to the Panama subsidiary has been written down for an amount of 512 thousand Euros. Note 34 detailed the calculation of goodwill through acquisitions.

Goodwill impairment loss tests

Goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash generating units (CGU) in accordance with the operating country and the business segment.

Below is a summary of goodwill allocation on a CGU level:

At 31 December 2004

	Spain	Rest of Europe	Latin America	Total
Corporate segment	19,895	28,794	112,991	**161,680**
Residential segment	4,816	-	11,365	**16,181**
Total	24,711	28,794	124,356	**177,861**

At 31 December 2005

	Spain	Rest of Europe	Latin America	Total
Corporate segment	84,067	28,794	112,479	**225,340**
Residential segment	4,816	-	11,365	**16,181**
Total	88,883	28,794	123,844	**241,521**

The recoverable amount of a CGU is based on value in use calculations. These calculations use cash flow forecasts based on financial budgets approved by management that cover a period of three years. Cash flows beyond the three year period are extrapolated using estimated growth rates indicated below. The growth rate does not exceed the average long-term growth rate for the security business in which the CGU operates.

Key assumptions used in the value in use calculations

The following assumptions have been used to calculate the value in use of the CGU within a business segment:

	Spain	Rest of Europe	Latin America
Growth rate1	3	3	3
Discount rate2	8	8	12,2

1 Average weighted growth rate used to extrapolate cash flows beyond the budget period.

2 Discount rate before taxes applied to cash flow forecasts.

Management determined the EBITA (earnings before interest, taxes and amortisation) budgeted for on the basis of past performance and market development expectations. Average weighted growth rates are consistent with the forecasts included in the industry reports. The discount rates used are before taxes and reflect specific risks related to the relevant segments. During 2004, and as a result of the business situation in the north of France, impairment loss was recorded in goodwill allocated to the aforementioned CGU amounting to 20,296 thousand Euros within the Profit/(loss) for the year from discontinued operations caption.

During 2005, no impairment loss has been undertaken, as the cash flow forecasts attributable to the CGU allow the net value of all goodwill recorded at 31 December 2005 to be recovered.

NOTE 9_ Intangible assets

Details and movements of main types of intangible assets with a breakdown of those generated internally and other intangible assets are as follow:

	IT software	Others	Total
At 1 January 2004			
Cost or valuation	9,779.6	7,433.8	17,213.4
Accumulated amortisation and impairment losses	(2,962.4)	(3,292.6)	(6,255.0)
Net carrying amount at 1January 2004	**6,817.2**	**4,141.2**	**10,958.4**
Year ended 31 December 2004			
Initial net carrying amount	6,817.2	4,141.2	10,958.4
Exchange rate differences	(42.3)	-	(42.3)
Additions	6,837.3	-	6,837.3
Disposals	(2,717.2)	-	(2,717.2)
Amortisation write-offs	1,436.5	-	1,436.5
Amortisation charge	(2,233.5)	(929.2)	(3,162.7)
Net carrying amount at 31 December 2004	**10,098.0**	**3,212.0**	**13,310.0**
Cost or valuation	13,857.4	7,433.8	21,291.2
Accumulated amortisation and impairment losses	(3,759.4)	(4,221.8)	(7,981.2)
Net carrying amount at 31 December 2004	**10,098.0**	**3,212.0**	**13,310.0**
Year ended 31 December 2005			
Initial net carrying amount	10,098.0	3,212.0	13,310.0
Exchange rate differences	424.6	2,265.3	2,689.9
Additions	7,479.3	27,925.2	35,404.5
Inclusion in scope	617.0	19,468.6	20,085.6
Amortisation inclusion	(383.3)	-	(383.3)
Exclusion from cost and amortisation scope	-	(511.0)	(511.0)
Amortisation charge	(2,577.0)	(2,393.5)	(4,970.5)
Net carrying amount at 31 December 2005	**15,658.6**	**49,966.6**	**65,625.2**
Cost or valuation	21,517.0	56,581.9	78,098.9
Accumulated amortisation and impairment losses	(5,858.4)	(6,615.3)	(12,473.7)
Net carrying amount at 31 December 2005	**15,658.6**	**49,966.6**	**65,625.2**

Within intangible assets, it is worth noting the addition of client portfolios during the 2005 year originating from the PPA valuation of the CESS, ESC and Nordés Group acquisitions in Spain (see note 34).

The acquisition of the corporate security businesses Preserve and Transpev in Brazil has been considered an intangible asset with indefinite useful life amounting to 30,195 thousand Euros, as it is linked to an increase in market share.

Therefore, it should annually pass the impairment loss tests defined in note 8.

The valuation criteria stated in notes 2.6 and 2.7 should be taken into consideration when valuing Brazil's intangible asset.

The remaining reported assets are amortised in percentages from 7.7% to 16.7% in accordance with their estimated life.

NOTE 10_ Investments in associates

	2005	2004
Initial balance	**-**	**-**
Investments	2,700.0	-
Share of the profit/(loss)	(50.7)	-
Final balance	**2,649.3**	**-**

The Group's share in its main associates, none of which are publicly listed, is as follows:

Name	Investment	% Share	Total assets	Operating income	Profit/(loss)
Romanian Holding Corp.	2,700.0	50.0%	5,383.0	17.6	(19.4)

Romanian Holding Corp. is a vehicle company incorporated by Prosegur Compañía de Seguridad with the GED Eastern Fund II FCR private equity fund to jointly deal with investments in security companies in Romania. Via this company, both companies have acquired the Dragon Star Guard, srl and Security Dragon Star companies.

Name	% Share	Total assets	Operating income	Profit/(loss)
Dragon Star Guard srl	37.9%	2,456.1	9,689.7	351.5
Security Dragon Star	37.9%	550.4	1,578.6	(459.6)

APPENDIX II. - Associated companies included in the scope of consolidation, adds information on associated companies.

NOTE 11_ Available-for-sale financial assets and others

	Thousands of Euros
At 1 January 2004	**2,012.2**
Additions	935.2
Disposals	(125.3)
Exchange rate differences	0.5
Balance at 31 December 2004	**2,822.6**
Additions	3,215.2
Disposals	(1,276.5)
Exchange rate differences	48.9
Balance at 31 December 2005	**4,810.2**

Available-for-sale financial assets include the following net investments:

Name	Investment	% Share
Euroforum Escorial, S.A.	950.1	8.1%
Euroforum Torrealta, S.A.	162.0	13.9%
Keytech Sistemas Integrales	216.0	37.0%
Others	45.5	
	1,373.6	

These investments are valued at the lesser of the cost and their notional accounting value, given that it is not possible to carry out reliable valuations. Keytech Sistemas Integrales is currently in liquidation.

This caption of the balance sheet includes the net amount of the holding of Prosegur Compañía de Seguridad S.A. (1,954.3 thousand Euros) in the share capital of two Agrupaciones de Interés Económico named Naviera Muxía, A.I.E. and Naviera Spica, A.I.E, as detailed in note 21, 673 thousand Euros corresponds to long-term deposits and other long-term assets amount to 809 thousand Euros.

NOTE 12_ Inventories

Details of inventories at 31 December 2005 and 2004 are as follow:

	2005	2004
Products in progress	8,539.3	5,495.8
Trade inventories, fuels and others	5,172.3	3,751.8
Operating material	1,937.1	1,498.3
Uniforms	1,769.8	1,411.5
Total	**17,418.5**	**12,157.4**

During the current financial year, the provision for depreciation of inventories resulted in an impact of 198 thousand Euros on the results (2004: 1,517 thousand Euros).

NOTE 13_ Trade and receivables

	2005	2004
Clients	354,530.8	264,418.3
Less: Provision for impairment loss of receivables	(21,329.5)	(18,101.5)
Clients – Net	333,201.3	246,316.8
Other receivables	53,472.9	38,130.5
Anticipated payments	5,922.6	6,128.3
Total	**392,596.8**	**290,575.6**

There is no concentration of credit risk in relation to receivables, as the Group has a large number of clients spread out around the world.

During the year ended 31 December 2005, some Group companies in Spain transferred receivables totalling 8.5 million Euros to a financial entity in exchange for cash, which was set up via a non-recourse factoring operation. The Group has recognised loss of 3,430.5 thousand Euros (2004: 1,634.5 thousand Euros) through impairment loss of its trade receivables during the financial year ended 31 December 2005. The loss has been included in general expenses in the income statement.

Accounts receivables from Public Administrations for various tax ítems totalling 32,564.3 thousand Euros (2004: 26,827.3 thousand Euros) are recorder in other receivables, 7,880 thousand Euros (2004: 8,853.7 thousand Euros) correspond to interim payments and debit balances relating to corporate income tax. Likewise, other receivables includes: judicial deposits amounting to 7,628.9 thousand Euros (2004: 1,550 thousand Euros) and advances to staff for 3,248.2 thousand Euros (2004: 1,874.2 thousand Euros). The fair value of the items above does not differ significantly from their nominal value.

NOTE 14_ Other financial assets

This caption comprises a deposit amounting to 47 million Brazilian Reales, whose countervalue totals 17,021 thousand Euros, which guarantees a loan granted to a subsidiary in Brazil (see notes 20 & 24). It has been classified as current given the existing link and the fact that the operation can be cancelled at any moment by the Group's parent company. This deposit was made in 2004 and it has not been modified in 2005.

NOTE 15_ Cash & cash equivalents

	2005	2004
Cash & bank balances	23,764.7	15,806.3
Short-term deposits from credit institutions	8,307.6	25,565.3
	32,072.3	**41,371.6**

The effective interest rate of short-term deposits from credit institutions was 2.04% (2004: 2.16%) and the average expiry date of these deposits is two days.

NOTE 16_ Capital

Share capital

At 31 December 2005 Prosegur Compañía de Seguridad S.A's share capital amounted to 37,027,478.4 Euros and is represented by 61,712,464 shares with a nominal value of 0.6 Euros that are fully subscribed and paid, and which are listed on Spanish stock markets.

Ownership is as follows:

Number of shares	31-XII-05	31-XII-04
Gut Revoredo family	30,924,033	30,924,033
Alvarez Giesso family	3,463,932	3,464,869
Corporación Financiera Alba (represented by Mr. Isidro Fernández Barreiro)	3,229,673	3,229,673
Ibercaja (represented by Mr. José Luis Martínez Candial)	65,500	65,500
Mr. Angel Vizcaíno Ocariz	13,067	12,897
Mr. Pedro Guerrero Guerrero	32,100	-
Others	23,984,159	24,015,492
TOTAL	**61,712,464**	**61,712,464**

The directors' shares correspond to the total shares in their control, either directly or via companies controlled by them. At 31 December 2005, Prosegur Compañía de Seguridad, S.A.'s Board of Directors hold 37,728,305 shares (37,696,972 shares in 2004), which correspond to 61.14 percent of the share capital in 2005 (61.08 percent in 2004).

Share premium

Share premium exists and totals 25,472 thousand Euros, available for use, and which has not undergone change during the 2004 and 2005 financial years.

Treasury shares

The General Meeting on the 9 May 2000 authorised the Board of Directors to acquire up to 5% of the Company's capital in treasury shares and to allocate up to 0.75% to the 2000 Directors' Motivation and Loyalty Plan. Likewise, the General Meeting on 29 July 2001, authorised the Board of Directors to acquire treasury shares and to allocate up to 0.065% of the Company's capital to the 2001 Directors' Compensation Plan. The General Meeting on 18 April 2002, approved the 2002 Directors' Compensation Plan, which set out a maximum of 0.095% of the share capital. The General Meeting on 29 April 2003, approved the 2003 Directors' Compensation Plan, which sets out a maximum of 1.37% of the Share capital. The General Meeting on 26 April 2004, approved the 2004 Directors' Compensation Plan, which set out a maximum of 0.067% of the Share capital.

At 1 January 2004 there were 385,908 securities corresponding to treasury shares accounted for at a gross amount of 4,130.6 thousand Euros. During the financial year, 150,000 shares were sold for a gross amount of 1,605.6 thousand Euros; likewise, a total of 143,049 shares were delivered to specific directors, with a gross value of 1,531.1 thousand Euros. At 31 December 2004 there were 92,859 securities corresponding to treasury shares accounted for at a gross amount of 993.9 thousand Euros.

At 31 December 2005 there were 72,425 securities corresponding to treasury shares accounted for at a gross amount of 775.2 thousand Euros. During the current financial year, a total of 20,434 securities have been delivered to specific directors with a gross value of 218.7 thousand Euros.

Details of the number of shares included in the different directors' compensation plans at 31 December 2005 are as follow:

	2005	2004
2002 plan	2,003	33,733
2003 plan	28,884	23,097
2004 plan	17,317	10,107
Total	**48,204**	**66,937**

The commitment acquired by the Company in relation to the different compensation plans for directors are provisioned for in the "Staff accruals" caption detailed in Note 23 and amount to 930.5 thousand Euros (1,155.7 thousand Euros at 31 December 2004).

NOTE 17_ Revaluation reserve and other reserves

	Hedge operation reserve
At 1 January 2004	**-**
Changes in reserves	13.5
Balance at 31 December 2004	**13.5**
Changes in reserves	(356.6)
Balance at 31 December 2005	**(343.1)**

The changes in reserves due to hedge operations is a result of the valuation of the Cross Currency Swap derivative instrument described in Note 24.

NOTA 18_ Cumulative translation adjustment

	Translation
1 January 2004	**-**
Translation differences	1,372.2
31 December 2004	**1,372.2**
Translation differences	(10,458.7)
31 December 2005	**(9,086.5)**

The break down of the Cumulative translation adjustment by segments at 2005 and 2004 year end is as follows:

	2005	2004
Spain	-	-
Rest of Europe	-	-
Latin America	(8,751.8)	1,313.4
No allocated	(334.7)	58.8
Total	**(9,086.5)**	**1,372.2**

NOTE 19_ Retained earnings and other reserves

At 31 December 2005, unavailable reserves and retained earnings amounted to 7,720.7 thousand Euros (2004: 7,714.5 thousand Euros). The movement of unavailable reserves has occurred as a result of the change in the treasury shares reserve.

The legal reserve, which amounts to 7,405.5 thousand Euros has been established in accordance with Article 214 of the Spanish Companies Act (Ley de Sociedades Anónimas), which states that, in any case, a figure equal to 10% of the profit for the year will be allocated until it reaches at least 20% of the share capital. This is established at 100%. The legal reserve cannot be distributed and if it is used to compensate losses, if there were no other reserves available that were sufficient for such a purpose, it should be replaced with future profits.

Likewise, the treasury share reserve amounting to 150.1 thousand Euros (2004: 143.9 thousand Euros), the revaluation reserve amounting to 104.4 thousand Euros and the re-denomination of capital to Euros reserve amounting to 60.7 thousand Euros are restricted in terms of their availability.

Contributions by segments to the consolidated results, indicating the part that corresponds to minority interests, is as follows:

	2005		2004	
	Result attributed to Company shareholders	Result attributed to minority interests	Result attributed to Company shareholders	Result attributed to minority interests
Spain	47,683.5	-	46,114.9	131.4
Rest of Europe	(1,418.7)	(3.1)	10,674.3	(12.3)
Latin America	13,725.2	(19.2)	13,676.2	0.8
No allocated	1,215.0	-	2,460.3	8.7
Discontinued operations	4,097.0	-	(38,411.7)	-
	65,302.0	**(22.3)**	**34,514.0**	**128.6**

The budget relating to the distribution of results for 2005 and other parent company reserves determined in accordance with commercial legislation and the preparation criteria for the individual annual accounts under the general accounting plan to be presented at the General Meeting of Shareholders, as well as the approved distribution of results for 2004, is as follows:

	2005	2004
Basis of distribution		
Profit/(loss) for the year	52,639.6	(17,588.8)
Distribution		
Voluntary reserves	2,050.8	-
Losses from previous years	17,588.8	(17,588.8)
Dividends	33,000.0	-
	52,639.6	**(17,588.8)**

NOTE 20_ Financial liabilities

The break-down of this caption on the balance sheet is as follows:

	2005	2004
Non-current		
Credit accounts	-	-
Loans from credit institutions	21,909.4	3,695.1
Syndicated loan	47,000.0	96,000.0
Leasing debts	3,385.5	5,112.0
Other debts	26,848.7	966.3
	99,143.6	**105,773.4**
Current		
Credit accounts	69,298.2	17,396.2
Loans from credit institutions	77,785.5	17,542.5
Syndicated loan	47,638.0	9,430.0
Leasing debts	4,013.8	3,552.4
Other debts	16,278.7	2.8
	215,014.2	**47,923.9**
Total liabilities	**314,157.8**	**153,697.3**

Interest rates	2005	2004
Credit accounts	5.07%	5.60%
Loans	9.88%	16.30%
Syndicated	3.72%	3.69%
Leasing debts	18.46%	10.09%

Financial liability carring amounts are close to their fair value. The exposure of the Group`s financial liabilities (excluding the other debts caption) on the contractual dates on which the prices are revised is as follows:

	6 months or less	6 to 12 month	1 to 5 years	Total
At 31 December 2004				
Total financial liabilities (excluding other debts)	12,570	35,351	104,807	152,728
At 31 December 2005				
Total financial liabilities (excluding other debts)	111,748	76,489	82,793	271,030

The carrying amount of the Group's financial liabilities (excluding other debts) is denominated in the following currencies:

	2005	2004
Euro	209,455	83,661
US Dollar	16,953	43,315
Other currencies	44,622	25,752
	271,030	**152,728**

Details of expiry dates of loans from credit institutions are as follow:

	12 months or less	1 to 5 years	Total
At 31 December 2004			
Total financial liabilities	17,542	3,695	21,237
At 31 December 2005			
Total financial liabilities	77,785	21,909	99,694

The Group has credits that are granted and not drawn at 31 December 2005 amounting to 70,585 thousand Euros (93,255 thousand Euros in December 2004).

Given the closeness of its expiry date in October 2007, negotiations have begun with financial entities who have relationships with the Group to contract a new syndicated loan that will replace the current one and will provide a longer debt expiry date time period. Prosegur's solid financial situation and the competitiveness of corporate debt markets means that it is likely that similar conditions to those of the current syndicated loan will be achieved.

Financing in Brazil

There is a loan amounting to 47,000 thousand Reales (2004: 47,000 thousand Reales) with a countervalue of 17,021.1 thousand Euros (2004: 12,950.2 thousand Euros) granted to a subsidiary in Brazil, which has been classified as short-term, despite the fact that its expiry is long-term. This is because it is linked to a deposit that guarantees it and which has been classified as short-term (credit notes that guarantee a loan granted by Barclays Bank to a subsidiary in Brazil) and the operation described above can be cancelled at any moment by the Group's parent company.

Syndicated loan

As a result of the acquisitions made during 2001, including the purchase of shares in Juncadella Prosegur Internacional (JPI) during July 2001, Prosegur contracted a bank loan amounting to 100,000 thousand USD and 109,000 thousand Euros, as a bridging loan that should be repaid on the date on which a long-term syndicated loan were available, at that moment under negotiation, and within a maximum period of 4 months. In October 2001, a syndicated loan was set up (34 credit entities) amounting to a maximum of 240,000 thousand Euros available in Dollars and Euros, allocated to the repayment of the bridging loan and to meet other payments related to the acquisition of JPI, as well as deferred payments from other acquisitions and to refinance the Group's bank debt.

The Group has made prepayments during 2005 amounting to 15,000 thousand Euros, (10.000 thousand Euros in 2004). Therefore, the amount pending at year end corresponding to the syndicated loan amounts to 78,000 thousand Euros (at 31 December 2004 it amounted to 62,000 thousand Euros) and 20,000 thousand Dollars, with a countervalue of 16,638 thousand Euros, (at 31 December 2004 it amounted to 59,000 thousand Dollars, with a countervalue of 43,430 thousand euros). Within the amount pending repayment, the 2006 expiry date is registered in the short-term and totals 47,638 thousand Euros. On 25 February 2005 and 27 June 2005, 19 and 20 millon USD were redenominated to euros respectively. The loan finally expires in 2007. In November 2004, a novation was carried out which meant that the interest rate moved to 45 basis points in relation to Libor or Euribor, depending on the currency drawn down.

The loan has guarantees granted by the Group's companies (Prosegur Companhia de Segurança Ltda., Prosegur Transporte de Valores, S.A. and Servimax Servicios Generales, S.A.) and a lien of shares in Armor (holding) and JPI and the other companies in its group that were acquired.

In accordance with the loan agreement, the maximum amount drawn down on each of the repayment dates is as follows:

Repayment date	Maximum amount drawn down
25 april 2006	72,000
25 october 2006	48,000
25 april 2007	24,000
25 october 2007	-

In accordance with these conditions, the expiry dates corresponding to 2006 have been dealt with as short-term. In addition, the loan agreement sets out certain requirements to be met by Prosegur, which substantially restrict the availability of assets or undertaking commitments without knowledge of the borrowers, as well as the possibility of mergers or the sale of subsidiaries or relevant assets and obliges the extension of guarantees by the Group's companies up to a joint limit of 90% of the Group's Ebitda, including all companies that individually exceed 5%. Finally, the Gut family's share in Prosegur's capital must be maintained, either directly or indirectly, at a minimum of 25%, as well as compliance with the financial measures during the complete life of the loan at each consolidated account year end in the following ratios:

	Debt/equity	Debt/Ebitda	Ebitda/Gross. Finan. expenses
Year ended:			
31.12.2001	1.9	3.0	4.0
31.12.2002	1.8	2.8	4.0
31.12.2003	1.4	2.3	4.5
31.12.2004	1.0	1.8	5.3
31.12.2005 & subsequent	0.8	1.5	6.0

The financial measures included in the entity's consolidated annual accounts at 31 December 2005 would have fully met each of the covenants on the aforementioned date.

Leasing debts

Details of the minimum payments for finance lease contracts are as follow:

	2005
Less than 1 year	5,022.1
Between 1 - 5 years	5,206.2
More than 5 years	0.0
Future financial charges for financial leases	-2,829.0
Present value of liabilities through finance lease	7,399.3

The key assets subject to finance lease agreements are the armed vehicles and counting machinery.

Other debts

The other debts caption mainly includes debts pending payment associated with the business combinations (see Note 34) that have taken place in the current and previous financial years. Details are as follow:

	2005	2004
Non-current		
Prosegur Málaga S.L.	-	962.1
Prosegur Seguridad S.A.	498.8	-
CESS Group & ESC	9,520.9	-
Nordés Group	6,899.4	-
Preserve y Transpev	8,087.4	-
Others	1,842.3	4.2
	26,848.8	966.3
Current		
Prosegur Seguridad S.A.	194.6	-
CESS Group & ESC	10,722.0	-
Preserve y Transpev	2,220.9	-
AIES	3,093.0	-
Others	48.2	2.8
	16,278.7	2.8

In 2005, the balance pending payment for the purchase of Prosegur Málaga, S.L was adjusted. Details of the expiry dates are as follow:

	2005	2004
Less than 1 year	16,278.7	2.8
Between 1 - 5 years	26,848.8	966.3
More than 5 years	-	-

NOTE 21_ Tax situation

Prosegur Compañía de Seguridad, S. A. is the leading company of a group that pays Corporate Income Tax under the consolidated taxation system in Spain. The Consolidated Tax Group includes Prosegur Compañía de Seguridad, S.A. as parent company, and as subsidiaries, those Spanish companies that meet the requirements for this purpose demanded by regulating legislation on the consolidated profit of company groups. This means that the companies that comprise the consolidated tax Group at 31 December 2005 are Prosegur Compañía de Seguridad, S.A., Prosegur Transporte de Valores, S.A., Servimax Servicios Generales, S.A., Formación Selección y Consultoría, S.A., Prosegur Multiservicios, S.A. and Prosegur Seguridad, S.A.. The Spanish companies that are excluded from the scope of tax consolidation and, which will be included in this scope in 2006, are ESC Servicios Generales, S.L., Nordés Vigilancia, S.A., Nordés Prosegur Tecnología, S.L. and Romanian Holding, S.L. The remaining Group subsidiaries present their tax declarations in accordance with the tax regulations applicable in each country. In particular, specific Group companies in France, all of them subsidiaries either directly or indirectly, together form a Tax Consolidation Group (Intégration Fiscale). The companies comprising this group, the former Cinieri Group, are: S.A. Prosegur France, parent company, S.A.R.L. Prosegur Traitement de Valeurs, S.A.R.L., Prosegur Securite Humaine, S.A.R.L., Prosegur Telesurveillance, and S.A.R.L. Prosegur Systemes.

The calculation of the taxation on profit expense, using profit before tax, is the following:

	2005	2004
Profit before tax	96,898.5	100,608.7
Tax rate	35%	35%
Profit/(loss) adjusted for tax rate	33,914.4	35,213.0
Permanent differences	(903.2)	(2,170.6)
Application of different tax rates effect	(2,738.5)	(2,323.7)
Recognition of deferred taxes prev. years	(738.6)	(413.3)
Adjustment of deferred assets prev. years.	4,863.0	-
Change of tax rate over deferred taxes	-	(831.0)
Prev. years tax adjustment	(1,034.8)	(1,646.7)
Losses without deferred tax	3,775.4	1,920.3
Tax deductions	(1,952.3)	(2,834.4)
Others	530.9	640.8
Tax expense	**35,716.3**	**27,554.4**

The average weighted rate is 36.9% (2004: 27.4%). The change is due to a change in the profitability of subsidiaries in the respective countries, the adjustment of negative tax bases that were capitalized in France and Italy totalling 4,863 thousand Euros, fewer tax credits, particularly in Spain, the change in permanent differences and greater losses without the capitalisation of taxes.

With the aim of presenting the results of discontinued activities net of corporate income tax, tax expenses have been increased by 387.3 thousand Euros (9,222 thousand Euros in 2004) and transferred to profit/(loss) for the year through discontinued activities (Note 37).

Gross movements in the deferred tax assets and liabilities account and their break-down at 2004 and 2005 year end are as follow:

Deferred tax assets and deferred tax liabilities

	01-Jan-04	Charge or credit to profit/(loss)	Charge or credit to equity	Exchange rate diff.	31-dec-04	Business combina-tions	Charge or credit to profit/(losss)	Charge or credit to equity	Exchange rate diff	31-dec-05
Depr./Amort.of PPE and intangible assets	**399.4**	712.0	-	-	**1,111.4**	-	(45.8)	-	157.0	**1,222.6**
Accrual cost from alarms	**8,488.5**	(127.3)	- -	(70.1)	**8,291.1**	- -	87.7	-	98.9	**8,477.7**
For different provisions	**3,104,4**	1,497.8	-	(144.9)	**4,457.3**		(2,137.1)	-	321.9	**2,642.1**
Risk from acquisitions or disposals of companies	**1,780.6**	(1,780.6)	-	-	**-**	- -	-	-	-	**-**
For risks from France	**-**	11,846.1	-	-	**11,846.1**	-	409.2	-	-	**12,255.3**
Negative tax bases	**8,679.0**	3,261.2	-	24.2	**11,964.4**	-	(462.3)	-	843.8	**12,345.9**
Others	**9,507.3**	(3,477.0)	7.3	(69.9)	**5,967.7**	-	1,536.9	-	1,064.1	**8,568.7**
	31,959.2	11,932.2	7.3	(260.7)	**43,638.0**		(611.4)	-	2,485.7	**45,512.3**

	01-jan-04	Charge or credit to profit/(loss)	Charge or credit to equity	Exchange rate diff.	31-dec-04	Business combina-tions	Charge or credit to profit/(losss)	Charge or credit to equity	Exchange rate diff	31-dec-05
Depr./Amort.of PPE and intangible assets	**857.0**	77.5	-	(41.7)	**892.8**	-	830.7	-	174.8	**1,898.3**
Tax goodwill	**-**	5,955.0	-	-	**5,955.0**	-	6,452.0	-	-	**12,407,0**
For investments	**1,710.9**	(341.1)	-	(153.4)	**1,216.4**	-	427.2	-	164.6	**1,808,2**
Accrual income from alarms	**638.3**	(19.7)	-	(57.2)	**561.4**	-	54.0	-	76.0	**691.4**
Deferred gains tax on disposal of non-current assets	**3,459.0**	(1,699.0)	-	-	**1,760.0**	- -	(256.7)	-	40.0	**1,543.3**
Loan exch. rate differences	**7,314.5**	1,189.5	-	-	**8,504.0**	-	(6,539.0)	-	-	**1,965.0**
Profit/(loss) A.I.E.	**-**	-	-	-	**-**	127.0	187.0	-	-	**314.0**
Revaluation of assets	**13,763.0**	(154.0)	-	-	**13,609.0**	-	(154.0)	-	-	**13,455.0**
Others	**1,218.8**	3,441.4	-	(19.0)	**4,641.2**	-	(2,799,3)	192.0	(85.3)	**1,948.6**
	28,961.5	8,449.6	-	(271.3)	**37,139.8**	127.0	(1,798.1)	192.0	370.1	**36,030.8**

Deferred tax liabilities, as withholdings and other payables taxes on profits not transferred by foreign subsidiaries, have not been recognised as these amounts are permanently reinvested and the distribution of dividend policies in these subsidiaries can be controlled.

Deferred tax assets as negative tax bases pending set-off are recognised to the extent to which the realisation of the corresponding tax benefit via future tax benefits is likely. Details of negative tax bases and the year up until which they can be set-off is as follows:

Year	Total	Not capitalised	Capitalised
2006	3,494	3,296	198
2007	6,737	6,737	-
2008	6,069	6,069	-
Subsequent year or with no time limit	51,744	18,379	33,365
Total	**68,044**	**34,481**	**33,563**

Capitalised tax bases correspond to those tax bases to which a deferred tax asset has been allocated and which have originated essentially in Brazil. The Financial Budget approved by management foresee the attainment of future tax benefits in Brazil (see Note 34).

During 2005, two mergers have been undertaken in Spain and a branch of activity contribution, which was included in the tax system foreseen in Chapter VIII of Title VII of the implemented text of the Corporate Income Tax Act. The mergers and contribution are the following:

In February, the Company acquired 100% of the shares in CESS Compañía Europea de Servicios de Seguridad, S.A. Likewise, in April 2005, the Company acquired 100% of Atecyr, S.L. (Nordés Group).

In June 2005, Prosegur Compañía de Seguridad, S.A.'s and CESS Compañía Europea de Servicios de Seguridad, S.A.'s General Meetings approved the merger of the latter by the first of the companies.

Similarly, in June 2005, Prosegur Compañía de Seguridad, S.A's and Atecyr, S.L., Nordés Instalaciones, S.A.'s, Nordés Sistemas, S.A.'s, Nordés Mantenimiento, S.A.'s and Nordés C.R.A., S.A.'s General Meetings approved the merger of the latter companies by the first company.

On 27 december 2005, the deed relating to the increase of capital for Nordés Prosegur Tecnología, S.L. via a non-monetary contribution by Prosegur Compañía de Seguridad, S.A. was notarised. This contribution consisted of all assets and rights, via which the following branch of business is developed: the installation and maintenance of electrical facilities, security systems and fire protection systems, fire detection and extinguishing systems and connection services to a central alarm centre for large clients (with all the personal, material, financial and constructive experience resources linked to this business).

The additional assets and liabilities resulting from the mergers and contribution were recorded at the carrying amount recorded by the merged company, without generating any accounting or tax gains in accordance with the tax system described above.

The Group has recorded the corresponding deferred tax liability derived from the amortisation of goodwill generated by the business combinations undertaken.

Likewise, Nordés Instalaciones, S.A., a company of the Nordés Group and merged into Prosegur Compañía de Seguridad, S.A., has a 50% share in the share capital of two Agrupaciones de Interés Económico (A.I.E.) called Naviera Muxía, A.I.E. and Naviera

Spica, A.I.E. Both groupings were incorporated in July 2004 by the Banco Santander Central Hispano, S.A. and in September of the same year, Nordés Instalaciones, S.A., acquired 50% of them. The purpose of these groupings is the purchase of ships for their subsequent use via leasing, with or without a purchasing option. On 17 November 2004, both groupings signed a credit agreement with Santander Investment Services, S.A. to finance 100% of the payments they need to make to purchase the ships. On the same date, each of the groupings entered into sale and purchase agreements, with the aim of each grouping acquiring a ship under a finance lease. Once again on the same date, lease agreements were signed with the end companies owning the ships.

Prosegur Compañía de Seguridad, S.A. has still not made any contribution, given that this will only be done after the ship has been delivered. Prosegur estimates that the delivery will be made in April 2006.

In 2005 and due to these groupings' tax system, Prosegur Compañía de Seguridad, S.A. undertook a decrease in its tax base of 2,467,421 Euros, deferring recognition of the profit until the time when the I.A.E. change to the tonnage-based tax system.

At 31 December, tax assessments for significant amounts had not been initiated.

The oldest financial year open to inspection by the tax authorities in Spain is 2001. The other countries are subject to the corresponding local legislation and in most cases, 2001 is the oldest financial year open to inspection also.

NOTE 22_ Long-term provisions

The amount in this caption at 31 December 2005 amounts to 60,831.2 thousand Euros (2004: 60,130.0 thousand Euros). This balance comprises accruals from alarm income as detailed in Note 5, totalling 21,779.6 thousand Euros (2004: 20,934.4 thousand Euros) and provisions for risks and expenses whose movement during 2005 is detailed below:

Balance 31/12/04	**31,958.6**
Allocations	14,017.4
Reversal	(4,313.1)
Merger	1,772.0
Used	(5,902.4)
Exchange rate differences	1,519.1
Balance 31/12/05	**39,051.6**

Legal claims

The Group's main business employs a large number of people, which carries with it the creation of employment contingencies. Management policies, whether operational, employment or security related and others, minimise these contingencies and all those eventualities considered probable are provided for. Likewise, the provisions include contingencies for civil and administrative issues.

In terms of legal claims, the main point of reference is the following: On 8 January 1996, Ordinary Declaratory proceedings involving a valuable claim were initiated by the official receivers of Esabe Express, S.A., for the amount of 13,023.9 thousand Euros. The aforementioned claim features the Danish commercial company Alarmselskabet Dansikring A/S as co-defendant, a company belonging to the Swedish security Group Securitas.

In the Group management's judgement and if not otherwise stated by the Court of Justice in the lengthy procedure that draws near and in which Prosegur has ample arguments in its favour, it is unlikely that a liability of relevance arises from the claim entered into that will significantly affect Prosegur's equity status, especially taking into consideration the fact that Prosegur did not play any part in the purchase and sale operation of 16 subsidiaries of Esabe Express, S.A. and therefore restricts itself to accepting the payment agreed between Securitas and Esabe Express, S.A., which Esabe Express, S.A. had taken on together with another group company called Alarmselkabet Dansikring A/S for the purpose of making the aforementioned purchase and sale operation in which the Swedish group was interested viable and for which Alarmselskabet Dansikring A/S and its parent company Securitas A.B. had previously taken on Esabe's duty to pay Prosegur the amount mentioned above.

On 30 June 1998, Court of First Instance no. 61 in Madrid, expert in the aforementioned proceedings, delivered a verdict that dismissed the claim and rejected the official receivers' claims for procedural reasons, as an issue of litispendency came to note with regards the retrospective date of the bankruptcy effects, acquitting Prosegur therefore from the payment claimed. The official receivers brought about an appeal against this decision before the principal court in Madrid. Via the judgement issued on the 29 march 2000, the appeal was rejected and the official receivers therefore brought about a final stage appeal, for which Prosegur has appeared in court and which is pending ruling.

Following the announcement of this decision by Court no. 61, on 14 December 1998, Prosegur was notified of another decision announced on 2 December by the Court of First Instance no. 34 in Madrid to determine the retrospective date of Esabe Express, S.A.'s bankruptcy, which was set on 1 May 1991. This date has been clearly set via a court order from the Supreme Court on 17 May 2005.

In Prosegur's judgement, once the bankruptcy's retrospective date has been firmly set, a new claim will be filed to settle all the details that have not yet been resolved.

NOTE 23_ Trade and other payables

Details of trade and other payables caption are as follow:

	2005	2004
Suppliers	17,828.1	15,716.3
Other payables	60,547.1	32,534.8
Staff accruals	96,939.9	79,119.5
Social Security and other taxes	79,304.2	71,413.0
	254,619.3	**198,783.6**

The compensation policy for indirect staff of the Prosegur Group includes a variable element that is realised in Incentive Programmes designed for this purpose, whose objective is to recognise and award those people who contribute to the Company's success, via the meeting or exceeding of defined objectives and the development of the competencies needed to carry out the entrusted functions and responsibilities excellently.

The incentive programme is based on the direct link between a variable compensation element and the attainment of objectives established previously for a specific period of time by the Company's management or the person's direct manager. This provides the opportunity to receive a variable compensation element, which depends on the achievement of the objectives set out for each professional in their particular job and an assessment of the performance achieved. The key objectives that aim to be achieved with these Incentive Programmes are:

- To align the interests and objectives of staff with the Company's and department's strategy and to compensate staff for their performance so that they are directly linked with the results achieved.
- To motivate the programme's participants to achieve continual improvement in their professional development and the productivity and quality of the service they provide.
- To provide a structure and a process for setting objectives, assessing performance and making decisions in terms of the training, development, compensation and promotion of the different people belonging to our organisation.
- To offer the opportunity of a variable compensation element based on the achievement of objectives, which create value and on the assessment of performance.

The amount recognised in the operating account for this item, classified within the Employee benefits expenses caption, amounts to 14,558 thousand Euros (2004: 12.796 thousand Euros). In the Staff accruals caption, we include liabilities corresponding to the compensation plans for directors as detailed in Note 16 and the liabilities corresponding to pension plans amounting to 4,589.5 thousand Euros (2004: 4,187.8 thousand Euros) calculated according to the description in Note 2.16.

NOTE 24_ Derivative financial instruments

Prosegur took on a cap/floor interest rate structure as follows:

Nominal 50,000,000 USD	Maturity: 25/04/05
- Fixed rate collections at start of period at 3-month Euribor	
- Fixed rate payments on maturity at 12-month USD Libor	
Floor Rate	2.00%
Capped Rate	3.90%
Knock Out	6.00%

This operation covers Prosegur from possible interest rate increases for a principle amount of USD 50 MM. Prosegur will pay a minimum of 2.0% provided that 6-month USD Libor (when the settlement period matures) is below or equal to the aforementioned percentage. If 6-month USD Libor is between 2.0% and 3.90%, then Prosegur will pay the market interest rate fixed by 6-month USD Libor. If it is above 3.90% and doesn't reach 6%. Prosegur will pay a maximum of 3.90%. If the rate reaches 6% or exceeds this level, the hedge provided against USD interest rate fluctuation completely disappears, it is therefore considered as a non-perfect hedge and changes in fair value are included directly in the income statement.

On the other hand. Prosegur will always receive 3-month USD Libor fixed at the beginning of each settlement period. Prosegur has taken on a cap/floor interest rate structure as detailed below:

Nominal 55,000,000 Euros	Maturity: 25/04/06
- Fixed rate collections at start of period at 3-month Euribor	
- Fixed rate payments on maturityat 12-month USD Libor	
Floor Rate	3.3250%
Capped Rate	4.40%
Knock Out	6.00%

This operation covers Prosegur from possible interest rate increases for a principal amount of 55 MM Euros. Prosegur will pay a minimum of 3.325% provided that 1-year USD Libor (when the settlement period matures) is below or equal to the aforementioned percentage. If 1-year USD Libor is between 3.325% and 4.40%, then Prosegur will pay the market interest rate fixed by 1-year Libor. If it is above 4.40% and doesn't reach 6%. Prosegur will pay a maximum of 4.40%. If the rate reaches 6% or exceeds this level, the hegde provided against USD interest rate fluctuation completely disappears, it is therefore considered as a non-perfect hedge and changes in fair value are included directly in the income statement.

On the other hand. Prosegur will always receive 3-month Euribor fixed at the beginning of each settlement period. Prosegur has a Cross Currency SWAP that covers the exchange rate risk in relation to 47,000,000 BRL for the purchase of a financial asset bought for a Brazilian entity.

Cross Currency SWAP		Maturity: 11/05/2009
Principal amounts	12,950,000 €	47,000,000.00 BRL
	- Half-yearly collections 6-month Euribor	- Half-yearly payments 85% CDI

This hedge perfectly accompanies the underlying asset and therefore the changes in relation to cash flows go directly to Shareholders' equity.

The market value of financial instruments at December 2005 and 2004 is as follows:

Amount	€ 55,000,000	BRL 47,000,000	USD 50,000,000	Total
Characteristics	Variable to fixed i.r. hedge	I.r. and exchange rate hedge	Variable to fixed i.r. hedge	
Fair value at 31/12/05	1,771.6	3,543.2	-	5,314.8
Fair value at 31/12/04	2,770.5	20.8	140.6	2,931.9

NOTE 25_ Other liabilities

	2005	2004
Anticipated earnings	7,956.2	10,080.8
Provision discontinued activities	9,120.0	13,000.0
Other	2,043.6	11,191.1
	19,119.8	34,271.9

Inside the section Other Liabilities – Other, it is worth highlighting due to shortages for an amount of 1,836 thousand euros (2004: 6,307 thousand euros) and during year 2004 liabilities related to staff restructuring for the amount of 4,483,000 euros.

The detail of the section Provision for discontinued activities is described in note 37.

NOTE 26_ Revenue

The detail of revenue on December 31, 2005 and 2004 is the following

	2005	2004
Sale of goods	26,676.3	511.8
Rendering of services	1,293,572.0	1,046,016.1
Income from operating leases	67,522.0	65,748.0
Total revenue	**1,387,770.3**	**1,112,275.9**

NOTE 27_ Employee benefits expenses

The detail regarding employee benefits expenses on December 31, 2005 and 2004 is as follows:

	2005	2004
Salaries and wages	727,026.1	571,688.4
Terminations benefits	11,420.9	6,584.0
Social Security Contributions	206,535.6	162,069.2
Other benefits	28,657.7	18,109.6
	973,640.3	**758,451.2**

The section Salaries and Wages includes earnings for directors for the amount of 218.7 thousand euros (2004: 1,531.1 thousand euros) as set forth in note 16. It also includes the annual expense for commitments with French and Italian personnel for the amount of 401.6 thousand euros calculated according to note 2.16.

NOTE 28_ Net financial expenses

The composition of the net financial expenses is the following

	2005	2004
Interest Expenses:		
- Loans with credit institutions	(14,878.5)	(9,127.4)
- Loans with other entities	(4.0)	(77.5)
	(14,882.5)	**(9,204.9)**
Interest income:		
- Cash equivalents	269.1	338.0
- Receivables and other investments	1,250.8	735.5
	1,519.9	**1,073.5**
Net (Losses) / gains from foreign currency transactions	**(5,274.1)**	**4,591.3**
Financial expenditures due to leasing operations	(1,146.9)	(956.2)
Other net financial income/expenses	1,678.5	(1,515.9)
Interest rate swap	1,139.6	1,094.0
	(3,602.9)	**3,213.2**
	(16,965.5)	**(4,918.2)**

NOTE 29_ Earnings per share

Basic. Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as Treasury shares (Note 16).

	2005	2004
Profit on continued operations attributable to shareholders	61,204,544.4	72,925,726.1
Nº of ordinary shares in issue	61,712,464.0	61,712,464.0
Average number of Treasury shares	82,642.0	239,383.5
Basic earning per share (€ per share)	**0.99**	**1.18**
Profit on discontinued operations attributable to shareholders	4,097,426.8	(38,411,700.0)
Nº of ordinary shares in issue	61,712,464.0	61,712,464.0
Average number of Treasury shares	82,642.0	239,383.5
Basic earning per share (€ per share)	**0.07**	**(0.62)**

Diluted. Diluted earnings per share is calculated adjusting the average number of shares outstanding, net of Treasury shares, considering the commitments made in management plans described in Note 16. Likewise, during 2005 year, the group has not issued securities convertible into shares. Diluted earnings per share determined in this way does not differ from basic earnings per share for continued and discontinued operations.

NOTE 30_ Dividends per share

The dividend approved by the General Meeting in June, 2005 and in June, 2004 were 20,334,469 euros (0.33 euros per share) and 15,073,300 euros (0.25 euros per share) respectively. At the next General Meeting of shareholders a dividend per share for 0.4867 euros will be proposed, which amounts to a total dividend of 33 million euros. These annual consolidated accounts do not reflect this dividend.

NOTE 31_ Cash generated by operating activities

	2005	2004
Net profit before taxes	100,608.6	62,578.0
Adjustments made to the profit of the year:	59,406.7	58,434.3
- Share in the losses/profits of associates	50.7	-
- Judicial Administrator of French Companies	(6,875.0)	-
- Depreciation/Amortisation	38,465.3	37,121.0
- Losses for sale of non-current assets	677.6	342.8
- Exchange rate differences Gains/Losses	4,725.7	(4,591.2)
- Goodwill impairment losses	-	20,295.9
- Net changes in provisions	10,968.5	(684.5)
- Net change in differed taxes	(1,186.7)	(3,482.6)
- Profit/loss from derivative financial instruments	(1,139.5)	(1,095.0)
- Other financial income	(2,424.2)	(678.1)
- Other financial expenses	16,144.3	11,206.0
Profit before changes in net working capital	160,015.3	121,012.3
(Increase) / decrease in accounts receivable	(86,290.5)	4,885.0
(Increase) / decrease in inventory	(5,261.1)	(1,109.5)
(Increase) / decrease in accounts payable and other liabilities	52,980.1	7,971.1
Gains/ (losses) due to exchange rate differences in working capital	(9,622.6)	(2,517.8)
Cash generated by operating activities	**111,821.2**	**130,241.1**

In the cash flow statements, the income obtained from the sale of PPE and intangible assets includes in thousands of euros:

	2005	2004
Carrying amount	2,419.6	23,546.4
Losses due to sale of PPE and intangible assets	(677.6)	(342.8)
Amount received for sale of PPE and intangible assets	1,742.0	23,203.6

The main non-monetary transaction consisted of the contracting of new financial leasing operations during accounting year 2005 for the amount of 7,976.5 thousand euros (2004: 12,896.4 thousand euros).

NOTE 32_ Contingencies

The Group has contingent liabilities for bank guarantees and other guarantees related with normal business operations which are not expected to result in any significant liabilities. In connection with the acquisition of Grupo Nordés (see Note 34), it could be necessary to pay an additional consideration for the additional amount of up to 3,600 thousand euros in relation with the company's registered liabilities due to its acquisitions, in the event that the acquired activities reach certain objectives of sales. The guarantees extended by the Group to third parties not connected to the group are as follow:

	2005	2004
Comercial guarantees	34,598	18,587
Financial guarantees	49,918	20,453
Administrative guarantees	19,103	15,848
TOTAL	**103,619**	**54,888**

Financial guarantees to third parties during accounting year include 22 million euros as a guarantee for future payments for the acquisitions carried out during the accounting year.

Additionally, see comments made with respect to long term Provisions and other provisions and expenses in notes 22 and 25.

NOTE 33_ Commitments

Commitments to purchase PPE

The investments committed to at the balance sheet date which have not been made are the following:

	2005
Tangible PPE	3,145
Intangible assets	1,028
	4,173

Commitments to purchase armoured vehicles, installations and furniture for the new building rented on Santa Sabina street in Madrid are included. In the area of intangible assets, various computer applications currently being developed are included.

Operating leases commitments

The Group rents several business premises, offices, warehouses, storage centres, and vehicles under non-cancellable contracts for operating leases. The Group also grants installations under cancellable operating lease contracts.

The Group is required to give a six months notice for the termination of these agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follow:

	Thousands €
2006	16,202
2007 and following	20,449
	36,651

The commitments will be finance with the cash generated through business activity.

NOTE 34_ Business combinations

The goodwill is recorded net of the financial cost associated with the deferred debt at current value. Incorporation of goodwill is detailed in note 8.

On March 1, 2005, the Group acquired 100% of the share capital of the companies Cess and ESC, entities located in Barcelona whose corporate purpose is the rendering of services in the area of corporate security. The acquired business contributed revenues of € 80 millon and net profit of € 2 millon to the Group for the period from March 1, 2005 to December 31, 2005. If the acquisition had taken place on January 1, 2005, Group revenue would have been € 96 million, and profits for the period would have been € 2.3 million. The CGU is included in the main segment Spain and in the corporate security segment.

Details of net assets acquired and goodwill are as follow:

Purchase consideration	
Cash paid	32,596
Deferred at fair value	20,243
Direct costs related to the acquisition	274
Total purchase price	53,113
Fair value of net assets acquired	26,279
Goodwill (Note 8)	**26,834**

The Goodwill is attributable to the high profitability of the acquired business and to the significant synergies expected to arise after the Group acquisition. The goodwill is recorded net of the financial cost of deferred debt issuance at current value. The deferred amount without updating to current value is 21.731 thousand euros of which 50% shall be paid in March, 2006 and 50% in March, 2007.

Assets and liabilities arising from the acquisition are as follow:

	Fair value	Carring amount
Buildings	1,500	974
Intangible assets	7,621	-
Other assets and liabilities	22,256	22,256
Cash and cash equivalents	225	225
Financial debt in the acquired subsidiary	(5,323)	(5,323)
Total consideration for the acquisition	53,113	
Goodwill	26,834	

On April 29, 2005 the Group acquired 100% of the share capital of Grupo Nordés, composed of the companies, Atecyr S.L.. Nordés Instalaciones S.A., Nordés Sistemas S.A., Nordés Mantenimiento S.A., Nordés CRA S.A., Nordés Vigilancia S.A. and Nordés Control, S.L., entities located in La Coruña whose corporate purpose is the rendering of corporate security services. The acquired business contributed revenues of € 38 millon and net profit of € 3 millon to the Group for the period from May 1, 2005 to December 31, 2005. If the acquisition had taken place on January 1, 2005, Group revenue would have been € 55, and profits for the period would have been € 7 millon. The CGU is included in the main segment Spain and in the corporate security segment.

Details of net assets acquired and goodwill are as follow:

Purchase consideration	
Cash paid	48,371
Deferred at fair value	6,899
Direct costs related to the acquisition	357
Total purchase price	55,627
Fair value of the net assets acquired	18,289
Goodwill (Note 8)	**37,338**

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group acquisition.

The goodwill is recorded net of the financial cost associated with the deferred debt issuance at current value.

The assets and liabilities arising from the acquisition are as follow:

	Fair value	Carring amount
Other assets and liabilities	13,163	13,163
Intangible assets	11,848	-
Cash and cash equivalents	541	541
Financial debt in the subsidiary acquired	(7,263)	(7,263)
Total Consideration for the acquisition	55,627	
Goodwill	37,338	

The seller has the right to an additional amount of € 9 million in cash or up to € 3 million in exchangeable value in shares of Nordés Prosegur Tecnología, S.L. and the remaining amount in cash in the event that an average annual accumulated increase of the sales figure of 10% over the next three accounting years is reached and an additional amount in cash of € 3.6 millon would be achieved, if the annual average increase were equal to 15%. In the strategic plan approved by the Group, the first requirement is met. Therefore, this deferred payment is considered an additional amount of goodwill, evaluating it at fair value for an amount of € 6.899 thousand.

On March 18, 2005, Prosegur acquired the Assets – client contracts, armoured vehicles, cash assets machines and weapons from the operations of the Company Preserve, located in the City of Sao Paulo, for 30.5 million reales (10,289.7 thousand euros) payable in monthly instalments until December, 2005. The estimated client portfolio at that moment generated an annual increase of net income of R$ 45 million (15,200 thousand euros). with highlights: Bradesco, Unibanco, Itaú and Brazil, which comprise about 70% of the turnover. With regard to the tangible assets, we highlight the acquisition of 100 armoured lorries with an average age of 5 years.

With the acquisition, we eliminate the fifth largest company of the main national market (São Paulo) and we improve the logistics in this city, due to the more efficient use of strategically distributed operating plants.

On April 25, 2005 Prosegur completed the acquisition of the Assets – client contracts, armoured vehicles, cash assets machines and weapons from the operations of Empresa Transpev, located in the cities of Rio de Janeiro, São Paulo, Campinas, Belo Horizonte and São José do Rio Preto, for an amount of R$ 70.0 million (23,615.7 thousand euros), with payments having been made until December, 2005 for an amount of R$ 42 million, still remaining 6 million (2.221 thousand euros) with maturities until March, 2006 and R$ 22 millions, (8.087 thousand euros), reaching maturity in March 2007, The estimated client portfolio initially generated an annual increase of net income for an amount of R$ 99 million (33.400 thousand euros), highlighting: Bradesco, Unibanco, ABN-AMRO, Santander and Caixa Econômica Federal, which concentrate approximately 65% of the turnover. Of total estimated turnover, 56% is concentrated in Rio de Janeiro, In connection with tangible assets, we highlight the acquisition of 230 armoured vehicles.

With the acquisition, we become the leaders of Rio de Janeiro and São Paulo markets, in addition to eliminating the largest company of Rio de Janeiro segment, increasing the participation in other clients such as ABN-Amro, Santander and Caixa Econômica Federal and concentrating all of our operations in the city of Rio de Janeiro in a single operating plant. In these acquisitions there has been no replacement of personnel. These acquisitions have been deemed as indefinite-lived intangible assets because they are related to the increase of market share. Therefore, they must annually pass impairment tests as defined in notes 2.6 and 2.7. For the valuation of the intangible asset in

Brazil, the valuation criteria set forth in note 4 with reference to Goodwill should be taken into account.

Details of net assets acquired and goodwill in thousands of euros on the date of purchase are as follow:

	Purchase consideration
– Cash paid	23,597
– Cash deferred at fair value	10,308
Total purchase price	33,905
Fair value of the net assets acquired	5,980
Indefinite useful life intangible assets	27,925

The assets and liabilities arising from the acquisition are as follow:

	Fair value
Other assets	33,905
Total consideration for the Acquisition	33,905
Goodwill	0

In December, 2004 the 25.1% controlled by Vertresa in Prosegur Seguridad, S.A., was acquired for the amount of 941.3 thousand euros cash down, as a result of this acquisition Prosegur Compañia de Seguridad holds 76.7% of that company.

In December, 2005 the 23.29% held by Barclays Bank in Prosegur Seguridad S.A. was acquired for the amount of 1,061 thousand euros which 272.3 thousand euros have been paid and the rest shall be paid in four instalments of 197.2 thousand euros until February, 2009, as a result of this acquisition Prosegur Compañia de Seguridad holds 100% of that company.

Given that control of the company was maintained, the excess over shareholders' equity of Prosegur Seguridad S.A. has been recorded through net equity.

During next year, the fair values assigned in the aforementioned business combinations will be reviewed.

During year 2005, the CGU's in Panama were sold. The transaction price was € 1,038 which has been received in full. The cash and cash equivalents on the day of the operation were 1,032 thousand euros. Assets and liabilities which have been cancelled are as follow:

Total PPE	317
Current assets	338
Cash and cash equivalents	1,032
Current liabilities	(658)
Associated goodwill	512

During year 2005, the CGU's in Bolivia were sold. The transaction price was 48 thousand dollars (39 thousand euros), with no current remaining balance.

Cash and cash equivalents on the date of operation were 10 thousand euros.

Assets and liabilities which have been cancelled are::

Total PPE	312
Current assets	23
Cash and cash equivalents	10
Non current liabilities	(94)
Current liabilities	(285)

During next year, the fair values assigned in the aforementioned business combinations will be reviewed.

NOTE 35_ Transactions with related parties

The Group is controlled by Gubel S.L. (incorporated in Madrid), which owns 50.11% of the shares of the company. The remaining 49.89% of shares is under the control of various shareholders amongst which we would highlight As Inversiones S.L., with 5.305%, and Corporación Financiera Alba S.A., with 5.233%.

The transactions which are presented below were undertaken with related parties:

Rendering of services

The Group has rendered Corporate Security services in Spain to Ibercaja, which forms part of the Board of Directors. The amount of said services were for 2,257.2 thousand euros (2004: 2,266.5 thousand euros). Likewise, the Group maintains opened current accounts with said entity to collect for services rendered.

Purchases of goods and services

In October 2005, a lease contract was signed with Proactinmo S.L. for a building located on Santa Sabina street, near to the building located on Pajaritos street number 24 owned by Prosegur. The duration of the contract is five years and it is extendable for another five with the amount for the lease being € 786,896.64 annually, in addition to 169,200 euros for the lease of the garage space. A two-months grace period is established for which reason the first instalment to be paid shall be that corresponding to January 2006. This contract can not be ended while it is initially in force or during its extension prior to the end of these terms. In the event that the occupant wishes to abandon the building prior to the end of the term corresponding to the initial period, he must pay the amount equivalent to the rent corresponding to the period remaining until the end of the initial term up to a maximum of 24 monthly instalments of the rent in force at that moment.

Directors and key management compensation

Board of Directors's compensation were:

	2005	2004
Basic compensation	1,034	645
Bonus	410	173
Expenses	537	350
Share-based compensations	-	3,380
Life insurance premiums	14	23
Total	**1,995**	**4,571**

Total compensation received by key management during 2005 was 1,965.9 thousand euros (1,992 thousand euros in 2004).

	Loans to Associated companies
Initial balance on January 1, 2004	0
Loans granted during the year	-
Loan amortisations received	-
Interest charged	-
Interest received	-
Final balance on December 31, 2004	**0**
Loans granted during the year	1,500
Loan amortisations received	1,500
Interest charged	4
Interest received	4
Final balance on December 31, 2005	**0**

Loans to related parties

Loans to associates have accrued interest at 2.133%.

In order to comply with the provisions of section 127 thr. of the consolidated text of the Companies Act. the managing directors affirm that they have no equity interest nor do they hold the office of managing director in any company outside of the group whose corporate purpose is the same, complementary, or analogous to that of the company.

The member of the Board of Directors who holds management positions in the rest of the Group is:

Name or company name of director	Corporate name of group entity	Office
Mr. Christian Gut Revoredo	Nordés Prosegur Tecnología. S.L.	Co-Administrator
Mr. Christian Gut Revoredo	Nordés Vigilancia S.A.	Co-Administrator
Mr. Christian Gut Revoredo	ESC Servicios Generales S.L.	Co-Administrator
Mr. Christian Gut Revoredo	Prosegur Transporte de Valores. S.A.	Co-Administrator

NOTE 36_ Joint ventures (UTEs)

The interest which the Group maintains in diverse joint ventures (UTE) are detailed in Appendix III. Joint Ventures included in the Scope of Consolidation. The amounts showned below represent the percentage of the Group interest in the assets and liabilities. sales and results of the joint ventures. These amounts are included in the balance sheet and income statements:

	2005	2004
Assets		
Non current assets	-	-
Current assets	995.8	275.8
	995.8	**275.8**
Liabilities		
Non current liabilities	(14.4)	26.7
Current liabilities	(981.4)	(302.5)
	(995.8)	**(275.8)**
Income	(3,164.1)	(221.0)
Expenses	3,186.9	245.0
(Profit) / loss after taxes	22.8	24.0

There are no contingent liabilities corresponding to the Group interest in the joint ventures.

NOTE 37_ Non current assets maintained for sales and discontinued activities

The companies Bac Sécurité, Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI) and their subsidiaries SARL Initiale and SARL Yardair (both companies are inactive), operate in the geographical area of Île de France (IDF) and were acquired between the middle of 2002 and the beginning of 2003 by Prosegur Compañía de Seguridad S.A.

The progressive degradation of the results account combined with the increase in labour costs for 2005 of over 8.5%, render the situation unsustainable, for which reason on April 7, 2005, the account deposit for the aforementioned Companies was filed before the Commercial Court of Versailles.

The Court, by way of a ruling on April 8, 2005, declares the companies Bac Sécurité, Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI) under court supervision and opens a three month observation period, appointing Maître Philippe Jeannerot as administrator. At that moment, the total annualized sales volume was 48 million euros. The administrator presents the first offer for the sale of goodwill without a positive answer, for which reason the Commercial Court of Versailles on the 20th of June, 2005 shall extend the observation period during which an initial Social Plan which shall affect 236 workers at a total of 2.5 million euros of which the Group has made a commitment to contribute the supra-legal portion of 800 thousand euros in addition to a total amount of 280 thousand euros for the Regrading of Personnel Plan.

This commitment was undertaken before the Central Company Committee on record on June 12 and 13, 2005. At the end of July, 2005 the second round of bid applications was made, with two complete and two partial offers received. By way of a ruling on October 24, the Court ruled for the transfer of assets in favour of D2M Security, as of November 1, 2005 affecting 750 employment contracts at a total cost of 125 thousand euros. In addition the Court authorised the execution of the second Social Plan with a maximum scope of 350 employees, approved by the

Central Company Committee on October 14, 2005 which affects a total of 142 workers at a total cost of 2,500 thousand euros of which the Group assumes 700 thousand euros.

The execution of the second Social Plan and the liquidation of the companies is entrusted to the Commercial Court of Versailles in the same ruling of October 24, 2005 to Maître Philippe Jeannerot.

In the 2004 year, an accelerated depreciation of the goodwill assigned to said CGU was undertaken for the amount of 20,295.9 thousand euros, which has been recognised as a an expense for discontinued operations, as well as the associated differed taxes for the amount of 4,675 thousand euros. Likewise, during the 2004 year, a provision of 13,000 thousand euros was set up to cover the best estimate of losses associated with the end of activity even when as of that date, the filing of the accounts of the companies concerned had not been decided upon.

Once judicial administration was initiated in the 2005 year, 3,880 thousand euros was applied against this provision. The remaining provision is maintained to cover the treasury deficit as well as other related items in accordance with the best legal advice received.

During the first three months of the 2005 year, these companies generated 12,611 thousand euros of sales turnover (70,798 thousand euros during year 2004) and a net negative result of 3,166 thousand euros (14,341 thousand euros in the 2004 year). Said amounts, with regard to the situation at the end of the 2005 year for the indicated companies are shown as discontinued operations.

The negative net equity of said companies on March 31, 2005 was 6,875 thousand euros, which has reverted against the results of discontinued operations. The tax associated with the depreciation of tax goodwill has also reverted against results of the discontinued operations. The account for said companies on December 31, 2004 and on March 31, 2005 were as follow:

	2005	2004
Ordinary revenue	(12,656.6)	(70,983.0)
Changes in stocks of finished products and products in progress	-	-
Raw materials and materials for consumption used	128.0	914.0
Employee benefits expenses	14,034.9	73,582.0
Amortisation/depreciation and charges for losses due to value impairment	64.9	299.0
Work, services and external supplies	783.6	4,347.0
General Expenses	491.2	4,221.0
Taxes	205.5	1,108.0
Operating losses	**3,051.5**	**13,488.0**
Net financial costs	114.9	472.0
Interest in (loss)/profits of associated companies	-	-
Losses before taxes	**3,166.4**	**13,960.0**
Income tax -	-	381.0
Profits from discontinued activities	-	-
Profit of the year	**3,166.4**	**14,341.0**

The equity of these companies on December 31, 2004 and on March 31, 2005 was as follows:

	mar-2005	dec-2004
Net equity		
Capital and reserves attributable to shareholders		
Share capital	(5,951.0)	(5,951.0)
Retained earnings and other reserves	12,826.0	9,660.0
Minority interest	-	-
Total net worth	**6,875.0**	**3,709.0**

Cash flows associated with discontinued activities are as follow:

	2005	2004
Net cash received / (used) in operations	(1,554.1)	(13,515.2)
Net cash received / (used) in investments	(8.9)	(123.7)
Net cash received / (used) for financing	(53.0)	10,166
Net increase / (decrease) of cash, bank overdrafts and cash equivalents	(1,616.0)	(3,472.9)

NOTE 38_ Events after the balance sheet date

After December 31, 2005 and before the formulation of these accounts, the Group has undertaken the following operations:

- On February 15, 2006, the increase in capital for the subsidiary Dutch company Malcoff was paid in for the amount of 500 thousand euros.

NOTE 39_ Other information

	2005	2004
Operational Personnel	63,859	55,041
Remaining	3,450	3,298
TOTAL	**67,309**	**58,339**

The average number of operating personnel employed in consolidation scope 2005 by the companies included in the consolidation using the proportional method was 3,952 people.

The amount of fee earnings for all the firms which use the name PricewaterhouseCoopers, the only firm which audits the Group during 2005 comes to 994.6 thousand euros for the audit without any other services having been rendered by this company.


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APPENDIX I. – Subsidiaries included in the Scope of Consolidation

Corporate name	Address
Prosegur Seguridad, S.A.	Pajaritos, 24 (Madrid)
Servimax Servicios Generales, S.A.	Pajaritos, 24 (Madrid)
Formación Selección y Consultoría S.A.	Conde de Cartagena, 4 (Madrid)
Prosegur Transportes de Valores, S.A.	Bº Elorrieta, 3 (Bilbao)
Prosegur Multiservicios S.A.	Pajaritos, 24 (Madrid)
ESC Servicios Generales, S.L.	Avda. Primera, B-1 (A Coruña)
Nordés Vigilancia, S.A.	Avda. Primera, B-1 (A Coruña)
Nordés Prosegur Tecnología, S.L.	Avda. Primera, B-1 (A Coruña)
Prosegur International handels GMBH	Poststrabe, 33 (Hamburg)
Malcoff Holding BV	Schouwburgplein, 30-34 (Rotterdam)
Reinsurance Bussiness Solutions	80 Harcourt Street (Dublin)
Prosegur Distribuçao e Serviços, Lda.	Av. Infante Dom Henrique, 326 (Lisboa)
Servimax S.A.	Rua Ingeniero Ezequiel de Campos 416 (Oporto)
Prosegur Companhia de Seguranca, Lda	Av. Infante Dom Henrique, 326 (Lisboa)
Prosegur Servizi S.R.L	via Archimede 12/14 - 20090 segrate (Milano)
Prosegur Roma, S.R.L	via Mar della Cina 199 - 00144 (Roma)
Prosegur Torino S.R.L.	via Nenni 15/B - 10036 Settimo Torinese (Torino)
Prosegur Milano S.R.L.	via Archimede 12/14 - 20090 segrate (Milano)
Nuova Prealpol S.R.L	Via Firenze 6 - 20152 Busto Arsizio Varese
Mabro S.R.L.	via Archimede 12/14 - 20090 segrate (Milano)
Prosegur Servizi Integrale S R L	via Archimede 12/14 - 20090 segrate (Milano)
Prosegur France, S.A.	84 Rue des Aceries (Saint Etienne)
Prosegur Securité Humaine EURL	113-115 Avenue Sidoine Appolinaire (Lyon)
Prosegur Traitement de Valeurs EURL	Rue Rene Cassin ZI de Molina (La Talaudiere)
Prosegur Teleserveillance EURL	3 Alle de L 'ectronique (Saint Etienne)
Prosegur Systemes	84 Rue des Aceries (Saint Etienne)
Jean Jaures SCI	Rue Rene Cassin ZI de Molina (La Talaudiere)
SAS BFActive	8 Avenue Descartes (Les PLessis Robinson)
Esta Service, S.R.L.	29B Cours Mirabeau (Marignane)
Appi, S.R.L.	37 Rue de la Chapelle (Paris)
ARS Formation, S.R.L.	37 Rue de la Chapelle (Paris)

	Interest		Consolidation		
Cost in Mls.Eur.	% Over Face value	Company Holder of Interest	circumstances	Activity	Auditor
2,366	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
406	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
120	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
1,030	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
150	100.0	Prosegur Cia de Seguridad, S.A.	a	2	B
6	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
601	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
301	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
35,670	100.0	Malcoff Holding BV	a	4	B
171,589	100.0	Prosegur Cia de Seguridad, S.A.	a	4	B
635	100.0	Prosegur Cia de Seguridad, S.A.	a	5	A
3,277	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
(240)	100.0	Prosegur Distribuçao e Serviços, Lda.	a	1	A
9,876	100.0	Prosegur Cia de Seguridad, S.A.	a	3	A
3,963	100.0	Mabro S.R.L.	a	1	A
389	100.0	Prosegur Servizi S.R.L	a	1	A
501	100.0	Prosegur Servizi S.R.L	a	1	A
4,653	100.0	Prosegur Servizi S.R.L	a	1	A
0	70.0	Prosegur Servizi S.R.L	a	1	A
14,799	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
65	100.0	Prosegur Servizi S.R.L	a	1	A
35,224	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
1,532	100.0	Prosegur France, S.A.	a	1	A
593	100.0	Prosegur France, S.A.	a	1	A
808	100.0	Prosegur France, S.A.	a	1	A
1,524	100.0	Prosegur France, S.A.	a	1	A
61	100.0	Prosegur France, S.A.	a	1	B
0	66.5	Prosegur Securité	a	1	B
0	33.5	Prosegur Cia de Seguridad, S.A.			
1,766	100.0	Prosegur Cia de Seguridad, S.A.	a	4	B
0	99.9	Esta Service, S.R.L.	a	1	B
0	0.1	Prosegur Cia de Seguridad, S.A.			
5	48.0	Esta Service, S.R.L.	a	1	B
3	52.0	Prosegur Cia de Seguridad, S.A.			

Corporate name	Address
Prosegur Services S.R.L.	Z.I. Des Tourrades (Mandelieu)
Armor Acquisition S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Juncadella Prosegur Internacional S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Transportadora de Caudales de Juncadella S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Prosegur Alarmas, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Juncadella Prosegur Asistencia Tecnica S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Prosegur, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Servicios Auxiliares Petroleros, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires
Prosegur Uruguay, S.A.	Bvrd. Artigas 2629 (Montevideo)
Compañía Ridur S.A.	25 der Mayo 455, Apto 4- Montevideo
Prosegur Transportadora de Caudales S.A.	Guarani 1531 (Montevideo)
Transportadora de Valores Silviland	Guarani 1531 (Montevideo)
Prosegur Alarmas S.A.	Bvrd. Artigas 2629 (Montevideo)
TSR Participacoes Societarias S.A.	Tomas Edson, 1250 - Barra Funda - São Paulo - SP
Prosegur Brasil S.A.	Guaratã, 633 - Prado - Belo Horizonte - MG
Prosegur Sistemas de Securanca Ltda	Guaratã, 633 - Prado - Belo Horizonte - MG
CTP Centro de Treinamento Prosegur Ltda	Sta. Catarina Estrada Geral s/n. “Passa Vinte”
Prosegur Brasil Cursos Ltda	Guaratã, 697 - Prado - Belo Horizonte - MG
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of, 203, Renca, Santiago
Capacitaciones Ocupacionales Sociedad Ltda	Los Gobelinos 2567 Of, 100, Renca, Santiago
Empresa de Trans. Compañía de Seguridad Chile Ltda	Los Gobelinos 2567, Renca, Santiago
Servicios Prosegur Ltda	Los Gobelinos 2567, Renca, Santiago

Interest Cost in Mls.Eur.	% Over Face value	Company Holder of Interest	Consolidation circumstances	Activity	Auditor
0	100.0	Prosegur Cia de Seguridad, S.A.	a	1	B
5,523	5.0	Prosegur Cia de Seguridad, S.A.	a	4	A
22,148	95.0	Prosegur International handels GMBH			
19,908	68.8	Armor Acquisition S.A.	a	4	A
7,801	31.2	Prosegur International handels GMBH			
1,829	5.0	Armor Acquisition S.A.	a	1	A
(6,001)	95.0	Juncadella Prosegur Internacional S.A.			
0	95.0	Transportadora de Caudales de Juncadella S.A.	a	2	A
1	5.0	Armor Acquisition S.A.			
130	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
2	5.0	Armor Acquisition S.A.			
6,748	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
738	5.0	Armor Acquisition S.A.			
3	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
1	5.0	Armor Acquisition S.A.			
965	90.0	Prosegur, S.A.	a	3	A
71	10.0	Armor Acquisition S.A.			
1,418	100.0	Juncadella Prosegur Internacional S.A.	a	1	A
1,565	99.9	Juncadella Prosegur Internacional S.A.	a	1	A
1	0.1	Armor Acquisition S.A.			
0	100.0	Prosegur Transportadora de Caudales S.A.	a	1	A
0	100.0	Prosegur Uruguay, S.A.	a	2	A
33,380	100.0	Juncadella Prosegur Internacional S.A.	a	4	A
83,625	100.0	TSR Participacoes Societarias S.A.	a	1	A
(1,002)	1.0	Prosegur Brasil S.A.	a	1	A
(1,676)	99.0	TSR Participacoes Societarias S.A.			
0	99.0	TSR Participacoes Societarias S.A.	a	6	A
47	99.8	Prosegur Brasil S.A.	a	6	A
0	0.2	Prosegur Sistemas de Securanca Ltda			
2,188	100.0	Juncadella Prosegur Internacional S.A.	a	4	A
383	83.0	Prosegur Cia de Seguridad, S.A.	a	6	A
0	7.0	Prosegur International handels GMBH			
53	10.0	Juncadella Prosegur Group Andina			
4,145	60.0	Juncadella Prosegur Group Andina	a	1	A
0	40.0	Prosegur International handels GMBH			
1,533	99.9	Prosegur Cia de Seguridad, S.A.	a	1	A
1,018	0.1	Prosegur International handels GMBH			

Corporate name	Address
Sociedad de Distribución Canje y Mensajeria Ltda	Los Gobelinos 2548, Renca, Santiago
Prosegur Chile, S.A.	C.A.Lopez de Alcazar 488, Independencia, Santiago
Servicios de Seguridad Prosegur Regiones Limitada	C.A.Lopez de Alcazar 488, Independencia, Santiago
Prosegur Paraguay S.A.	C/ Concepción Leyes de Chávez- Asunción
Seguridad Prosegur S.A.	C/ Concepción Leyes de Chávez- Asunción
TGC Transportadora General de Caudales	C/ Concepción Leyes de Chávez- Asunción
Compañía de Seguridad Prosegur S.A.	Av. Morro Solar 1086 - Surco - Lima - Perú
Proseguridad S.A.	Av. Los Próceres 250 - Surco - Lima - Perú

Circumstances of consolidation:

The circumstances contemplated in Section, 42 of the Commercial Code are:

a. That the controlling entity hold the majority of voting rights.

b. That the controlling entity have the power to appoint or dismiss the majority of members from the board of administration.

c. That the controlling entity may hold, pursuant to agreements entered into with other members, the majority of voting rights.

d. That the controlling entity designates, exclusively with its votes, the majority of members of the board of directors, who carry out their duties at the moment in which they should formulate the consolidated accounts and during the two immediately preceding accounting years.

e. When, by whatever other means, one or more companies is under single management.

Unless otherwise stated, the date for closing the last annual accounts is December 31, 2005.

	Interest	Consolidation			
Cost in Mls.Eur.	% Over Face value	Company Holder of Interest	circumstances	Activity	Auditor
1,311	49.0	Prosegur Cia de Seguridad, S.A.	a	1	A
1,359	30.0	Juncadella Prosegur Group Andina			
265	21.0	Prosegur International handels GMBH			
1,633	70.0	Prosegur, S.A.	a	1	A
563	30.0	Prosegur International handels GMBH			
1,298	99.0	Prosegur Chile, S.A.	a	1	A
0	1.0	Juncadella Prosegur Group Andina			
704	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
7	1.0	Transportadora de Caudales de Juncadella S.A.			
14	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
0	1.0	Transportadora de Caudales de Juncadella S.A.			
147	100.0	Prosegur Paraguay S.A.	a	1	A
(1,836)	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
(1,817)	48.0	Transportadora de Caudales de Juncadella S.A.			
(118)	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
0	48.0	Transportadora de Caudales de Juncadella S.A.			

Activity:

(1) Area of activities of the Business Group for Corporate Security.

(2) Area of activity of the Business Group for Residential Security.

(3) Area of activity of the Business Group for both.

(4) Holding company.

(5) Financial Services.

(6) Auxiliary services.

Auditor:

A Audited by PricewaterhouseCoopers.

B Not subject to audit.

APPENDIX II. – Associated Companies included in the Scope of Consolidation

Corporate name	Address
Romanian Holding Corporación, S.L.	Pajaritos, 24 Madrid
Dragon Star Guard	Calea Plevnei nr 137a, Sector 6 Bucuresti
Security Dragon Star srl	B-dul Traian nr, 1 B, Baia Mare, Maramures

Notes:

1. On August 11, 2005, the articles of incorporation of the company Romanian Holding Corporation S.L. were published. A 50% interest is held in this company with 100 thousand paid up euros. On October 11, 2005, the company Romanian Holding Corporation, S.L., agreed to raise share capital by clearing credits and cash disbursements. Prosegur Compañía de Seguridad subscribed the increase with the credit clearance maintained by the company for the amount of 1,500 thousand euros and the cash disbursement of 1,100 thousand euros.

Consolidation circumstance:

(a) Compliance with 47.3 of the Commercial Code through which the Standards for the Formulation of the Consolidated Annual Accounts are approved which assumes the existence of associated companies when one or more companies of the Group holds equity interest in a company which does not belong to the group of at least 20% with this percentage being reduced to 3% if the company in which the equity interest is held is listed on the stock market.

APPENDIX III. – Joint ventures included in the Scope of Consolidation

Corporate name	Address
Prosegur Compañía de Seguridad S.A.-Valchip, S.L. UTE	C/ Pajaritos, 24 Madrid
CESS-ESC UTE	Av. Mas Fuster 131, Barcelona
CESS-ESC2 UTE	Av. Mas Fuster 131, Barcelona
CESS-ESC3 UTE	Av. Mas Fuster 131, Barcelona
CESS-ESC4 UTE	Av. Mas Fuster 131, Barcelona
Nordés Instalaciones y A. Roade, S.L. UTE	C/ Gambrinus 89, 15008 A Coruña

Interest Cost in Mls.Eur.	% Over Face value	Company Holder of Interest	Notes	Consolidation circumstances	Activity	Auditor
2,700	50.0	Prosegur Cia de Seguridad, S.A.	(1)	(a)	(4)	B
3,000	75.9	Romanian Holding Corporación, S.L.		(a)	(1)	B
506	100	Dragon Star Guard		(a)	(1)	B

Activities:

(1) Area of activities of the Corporate Security Business Group.

(2) Area of activities of the Residential Security Business Group.

(3) Area of activities of the Business Group for both.

(4) Holding company.

(5) Financial services.

(6) Auxiliary services.

Auditor:

A Audited by PricewaterhouseCoopers.

B Not audited

Interest Cost in Mls.Eur.	% Over Face value	Company Holder of Interest	Notes	Activity
3.0	51.9	Valchip, S.L.	(e)	(1)
0.0	100.0		(a)	(1)
0.0	100.0		(b)	(1)
0.0	100.0		(c)	(1)
0.0	100.0		(d)	(1)
0.3	50.0	A. ROADE, S.L.	(f)	(1)

Notes:

The interest in the joint ventures CESS-ESC is a product of the meger by takeover of CESS by Prosegur Compañía de Seguridad.

(a) The objective of this joint venture is the implementation of security and surveillance services, along with the operation of security and control systems at access points to the building at the University Pompeu Fabra de Barcelona.

(b) The objective of this joint venture is the implementation of security and surveillance, operation of the security and control systems at the accesses to the Hospital Universitario de Gerona, Doctor Josep Trueta,. This contract has ended

(c) The objective of this joint venture is the implementation of security, control and surveillance services for the Thyssen-Bornemisza Museum in Barcelona, along with the program for establishing the activities and means for their performance.

APPENDIX IV. – Companies under receivership

Corporate Name	Address
SA Securité Europeene de L 'Espacer Industriel	15 Rue de Louvres (Chennevieres Les Louvres)
SARL Force Gardiennage	92 Boulevard Emile Delmas (La Rochelle)
SA Bac Securité	18 Av. Morane Saulnier (Velizy Villacoublay)

Subsidiaries of SA Bac Securité (under receivership))

Sarl Initiale	8 Avenue Descartes (Les Plessis Robinson)
Sarl Yardair	8 Avenue Descartes (Les Plessis Robinson)

Notes:

The companies Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI), Bac Sécurité and their subsidiaries SARL Initiale and SARL Yardair, operate in the geographical area of Île de France (IDF) and were acquired between the middle of 2002 and the beginning of 2003 by Prosegur Compañía de Seguridad S.A.

The progressive deterioration of the results account, combined with the 8.5% increase in the labour costs during the year 2005 make this situation unsustainable as a consequence of which on April 7, 2005, the filing of annual reports was carried out before the Commercial Court of Versailles for said Companies.

(d) The objective of this joint venture is the provision of security andsurveillance, the operation of the control and security systems for access to the Hospital Universitario de Gerona, Doctor Josep Trueta.

(e) The supply and installation of high security systems by means of digital recording and video transmission for the General Directorate of Transport.

(f) Maintenance of fire extinguishing equipment and air conditioning for the Metropolitan Forum of La Coruña.

Consolidation circumstances:
The integration of the joint ventures has been carried out on the Balance Sheet and on the Group profit and loss statement in proportion to their interest.

Activities:
(1) Area of activities of Business Group for Corporate Security
Auditor:
This joint ventures are not subject to audit.

Interest Cost in Mls.Eur. a 31/03/05	% Over Face value	Company Holder of Interes	Activity
0.0	59.98	Prosegur Cia de Seguridad, S.A.	1
457.3	40.02	Sarl Esta Service	
0.0	4.80	Prosegur Cia de Seguridad, S.A.	1
217.7	95.20	Sarl Esta Service	
10,533.6	100.0	Prosegur Cia de Seguridad, S.A.	1
7.7	100.0	S.A. Bac Securité	1
19.8	100.0	S.A. Bac Securité	1

Activity:

(1) Area of activities of the Corporate Security Business Group

(2) Area of activities of the Residential Security Business Group

(3) Area of activities of the Business Group for both


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Management report

MANAGEMENT PRINCIPLES

The 2005 year has been very satisfactory, in that we have confronted great challenges, both strategic and management. The consolidation of our leadership positions in the majority of markets in which we operate has been reinforced by our latest acquisitions, confirming our global nature and faith in the future.

The information accumulated during year 2005 incorporates three important novelties.

- The consolidated financial information has been drawn up in accordance with International Accounting Standards applicable on December 31, 2005. Said principles have been applied both in the 2005 and 2004 years as a result of which the information corresponding to the previous year does not coincide with that presented in the past under a different standard.

- The second novelty, as previously indicated, makes reference to the incorporation, beginning on March 3, of the CESS Group acquired on December 28, 2004 into the accounts of Grupo Prosegur, and of the incorporation of Grupo Nordés as of May 1. In addition, results of acquisition of Preserve and Transpev client portfolio as of April 1, and May 1 respectively have been incorporated. Furthermore, since September 1, 25.5% of Dragon Star's result is being consolidated by the equity method, Dragon Star is a Rumanian company in which a holding company constituted by Prosegur and a GED fund acquired a 51% share on August 24. Since October 5,37.9% of Dragon Star's result is being incorporated by the equity method on account of the fact that up to 75.85% of it was acquired by the aforementioned company.

- Lastly, the accounts filed are affected by the filing of the bankruptcy proceeding of BAC Securité, SEEI and Force Gardiennage, companies located in the Paris area. At the moment in which these companies had recoursed to the figure Dépôt de bilan on April 7, 2005, they come under the management of a receiver appointed by the Commercial Court, who is responsible for maintaining the activity of the Company, selling its assets and paying its creditors. Given that Prosegur has not participated in the management of these companies and given that the loss is limited to the investment value, the companies affected by this proceeding have been registered in the consolidation at zero value and their annual reports shall not be consolidated after said date.Likewise, the negative worth of these companies is eliminated from the consolidation thus generating a positive effect on the results of discontinued activities, given that control is not maintained over these companies, applying IAS 27.21.

During the year, budgeting techniques have been improved for each line of business. In addition, the techniques for determining the principle management indicators for each business have also been improved. As a result, over the course of the year, the following have become possible:

a) Establish objectives for continuous improvement.

b) Consider alternative options and strategies.

c) Implement the strategies adopted, by means of strategic planning, at the appropriate time and in the appropriate manner, making sure at any moment that the information system is able to detect, in real time, any deviations that may occur in order to implement corrective measures.

d) Develop competitive advantages with respect to the market.

Over the course of the year, Grupo Prosegur strategic management mantained detailed information of clients market and legal, economic, and technological setting which allowed it to continuously modify its management. Below, the most important variables related to management and trends during the year are covered. These include activities, commercial and personnel management, investments, operations, and financial management.

Activities

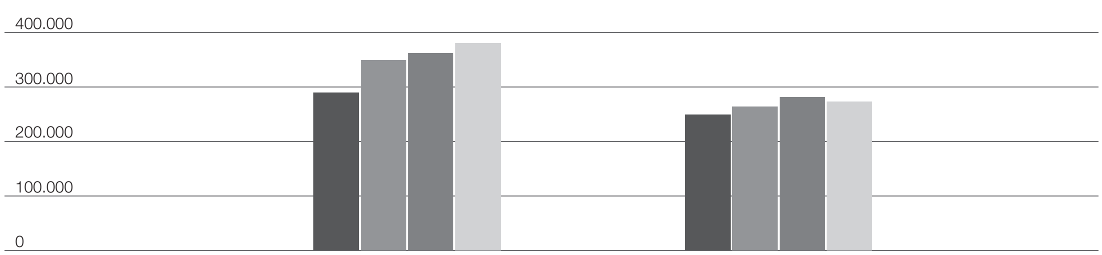
The year ended on December 31, 2005 has closed with revenue of 1,387,770 thousand euros (1,112,276 thousand euros in 2004).

	2005	2004
Spain	754,819	608,873
Rest of Europe	238,014	224,679
Lat Am	394,529	274,286
Not allocated	408	4,438
Total	**1,387,770**	**1,112,276**

By line of business:

	2005	2004
Corporate security	1,306,477	1,039,177
Residential security	81,293	73,099
Total	**1,387,770**	**1,112,276**

The trend over the course of the year is as follows:



	2005 thousand of euros	2004 thousand of euros
First quarter	291,514	264,703
Second quarter	342,538	277,131
Third quarter	366,408	285,417
Fourth quarter	387,310	285,025

**series not audited*

■ Revenue was 1,387.8 million euros in 2005, compared to 1,112.3 million euros in 2004, that means an increase of 24.8%.

■ Once the effects of the incorporations of the acquisitions of Grupo CESS (80 million euros), Grupo Nordés (38 million euros), Preserve and Transpev (31.3 million euros) undertaken in 2005 and the desinvestments in Panama and Bolivia for € 4.4 M have been eliminated, the increase in revenue rises to 11.8%, improving the trend which began this year (9.4% in the accrued during the third quarter of 2005).

■ The area of business with the greatest organic growth during 2005has been in corporate security services, which obtained an accumulated turnover of 1,306.5 million euros, which represents an increase of 25.7% with respect to sales in this area during 2004. On the other hand, residential security area (alarms) experienced an annual income of 81.3 million euros during 2005, only 11.2% more than the year before.

■ This growth has occurred mainly in Latin America with organic growth rates running between 19.8% in Peru and 43.0% in Brazil (in euros).

The series shown below illustrates the growth of revenue in the last ten years. NIIF criteria are used for the 2004 and 2005 and the prior PGC standard is used for the eight years prior to these.

(Figures in thousand of euros)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Turnover	401,975	481,657	584,346	684,234	685,562	903,848	1,106,843	1,117,578	1,112,276	1,387,770

COMMERCIAL INFORMATION

The marketing of the Group 's services is carried out by means of the delegations and by its own exclusively dedicated marketing personnel, who always apply selective criteria in order to minimise the risk of arrears of payment and possible non-payment. To this purpose, with regard to clients with whom little experience has been obtained, research is carried out and public data bases are consulted in order to evaluate risk and carry out individual analyses using objective measures. Once the contract is entered into and during the time in which the service is rendered, the client receives direct assistance which allows us to best serve the client's operating needs within the context of his economic situation. This reduces the risk of non-collectable debt.

The average profile of a corporate security client corresponds to a company or public institution which maintains a range of sites needing protection such as banking institutions, commercial, industrial and office buildings.

In the area of corporate security, the industrial, business and financial sectors exhibit the highest demand not only for security systems, but also for management, transport and deposit of cash.

It is worth noting that corporate security services are primarily intended for company clients. Hence, only 7% of the total market value is generated by private residences, a figure which rises to 45% when we only take into consideration the residential security operating market.

PERSONNEL

Grupo Prosegur's staff closed the year with 70,838 members in comparison with 60,795 members in 2004.

Historically, one of Prosegur's main tools for establishing itself as one of Europe's leading service groups has been its brand of personnel recruitment. The confidence and responsibility which should characterise those whose task it is to serve our clients in their installations in a job as delicate as that of providing security obliges us to guarantee not only the efficacy of Grupo Prosegur professionals, but also their honesty, responsibility, emotional equilibrium and psychological maturity.

For this reason, the continuous improvement of selection processes which allow us to assess the suitability of a candidate for a Prosegur job position in ever greater detail, has always been a priority for the Human Resources Department.

Below, we show the trend with regard to candidate selection in Spain for the year 2005.

Figure recruitment Total Spain	**Total**	**Jan-05**	**Feb-05**	**Mar-05**	**Apr-05**	**May-05**	**Jun-05**	**Jul-05**	**Aug-05**	**Sep-05**	**Oct-05**	**Nov-05**	**Dec-05**
Total candidates Listed D.B. for month))	48,252	3,803	3,098	3,513	4,182	4,214	4,758	3,341	2,669	4,107	5,625	5,816	3,126
Selected (Suitable selection + for hire)	11,683	624	591	880	1,011	1,212	1,437	1,106	932	1,209	975	1,025	681
% Selected/totals	21.79	16.41	19.08	25.05	24.18	28.76	30.20	33.10	34.92	29.44	17.33	17.62	21.79

Figure training Total Spain	**Total**	**Jan-05**	**Feb-05**	**Mar-05**	**Apr-05**	**May-05**	**Jun-05**	**Jul-05**	**Aug-05**	**Sep-05**	**Oct-05**	**Nov-05**	**Dec-05**
Total acces courses	148	6	6	9	8	15	18	16	15	15	15	14	11
Total participants Access course	2,958	94	197	243	209	271	297	407	200	287	238	310	205
Nº courses In house training	1,139	140	81	80	110	95	116	119	7	95	127	104	65
Total participants courses In house training	17,718	736	1.331	1.641	1,841	1,738	3,612	495	262	1.165	1,479	2,541	877
Total courses	1,287	146	87	89	118	110	134	135	22	110	142	118	76
Total participants	20,676	830	1,528	1,884	2,050	2,009	3,909	902	462	1,452	1,717	2,851	1,082

Monthly employment trends at the Group level are shown below:

Year 2005	Corporate security	Residential security	Total
January	58,558	1,331	59,889
February	58,796	1,308	60,104
March	58,970	1,302	60,272
April	64,590	1,291	65,881
May	67,824	1,308	69,132
June	67,914	1,316	69,230
July	68,844	1,314	70,158
August	69,163	1,318	70,481
September	68,886	1,340	70,226
October	69,178	1,349	70,527
November	69,620	1,358	70,978
December	69,467	1,371	70,838
Average	**65,983**	**1,326**	**67,309**

Over the last five years, the staff has evolved as indicated below:

Staff	2005	2004	2003	2002	2001
Direct	63,859	55,041	52,376	52,892	38,913
Indirect	3,450	3,298	3,150	2,834	2,620
Total	**67,309**	**58,339**	**55,526**	**55,726**	**41,533**

Trends in relative staff size in proportion to turnover in the last five years bearing in mind that 2005 and 2004 are reported under NIIF with previous years being reported under PGC criteria is as follows:

Persons per million in turnover	2005	2004	2003	2002	2001
Direct	46.0	49.5	46.9	47.8	43.1
Indirect	2.5	3.0	2.8	2.6	2.9

The decrease during the year is due to the disproportionate increase in Corporate Security business turnover in comparison with other Group lines of business.

With respect to training during the period, 1,287 continued training courses were taught in Spain to a total of 20,676 people with the following distribution:

	Access training		Continuous training		Total	
	Nº Courses	Attendance	Nº Courses	Attendance	Nº Courses	Attendance
First quarter	21	534	301	3,708	322	4,242
Second quarter	41	777	321	7,191	362	7,968
Third quarter	46	894	221	1,922	267	2,816
Fourth quarter	40	753	296	4,897	336	5,650
TOTAL	**148**	**2,958**	**1,139**	**17,718**	**1,287**	**20,676**

INVESTMENTS

Group investments are always analysed by the Investment Analysis Department with the time period of return constituting the previous requirement for approval. Afterwards, it is sent to the Investment Committee which finally decides whether to proceed with the investment or expenditure.

During the year, 38,400.4 thousand euros (36,822.0 thousand euros in 2004) were recognized as amortisation/depreciation, of which 33,429.9 thousand (33,659.3 thousand euros in 2004) corresponds to PPE, and 4,970.5 thousand (3,162.7 thousand in 2004) corresponds to intangible assets. Below, the total number of investments analyzed by the Investment Committee during the year 2005 and 2004 are shown for purposes of comparison.

(Figures in thousands of euros)	2005	2004
First quarter	15,860	22,582
Second quarter	23,769	13,984
Third quarter	6,658	21,867
Fourth quarter	15,120	12,094

During the year, investments were made in PPE in the amount of 57.1 million euros.

OPERATION

Profit margins have been compressed in the majority of markets. This effect has been offset by an effort to contain and even reduce structural costs, which has resulted in an operating profit of 113.9 million euros during 2005 compared with 105.5 million euros obtained last year; this represents an increase of 7.9%.

The main reasons for decreasing gross profit margins have been:

In Europe:

- Greater competitive pressures.
- The incorporation of CESS, with lesser profit margins than the rest of the business in Spain.
- The costs of integrating CESS and Nordés.
- The costs derived from the change in corporate identity.

In Latin America:

- A change in the business mix, resulting from the increasing importance of surveillance.
- The cost of integrating the acquisitions in Brazil.

The greatest effort to reduce costs has been made in European countries in order to offset the fall of the aforementioned margins. On the other hand, organic growth in Latin America has been achieved with a structure which has grown at a lower rate, as a consequence of which some of this reduction in gross profit margins has been recovered.

The series for the last five years shows the sequence of operating profits (2004 and 2005 are under the new standard and other years are under PGCA):

(Figures in thousand of euros)	2005	2004	2003	2002	2001
Operating profits	113,914.8	105,526.9	102,284.8	107,382.9	77,979.4

The constant growth rate shows a continuous and cumulative increase of operating profit of 9.9%, which indicates the reliable profitability of the activities.

FORECASTS AND TRENDS

Although growth has moderated somewhat, the demand for domestic and corporate/commercial services still has potential growth thanks to economic development, rises in living standards, and a greater awareness of the need to protect oneself from crime. In addition, public entities shall continue to outsource part of their security services. In this context, strategies based on the development of comprehensive offers of services and products which allow custom-designed solutions for clients shall continue to be implemented.

In this sense, the goal is to reinforce complementarity between surveillance services and the installation of electronic security systems along with automation, alarms, or fire detection equipment, all within the context of a diversification process which aims to offer a comprehensive service package to the final client.

The estimates and judgements are continuously evaluated and are based on historical experience and other factors including expectation of future events which are considered reasonably likely to occur under the circumstances. The Group makes estimates and judgements regarding the future. The resulting accounting estimates,by definition, rarely equal the corresponding real results. The main uncertainties with regard to estimates are those related to goodwill, tax expenditures and provisions.

FINANCIAL MANAGEMENT

From the point of view of financial management, year 2005 has seen a change in the conservative financial policy with emphasis on reducing financial debt seen in previous years. At the close of 2004, the Group had very low levels of debt: only 0.38 % of its common equity and, therefore, it had a very high leverage capacity.

As a consequence, in 2005, an active policy of acquiring companies has been pursued in order to enhance the Group's growth strategy.

Therefore, by taking advantage of its capacity to take on debt to finance the acquisitions of CESS, NORDES, PRESERVE AND TRANSPEV, the Group's Net Debt at the close of the year 2005 stands at 227 million euros. This debt includes 5 Million euros for valuations at market prices of the different financial derivatives purchased by the Group, outstanding as of 31/12/2005. This level of debt represents a ratio of net financial debt over Equity of 0.70. This is a ratio which still lies within the compliance limits stipulated in the covenants established in the syndicated loan. One should note that despite the increase in debt produced by the acquisitions, all of the other covenants set forth in the syndicated loan agreement present compliance ratios.

Financial structure

In consolidated terms, the long term financial debt which matures after a year reached 72 million euros at the end of the year based mainly on the loan contracted in Spain with the banking syndicate, and financial and leasing operations in Brazil.

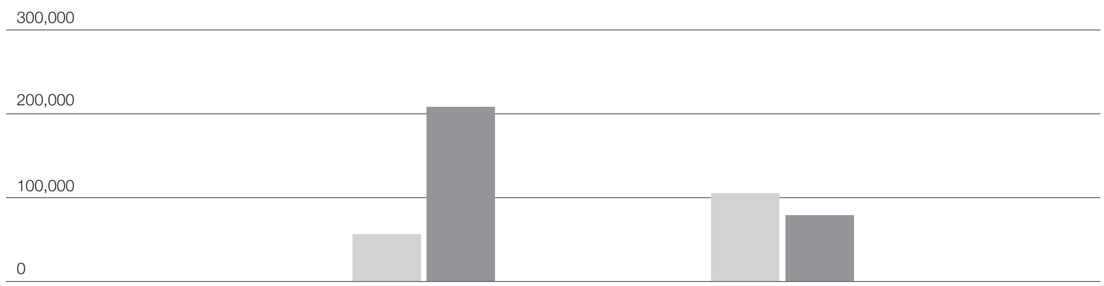
With respect to the syndicated loan, the outstanding balance on December 31, 2005 stood at 95 million euros of which only 78 million euros and 20 million dollars were drawn down. Of these amounts, only 47 million euros are considered long tem debt.

Given the proximity of the maturity date, October 2007, negotiations have begun with financial entities connected to the Group for the contracting of a new syndicated loan which shall replace the current loan and provide a longer term maturity date. Prosegur 's healthy financial state combined with the competitiveness which characterises corporate debt markets allows us to anticipate that we can receive conditions resembling those associated with the current syndicate loan.

Short term financial debt stands at 204 million euros, and includes mainly Spanish credit policies. The high figure for short term in comparison with long term debt can be explained by the payments made in recent acquisitions for companies with short term debts which are to be restructured.

The evolution of the structure of financial debt by maturity over the last two years shows the following distribution at the close of 2005 year:

Financial Debt Group *(in thousands of euros)*

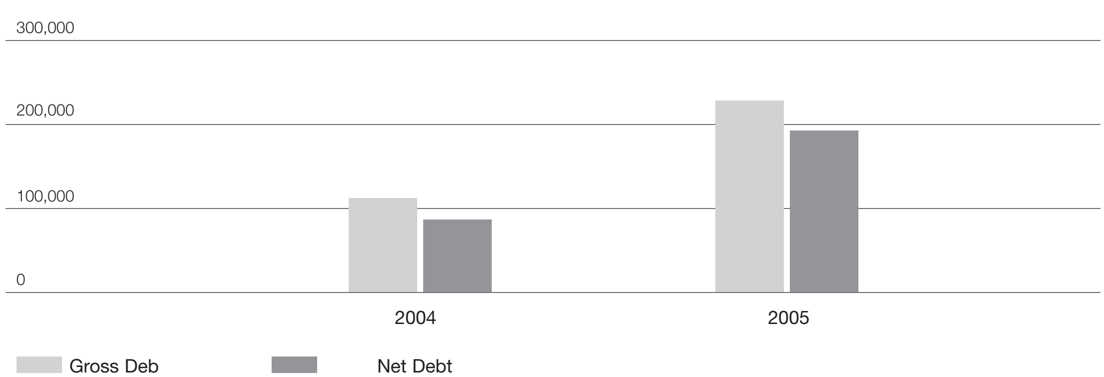


	S/TERM	L/TERM
2004	50,853	104,807
2005	204,050	72,295

Therefore, the total financial debt contracted with financial entities (including the market value of derivative instruments) at the close of the year stood at 276 million euros compared to 156 the previous year. The average cost of the financial debt for the year was 6.35% due to the high interest rates experienced in Brazil during the year.

If we consider the Net Financial Debt, discounting cash, cash equivalents, and other short term financial assets from the gross debt, the amount at year end stood at 227 million euros.

Trend in Group's indebtedness *thousands of euros*



Gross debt includes short and long term bank liabilities and market valuations of financial instruments.

In order to calculate NET indebtedness, cash, cash equivalents and other current financial assets are added to gross debt.

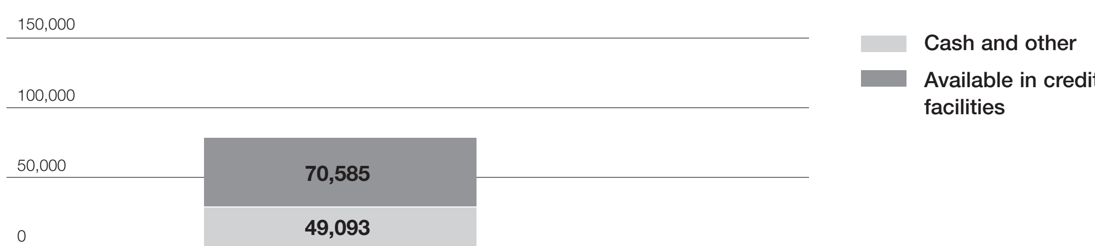
Liquidity

The Group maintains a policy of having a high level of liquid reserves available which allows it to guarantee and act with flexibility and agility with regard to operations carried out over the short term. This policy enabled the Group to carry out its most recent acquisitions with the liquidity and holdings existing on that date without having to assume specific financial operations.

On December 31, 2005, the Group's inmediately available liquidity stood at 120 million euros including current accounts, short term cash investments, deposits and credit facilities. This figure represents 8.6% of the consolidated annual sales which is more than enough to ensure sufficient short term liquidity for all of the Group's undertakings.

Prosegur has contracted short term credit facilities (maturity at or before one year) for 140 million euros diversified in a sufficiently large pool of banks in which participate the most important banks located in the countries in which the Group operates.

Cash and cash equivalents, other financial assets, available credit facilities *(in thousands of euros)*



Cash and other include cash, cash equivalents, and other current financial assets.

Foreing exchange risk

Prosegur maintains a policy of financing its business investment operations in local currency thus minimising its exposure to exchange rate risks associated with international operations. One should bear in mind that although the need for investment capital varies depending on the line of business, (with the transport of funds having a high requirement) this need is generally low, as a consequence of which it is feasible to tie the rate of investment in each country to the generation of cash flow.

In this way, although Prosegur is currently established in a large number of countries, the financial debt is based fundamentally in three currencies including dollar, euro and Brazilian real. The debt in euros represents 77%. In the last year, exposure to the exchange rate risk associated with the dollar has been reduced and it now only accounts for 6% of it.

The structure of the financial debt by currency exhibited by Prosegur at the close of year 2005 shows the following distribution:

Types of debt currencies

HEDGING OPERATIONS

The range of risks to which the Group is exposed has led to Increased activity in the derivatives markets in order to limit this exposure to risk. The company has contracted hedging structures using derivative instruments in order to limit its exposure to interest rate fluctuations.In this manner, for example, a hedging structure for exchange rate risks is maintained by means of a Cross Currency Swap over 47MM BRL which covers exposure in reales of Prosegur Cía for the purchase of a financial asset (Term Note), in said currency,from a Brazilian financial entity. This note, in turn , is consideration for and the subject of the provision of a loan for the same amount which the aforementioned Brazilian entity has given Prosegur Brasil SA. Prosegur has taken on a cap/floor interest rate structure with the following detail:

Nominal 55,000,000 €	Maturity 25/04/06
- Collections at rates fixed at the beginning of period at Euribor 3 months	
- Payments at rate fixed at maturity at dollar Libor 12 months	
Floor Rate	3.3250%
Capped Rate	4.40%
Knock Out	6.00%

This operation covers Prosegur against possible interest rate Increases for a principal amount of 55 million euros. Prosegur shall pay a minimum of 3.325% provided that the Dollar Libor at one year (at maturity of the liquidation period) is under or equal to said percentage. If the dollar Libor at one year is between 3.325% and 4.40% then Prosegur shall pay the market interest rate set by the dollar Libor in one year. If it is above 4.40% and does not reach 6%, Prosegur shall pay a maximum of 4.40%. If the rate reaches 6% or exceeds said level, protection against variation in the USD interest rate shall entirely disappears, as a result of which it shall be considered as a non-perfect hedge and fluctuations in the fair value shall be recorded directly in the results account. In consideration, Prosegur shall allways receive Euribor at three months set at the beginning of each liquidation period.

TREASURY SHARES

As of January 1, 2005, the company held 92,859 treasury shares. These shares are to be delivered to specific company officers. During 2005, 20,434 shares corresponding to Plan 2002, which reached maturity in April were delivered in the amount of 218.7 thousand euros representing 0.033% of total shares in issue.

On December 31, there are 72,425 treasury shares representing 0.117 % of share capital, for an amount valued at 775.2 thousand euros.

ENVIRONMENT

During 2005, the Group has invested in armoured vehicles which comply with the Euro III standard with regard to the emission of non-polluting particulates; this investment stands at 3,180 thousand euros and has originated a corporate tax rebate of 111 thousand euros for the companies which have undertaken this investment. Likewise, the group, at the close of the 2005, has no environmental contingencies or legal claims regarding environmental concerns.

RESEARCH AND DEVELOPMENT

The Group has not invested in research and development.

SUBSEQUENT EVENTS

On February 15, 2006, an increase in share capital of the Dutch subsidiary, Malcoff, was paid in for 500 thousand euros.

RESPONSIBILITY FOR THE ANNUAL ACCOUNTS

The consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. and subsidiaries are the responsibility of the directors of the parent company and have been prepared in accordance with International Standards for Financial Information adopted by the European Union. The Directors are responsible for the integrity and objectivity of the consolidated annual accounts including the estimates and judgements reflected therein and they discharge this responsibility mainly by establishing and maintaining appropriate accounting systems and other regulations, appropriately supported by internal accounting controls. These controls have been designed to provide reasonable assurance that the entity's assets are safeguarded and that transactions are performed subject to due authorisation and in accordance with rules established by management. They also assure that the accounting ledgers are reliable for purposes of preparation of the consolidated annual accounts. Automatic correction and control mechanisms are a significant part of the control environment, to the extent that corrective action is adopted where weaknesses are observed. Nevertheless, no matter how well designed an internal control system is, it is subject to certain inherent limitations, including the possibility that controls may be overridden or cancelled. Consequently, a system can only provide reasonable assurance for purposes of preparing annual accounts and safeguarding assets. In any event, the effectiveness of internal control systems may vary over time due to changing conditions.

The entity has assessed its internal control system up to December 31, 2005. On the basis of this evaluation, the directors consider that the internal accounting controls in use provide reasonable assurance that the entity's assets are safeguarded, transactions are executed with due authorisation by management, and that the accounting ledgers are reliable for the purposes of preparing the consolidated annual accounts.

The external auditors are appointed annually by the Shareholders at the Annual General Meeting to audit the annual accounts in accordance with technical account auditing standards and their unqualified opinion is included separately. Their auditing work along with the work undertaken by the Group's own internal audit office includes reviewing internal accounting controls and selective tests of transactions. Senior officers of the entity meet regularly with external auditors and internal services to review matters related with the preparation of financial information, internal accounting controls and other significant audit-related issues.

Mr . Daniel Lozano Lozano
Chief Financial and Economic Officer

Good direction report

ISSUER IDENTIFICATION DATA

Corporate name: Prosegur Compañía de Seguridad, S.A.
Fiscal Identification Code.: A-28430882. Registered office: Calle Pajaritos, 24, 28007 Madrid, Spain.

A_OWNERSHIP STRUCTURE

A.1. Share capital:

Date of last change	Share capital (euros)	Number of shares
19-11-2001	37,027,478.40	61,712,464

Different classes of shares:

Class	Number of shares	Nominal unit
—	—	—

A.2. Direct and indirect ownership of significant shareholdings at 31/12/04, excluding directors:

Shareholder s name or Company name	Number of direct shares	Number of indirect shares (*)	Percentage share capital
Gubel, S.L.	30,902,693	21,340 (1)	50.110
As Inversiones, S.A	3,274,100	0	5.305
Corporación Financiera Alba, S.A.	0	3,229,673 (2)	5.233

(*) By means of:

Name or company name of the direct owner of shares	Number of direct shares	Percentage total share capital
(2) Alba Participaciones, S.A.	3,229,673	5.233
Total	**3,251,013**	**5.268**

Changes in share structure occurring during the accounting year:

Name or company name of shareholder	Date of operation	Description of operation
—	—	—

A.3. Members of the Board of Directors owning shares in the Company

Name and corporate name of director	Date of initial appointment	Date of last appointment shares	Number of direct shares (*)	Number of indirect shares	Percentage share capital
Mrs. Helena Revoredo Delvecchio	30-06-1997	14-07-2004	0	30,924,033 (1)	50.110
Mrs. Mirta Giesso Cazenave	09-05-2000	18-04-2002	189,832	3,274,100 (2)	5.613
Ibercaja (Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y La Rioja)	25-10-1993	18-04-2002	65,500	0	0.106
Mr. Ángel Vizcaíno Ocáriz	23-03-2004	23-03-2004	12,897	170 (3)	0.021
Mr. Pedro Guerrero Guerrero	29-03-2005	29-03-2005	100	32,000 (4)	0.052

(*) Via:

Name of the individual or Company directly owning shares	Number of direct shares
(1) Gubel, S.L.	30,902,693
(1) Prorevosa, S.A.	21,340
(2) As Inversiones, S.A.	3,274,100
(3) Ana María Ochoa (cónyuge)	170
(4) Valores del Darro, SICAV, S.A.	32,000
Total:	**34,230,303**

% Total share capital held by the Board of Directors	**55.796**

Members of the Board of Administration who hold stock options in the Company:

Name or company name Director	Number of direct option rights	Number of indirect option rights	Number of shares equivalents	Total percent.of share capital
—	—	—	—	—

A.4. Relationships of a family, commercial, contractual or corporate nature between the holders of a significant number of shares known by the company:

Name or corporate name of related parties	Type of relationship	Brief description
—	—	—

A.5. Commercial, contractual or corporate relationships between holders of significant shareholdings and the company:

Related company names	Type of relation	Brief description
Gubel, S.L.	Comercial	Lease on the part of Proactinmo, S.L. to Prosegur of an office building s for the amount of 787 thousand euros and initial period of 5 years (lease arranged in 2005 to take effect in 2006)..

A.6. Shareholder's agreements communicated to the Company:

Participants in shareholder's agreement	% share capital affected	Brief description of agreement
—	—	—

Prosegur Compañía de Seguridad S.A. (Prosegur) has not been informed of the existence of shareholders agreements between shareholders.

Joint action taken by shareholders of company known to company:

Participants joint action	% share capital affected	Brief description of joint action
—	—	—

A.7. Natural or corporate persons who exercise or could exercise control over the company in the manner referred to in section 4 of the Spanish Securities Market Act

Name or corporate namel
Helena Revoredo Delvecchio

Observations
Via the company Gubel, S.L.

A.8. Company treasury stock

On date of closure of accounting year:

Number of direct shares	Number of indirect shares (*)	(*) % of total share capital
72,425	0	0.117

(*) Via:

Fiscal Identification Number or Code	Name or corporate name of direct owner of shareholding	Number of direct shares
—	—	—

Significant variations, pursuant to the provisions of Royal Decree 377/1991, occurring during the accounting year

Date	Number of direct shares	Number of indirect shares	% of total share capital
—	—	—	—

Results obtained during accounting year for treasury stock operations *(thousands of euros)*	127

A.9. Terms and conditions of the mandate extended by the General Meeting to the Board of Directors in order to acquire and transfer the treasury shares described in paragraph A.8.

The annual general and extraordinary meeting of Prosegur shareholders, held on June 37, 2005 approved the following agreement, amongst others, which is transcribed below:
"to authorise the Board of Directors of the Company to acquire derivatives of treasury shares pursuant to the provisions of section 75 and *"the Consolidated Text of the Spanish Companies Act, to the extent deemed appropriate in light of the circumstances, either directly or by way of the subsidiary companies of the Group. Under no circumstances shall the maximum number of shares to be acquired exceed, when added to those which the parent company and its subsidiaries already hold, the legal limit established, and any such transaction shall only be carried out given compliance with all other legal requirements. The maximum and minimum prices for the acquisition of shares shall be the market share price plus or minus 10% respectively, at the date the transaction in question is carried out.*

Shares may be acquired by means of purchase and sale transactions, equity swap, or any other transaction for valuable consideration as circumstances may warrant. For these purposes, the Board of Directors is hereby empowered to the extent necessary to seek such authorisations and make such resolutions as may be necessary or appropriate in order to comply with prevailing legislation, and to execute and complete this resolution.. The authorisation shall have a term of (18) months as from the date of this General Meeting.

Any acquisitions made on the basis of this authorisation may involve shares delivered directly to the senior officers or Directors of the company or such as may be derived from the exercise of stock options held by the same, for which purpose the treasury stock of the Company may be used, or new shares acquired using this authorisation."

A.10. Legal and statutory restrictions on the exercise of voting rights, and legal restrictions on the acquisition or transfer of stakeholdings:

A.10.1. *Legal and statutory restrictions on the exercise of voting rights:*
Non-existent.

Without prejudice to the foregoing, it is placed on the record that section 17 of the articles of incorporation set forth the following with regard to the right to attend and vote at General Shareholders Meetings.
"Shareholders owning at least one thousandth part of the share capital attend and vote at General Meetings provided that their shares are duly entered into the corresponding shareholders' register at least five days prior to the date at which such Meeting is to be held.
Shareholders who do not individually hold the minimum number of shares required to attend and vote at General Meetings may pool their shares and delegate representation at the Meeting to a proxy, who must also be a shareholder. The Board of Directors of the company shall be notified of the intention to pool shares and the identity of the representative at least five days prior to the date of the Meeting. Otherwise, the share pool and proxy shall not be deemed valid."

A.10.2. *Restrictions on the acquisition or transfer of interests in share capital:*
Nonexistent.

B_MANAGEMENT STRUCTURE OF THE COMPANY

B.1. Board of Directors

B.1.1. Maximum and minimum number of directors provided for in the articles of association:

Maximum number of Directors	**15**
Minimum number of Directors	**3**

B.1.2. Members of the Board of Directors:

Name or company name of director	Represen.	Office	Initially appointment	Last appointment	Election procedure
Helena Revoredo Delvecchio		Chairman	30-06-1997	14-07-2004	AGMI
Eduardo Paraja Quirós		CEO	26-04-2004	26-04-2004	AGMI
Isidro Fernández Barreiro		Director	19-06-2002	27-06-2002	AGMI
Mirta Giesso Cazenave		Director	09-05-2000	18-04-2002	AGMI
Chantal Gut Revoredo		Director	30-06-1997	18-04-2002	AGMI
Christian Gut Revoredo		Director	30-06-1997	18-04-2002	AGMI
Ibercaja (Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y La Rioja)	José Luís Martínez Candial	Director	25-10-1993	18-04-2002	AGMI
Pedro Guerrero Guerrero		Director	29-03-2005	29-03-2005	AGMI
Eugenio Ruiz-Gálvez Priego		Director	27-06-2005	27-06-2005	AGMI
Ángel Vizcaíno Ocáriz		Director	23-03-2004	23-03-2004	AGMI

Total number of directors **10**

Ceses producidos durante el periodo en el Consejo de Administración:

Director s name and company name	Date of termination
Mr José Luís Méndez López	29-03-2005

B.1.3. Members of the Board of Directors:

EXECUTIVE DIRECTORS

Director 's name or corporate name	Committee proposing nomination	Office in the Company organigram
Helena Revoredo Delvecchio	Nomination and Compensation Committee	Chairman
Eduardo Paraja Quirós	Nomination and Compensation Committee	Chief Executive Officer
Christian Gut Revoredo	Nomination and Compensation Committee	General Director Security Corporate Spain
Ángel Vizcaíno Ocáriz	Nomination and Compensation Committee	Director

SHAREHOLDER DIRECTORSHIPS

Director's name or Company name	Committee proposing nomination	Name or Company name of the major shareholder represented
Isidro Fernández Barreiro	Nomination and Compensation Committee	Corporación Financiera Alba S.A.
Mirta Giesso Cazenave	Nomination and Compensation Committee	As Inversiones, S.A.
Chantal Gut Revoredo	Nomination and Compensation Committee	Gubel, S.L.

INDEPENDENT DIRECTORS

Director's name or Company name	Committee proposing nomination	Profile
José Luís Martínez Candial, representing Ibercaja.	Nomination and Compensation Committee	- CA, professor and auditor and CPA. - Diploma in Business Administration from the Instituto de Estudios Superiores de la Empresa (IESE) and University of Navarra 1961-1962. - Chairman of the Chamber of Commerce and Industry. - Chairman of the Steering Committee of the Official National Trade Fair of Zaragoza from 1980 to 1991. - Chairman of the Board of Directors of Ibercaja from 1987 to 1995. - Chairman of the Cultural Board of Trustees of Ibercaja.

Name or company name of director	Committee proposing nomination	Profile
Pedro Guerrero Guerrero	Nomination and Compensation Committee	- Degree in Law from the University Complutense of Madrid. - State s Attorney, stock broker, public notary of Madrid (extended leave) - Was chairman of the Board of Governors of the Madrid Stock Exchange - He was founding member and vice-Chairman of A.B. Asesores Bursátiles and Chairman of A.B. Gestión and A.B. Asesores Red. - Currently vice-Chairman of Bankinter, of which he has been a Director since 2000. In addition, he is a member of both the Executive Committee and the Nomination and Compensation Committee of the Bank as well as Chairman of the Auditing Committee
Eugenio Ruiz-Gálvez Priego	Nomination and Compensation Committee	- Civil Engineer ETS of Madrid. -Master Business Administration (MBA). Standford University. - He was CEO and vice-Chairman of Grupo Uralita. - Currently CEO of Azucarera Ebro. - Currently director of Ebro Puleva and Puleva Biotech

OTHER INDEPENDENT DIRECTORS

Name and corporate name of director	Committee proposing his appointment
—	—

Reasons why they are not considered as independent or as representatives of substantial shareholders:

Changes in the representation of Directors:

Name and company name of director	Date of change	Former representation	Current representation
—	—	—	—

B.1.4. Indicate whether the classification of directors contained in the previous point reflects the classification set forth in the regulations of the Board of Directors:

Section 8 of the Regulations of the Board of Directors establish the following with regard to the composition of the Board:

"**1.** The Board of Directors in the exercise of its power of proposal to the General Meeting and of co-option for covering vacancies shall endeavour that in the composition of the body, the number of executive directors does not exceed the number of independent directors.

For these purposes, those directors who carry out executive or management functions in the Company or in one of the companies in which a stake is held shall be considered executives as will, in general, those who maintain a contractual mercantile employment or other sort of relationship with the company apart from their position as directors. Likewise, executives who have any decision making capacity in connection with some part of the Company or Group, either through delegation or through stable empowerment conferred by the Board of Administration or by the Company, respectively, shall also be considered directors.

2. The Board will endeavour, likewise, that the holders, or their representatives, of significant stable stakeholdings in the capital of the Company (representatives of substantial shareholdings), and professionals of recognised prestige who are not connected to the executive team or substantial shareholders (independent directors) are integrated into the group of outside directors.

3. In order to establish a reasonable equilibrium between independent officers and officers representing substantial shareholders, the Board shall maintain the structure of company ownership in such a way that the relationship between the two types of directors reflects the relative proportions of floating and stable capital.

As a consequence, it is worth mentioning that the current composition of the Prosegur Board of Administration respects the provisions of the Board Regulations, given that the executive directors do not constitute a majority with respect to outside directors, and within the group of outside directors there are both representatives of holders of substantial stable stakeholdings in share capital and professionals of recognised prestige not connected to the executive team or to substantial shareholders (independents), reflecting the correspondence between representatives of substantial shareholders and stable capital as opposed to independents and floating capital."

B.1.5. Powers vested in executive director(s):

Name or company name of director	Brief description
Helena Revoredo Delvecchio	Wide executive and financial powers extended on a permanent basis through a deed of empowerment
Eduardo Paraja Quirós	Delegation of all powers of the Board of Directors except those that by law or statue may not be delegated (including those which are incluye las que tenga específicamente expressly delegated to the Steering Committee)
Christian Gut Revoredo	Wide executive and financial powers extended on a permanent basis through a deed of empowerment

B.1.6. Members of the Board who occupy directorships or management positions in other companies which form part of the Group of the listed company:

Name and company name of the director	Company name of the group entity	Office
Christian Gut Revoredo	Nordés Prosegur Tecnología, S.L.	Co-manager
Christian Gut Revoredo	Nordés Vigilancia S.A.	Co-manager
Christian Gut Revoredo	ESC Servicios Generales S.L.	Co-manager
Christian Gut Revoredo	Prosegur Transporte de Valores, S.A.	Co-manager

B.1.7. Company directors who are members of the Boards of other companies listed on official stock markets in Spain that do not form part of the Group, in accordance with notifications provided to the Company:

Director 's name or company name	Listed company	Office
Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Executive director
Isidro Fernández Barreiro	ACS Actividades de Construcción y Servicios, S.A.	Director
Pedro Guerrero Guerrero	Bankinter, S.A.	Vice-Chairman
Eugenio Ruiz-Gálvez Priego	Ebro Puleva, S.A.	Director
Eugenio Ruiz-Gálvez Priego	Puleva Biotech, S.A.	Director

B.1.8. Aggregate earnings of directors for the year:

a) In the Company which is the subject of this report:

Item	Thousands of euros
Fixed remuneration	1,444
Variable remuneration	537
Allowances	0
Statutory emoluments	0
Share options and/or other financial instruments	0
Other	14
Total:	**1,995**

Other benefits	Thousands of euros
Advances	0
Loans	0
Contributions to pension plans and funds	0
Obligations contracted with pension plans and funds	0
Life insurance premiums	14
Guarantees extended by the company in favour of directors	0

b) For membership on the part of the Company s directors on other boards of administration and/or in upper management of group companies:

Item	Thousands of euros
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Statutory emoluments	0
Share options and/or other financial instruments	0
Others	0
Total:	**0**

Other Benefits	Thousands of euros
Advances	0
Loans	0
Contributions to pension plans and funds	0
Obligations contracted with pension plans and funds	0
Life insurance premiums	0
Guarantees extended by the company in favour of directors	0

c) Total emoluments by director category:

Director categories	By company	By group
Executive directors	1,675	0
Shareholder directors	191	0
Independent directors	129	0
Other external directors	0	0
Total:	**1,995**	**0**

d) With respect to the profit attributed to the parent company

Total remuneration of directors (thousands of euros)	1,995
Total remuneration of directors/ profit attributed to the parent Company (expressed as %)	3.79

B.1.9. Senior executives of the Company who are not executive directors and total remuneration earned during the year:

Name	Office
Ignacio Dal Ré Compaire	Innovation and New Projects Development director
José Ignacio Echegaray del Campo	Human Resources director
José Manuel García-Hermoso	Media director
Santiago García-Arenal López Doria	Prosegur France director
José Antonio Lasanta Lurí	Nordés-Prosegur Technology director
Jorge Couto Leitao	Prosegur Portugal director
Javier Mirallas Sarabia	Institutional Relations director
Juan José Calvo Sáez	Risk Management director
Jaime Plá Velarde	International Clients director
Julio Arrieta Gisbert	Prosegur Alarms director
Rodrigo Zulueta Galilea	Chairman Prosegur Latin America

Total remuneration of senior executives (thousands of euro)	**1,966**

B.1.10. Dismissal guarantee and protection clauses in favour of executive directors and senior officers of the Company or the Group.

Number of beneficiaries of executive guarantee of protection clauses	**3**

	Board of Directors	Shareholders' General Meeting
Body responsible for authorising clauses	X	

	YES	NO
Are clauses reported to the Shareholders' General Meeting?		X

B.1.11. Process followed to calculate the emoluments of the Board of Directors and, where applicable, indication of key articles regulating this issue.

In accordance with the provisions of article 22 of the Articles of Association of Prosegur Compañía de Seguridad, the post of director is remunerable. The remuneration of the administrators consists of a fixed annual amount, not exceeding the total amount paid to all the directors as the maximum authorised by the Shareholders' General Meeting which remains in effect until modified by this body.

For its part, article 28 of the Board Regulations of Prosegur provides that the director will have the right to that payment as fixed by the Board of Directors in accordance with statutory provisions and in agreement with the Appointments and Remuneration Committee.

In any case, in accordance with section to of the aforementioned article, the Board should ensure that the remuneration of a director be reasonable in consideration of the market, and if deemed appropriate, that a proportion should be linked to the productivity of the Company.

Additionally, it is the duty of the Board, following article 5.3 of the Board Regulations of Prosegur, to exercise directly the approval and annual amount of the directors' remuneration in global terms, being, in any case, within the limits set by the Articles of Association. In this manner, the amounts set for the non executive directors, being the salaries and benefits in kind, are submitted on an individual basis for consideration by the Board.

Finally, in accordance with section 2.d) of article 17 of the Board Regulations, the Appointments and Remuneration Committee proposes to the Board of Directors, the system and amounts for the annual remuneration of the directors. Likewise, section 2.e) of the abovementioned article 17 requires a periodic review of the systems of remuneration, considering their adequacy and performance.

B.1.12. . Identity of members of the Company's Board of Directors who are at the same time Board members or executive officers in other companies holding significant interests in the listed Company and/or group companies:

Name of director	Name of major shareholder	Office
Helena Revoredo Delvecchio	Gubel S.L.	President and CEO
Chantal Gut Revoredo	Gubel S.L.	Director and Secretary
Christian Gut Revoredo	Gubel S.L.	Director
Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	CEO
Mirta Giesso Cazenave	As Inversiones S.A.	President and CEO

Relations other than those referred to in preceding section between members of the Board of Directors and major shareholders and/or group companies:

Name of director	Name of major shareholder	Relationship
Helena Revoredo Delvecchio	Gubel, S.L.	majority shareholderl
Christian Gut Revoredo	Gubel S.L.	minority shareholder
Chantal Gut Revoredo	Gubel S.L.	minority shareholder
Mirta Giesso Cazenave	As Inversiones, S.A.	majority shareholder

B.1.13. Amendments made to the Board Regulations during the year.

No amendments were made to the Board Regulations during the year 2005.

B.1.14. Procedures for the appointment, re-election, evaluation and removal of directors. Competent bodies, processes and criteria involved in each process.

a) Appointment of directors:

In accordance with the provision in article 20 of the Board Regulations of Prosegur, the directors are appointed by the General Meeting, or by the Board of Directors, in any event conforming to the provisions contained in the Ley de Sociedades Anónimas (Spanish Company Law).

The proposals for appointment of directors which are submitted by the Board of Directors for consideration by the General Meeting, and the decisions of nomination made by this body and by virtue of the authority of co-option that this body holds by law, must be preceded by the corresponding nomination by the Appointments and Remuneration Committee.

If the Board of Directors should set aside any recommendation of the Appointments and Remuneration Committee, it must give the reasoning behind its decision, and be consistent in its actions.

Dealing with the appointment of external directors, article 21 of the Board Regulations states that as the Appointments and Remuneration Committee, within the scope of its responsibility, should ensure that the candidates elected should be persons of verifiable solvency, competence and experience, having a maximum strictness in relation to these points of reference to cover the positions of an independent director.

Finally, the Board of Directors may not propose or designate a position of independent director to a person who has any relationship with the management of the Company, or who has links of a familial, professional or commercial nature with executive directors or other upper management of the Company.

b) Re-election of directors

In accordance with article 22 of the Board Regulations, the proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting must be preceded by a notice sent by the Appointments and Remuneration Committee containing an evaluation of the quality of work and dedication to the post of those directors during their preceding mandate.

c) Retirement and removal of Directors:

The Directors retire from their post once the term in office for which they were appointed has elapsed, or when decided by the General Meeting or the Board of Directors by means of the powers conferred by law or statute.

Additionally, in relation to the matters described above, article 25 of the Board Regulations establishes that directors affected by the proposals of appointment, re-election or dismissal must abstain from deliberations and voting that refer to themselves, and that the voting be public, unless one of the directors should request that the vote be secret.

B.1.15. Circumstances in which directors are required to resign.

Article 24 of the Board Regulations establishes that the directors must place their post at the disposition of the Board of Directors, and formalise, if this is considered in the best interest, the corresponding resignation in the following cases:

- Dismissal from the executive office with which the appointment to the Board was associated.
- Where they are affected by circumstances of legal incompatibility or bar.
- Where they may be prosecuted in the courts for alleged criminal offences or where the supervisory authorities may open disciplinary proceedings.
- When they are seriously admonished by the Audit Committee for having broken their obligations as director.
- When their continuation as members of the Board of Directors could jeopardise the interest of the Company or where the reasons for their appointment may cease to apply (for example, when a director representing a controlling shareholder relinquishes his holding in the Company).

B.1.16. Is the Chairman of the Board of Directors the chief executive of the company? If this should be case, show the measures that are taken to limit the risks associated with the accumulation of powers in a single person?

YES		NO	X

B.1.17. Are there any majority rules, other than those defined by law, for any type of decision?

YES		NO	X

Adoption of resolutions of the Board of Directors, minimum quorum and majorities required:

Description of resolution	Quorum	Type of majority
All resolutions	The Board of Directors shall be validly convened when half plus one of its members are either present or represented.	Absolute majority of those directors attending except where stipulated by law. In the case of a tie, the vote cast by the Chairman is deciding.

B.1.18. Are there any specific requirements for the appointment of the Chairman other than general requirements for all directors?

YES		NO	X

Description of the requirements	—

B.1.19. Does the Chairman hold a casting vote?

YES	X	NO	

Occasions when a casting vote may exist	In the case of a tie, the vote cast by the Chairman is deciding.

B.1.20. Do the Articles of Association or the Board Regulations establish any age limit for directors?

YES		NO	X

Age limit for Chairman		—
Age limit for CEO	—	
Age limit for director		—

B.1.21. Do the Articles of Association or the Board Regulations establish any age limit for independent directors?

YES	NO X
Maximum number of years of mandate	—

B.1.22. Are there any formal processes for the delegation of votes in the Board of Directors?

Article 23.5 of the articles of association of Prosegur establishes that directors, in case of absence, may delegate representation in Board meetings to another director in a written proxy. Article 19.1 of the Board Regulations provides that, in the power of proxy, the directors endeavour that the representative belong to the same group as the represented director and should include appropriate instructions.

B.1.23. Number of meetings of the Board of Directors during the year and number of Board meetings not attended by the Chairman:

Number of meetings of the Board of Directors in 2005	4
Number of meetings of the Board held in the absence of the Chairman:	0

Number of Board committee meetings held during the year:

Number of meetings of the Steering or Delegate Committee	13
Number of meetings of the Audit Committee	10
Number of meetings of the Appointments and Remuneration Committee	4
Number of meetings of the Strategy and Investment Committee	—

B.1.24. Are the individual and consolidated annual reports presented to the Board for approval certified?

YES	X	NO

Persons responsible for certifying the individual and consolidated annual reports for the purposes of preparations by the Board:

Name	Office
D. Daniel Lozano Lozano	Finance Director

B.1.25. Mechanisms established to ensure that the individual and consolidated annual reports prepared by the Board of Directors are not presented to the Annual General Meetings with qualifications in the auditor's report.

The Finance department of the Company applies strict controls to ensure that the individual and consolidated annual reports be prepared in accordance with generally accepted accounting principles in Spain, and with international accounting standards. All of the group companies are audited by a single firm of auditors which is PriceWaterhouseCoopers.

Among its functions, the Audit Committee is responsible for relations with the external auditors, and as a part of this task supervises the audit opinion on the annual reports in order to ensure the absence of qualifications, as well as holding discussions with the external auditors at the time the annual reports are prepared.

Finally, article 44 of the Board Regulations stipulates that the Board of Directors should prepare the annual reports in such a manner as there should be no reason for qualification on the part of the auditor. Nevertheless, when the Board considers that it must maintain its criteria, it must explain publicly the content and amount of the discrepancy

B.1.26. Measures adopted to ensure that information disclosed to the market be distributed equitably and evenly.

All of the information published by the Company is disclosed first to the Spanish National Securities Market Commission and, after acknowledgement of receipt, to the media, analysts and any investors who may have expressed an interest in the Company's data.

In addition, the Board Regulations contain a measure specifically concerning relations with the markets (Article 43) in which is stated that the Board of Directors inform the public immediately about:

- Relevant facts capable of influencing the market price.
- Changes in the ownership structure of the Company, such as changes in significant shareholdings, syndication agreements and other forms of coalition that should be known about.
- Significant changes in the regulations of the Company's direction.

B.1.27. Is the Secretary to the Board also a director?

YES		NO	X

B.1.28. Mechanisms established by the Company to preserve the independence of the auditor, of financial analysts, of investment banks and of rating agencies.

The Audit Committee oversees the independence of external auditors and, where deemed appropriate, it may request their presence at committee meetings.

In this respect, article 44 of the Board Regulations provides that the Board of Directors refrain from contracting such auditing firms where the anticipated fees, in all respects, might be in excess of five per cent of their total income during the last period, and should publicly inform the global fees paid by the Company to the audit firm for non-audit services.

No procedures currently exist to guarantee the independence of financial analysts or investment banks. Nevertheless the Company has at all times proceeded with complete openness in its dealings with these parties, and its criteria have always been based on the principles of professionalism, trustworthiness and independence in their opinions.

This issue is not applicable to rating agencies, as the Company has no relations with the same.

B.1.29. Has the auditor carried out any other engagements for the Company and/or the group other than audit services?

YES	NO	X

	Company	Group	Total
Amount of work other than audit work (thousands of euro)	—	—	—
Amount of work other than audit/ Total billed by the auditor (%)	—	—	—

B.1.30. Number of consecutive years that the current auditor has examined the annual reports of the Company and/or its group, and percentage of the total years audited examined by the current auditor:

	Company	Group
Number of consecutive years	17	17
Number of years examined by the current auditor / Number of years that the company has been audited (%)	100%	100%

B.1.31. Holdings of members of the Board of Directors of the Company in stock of entities that have the same, similar or complementary type of activity as their main business, whether of the Company or of its group, and that have been disclosed to the Company:

Name of director	Name of of related company	% holding	Office or function
—	—	—	—

B.1.32. Do any procedures exist to allow directors access to external advice?

YES	X	NO

Details of the procedure

The procedure is detailed in article 27 of the Board Regulations.

The external directors may seek the engagement of legal advisors, accountant and financial or other experts by the Company. Such engagements must necessarily refer to specific problems that are both significant and relevant and arise in the performance of the director's office.

The decision to contract experts must be communicated to the Chairman and may be vetoed by the Board of directors if it deems:

- That it is not part of the precise duties of the functions entrusted to the external directors.
- That the cost is not reasonable in light of the relative importance of the problem and of the assets and income of the Company.
- That the technical assistance that would be gathered may be obtained adequately by experts and technicians of the Company.

B.1.33. . Is there any procedure to ensure that directors obtain the necessary information to prepare meetings of the governing bodies with sufficient time in advance?

YES	X	NO

Details of the procedure

In accordance with article 18.2 of the Board Regulations, the calling of meetings of the Board of Directors, excepting special cases to be justified by the Chairman's judgement, should be done with a minimum anticipation of three days, and should include an agenda for the session, and be accompanied by all relevant information, duly summarised and prepared.

In addition, article 12 of the Board Regulations establishes expressly that the Secretary must give the directors the advice and information necessary for the proper functioning of the Board.

Finally, in accordance with the provisions of article 26 of the Board Regulations, the directors are granted the widest facilities to inform themselves about whatever aspect of the Company, to examine its books, registers, documents and other records, and to inspect the properties, extending this right to information regarding subsidiary companies, whether Spanish or foreign.

B.1.34. Has any civil liability insurance been taken out to cover the directors of the Company?

YES	X	NO

B.2. Board Committees

B.2.1. Governing bodies

Name of body	No of members	Functions
Board of Directors	10	Article 24 of the Articles of Association

B.2.2. Board Committees and their members:

STEERING COMMITTEE

Name	Office
Helena Revoredo Delvecchio	Chairman
Isidro Fernández Barreiro	Director
Chantal Gut Revoredo	Director
Christian Gut Revoredo	Director
Eduardo Paraja Quirós	Director
Eugenio Ruiz-Galvez Priego	Director

AUDIT COMMITTEE

Name	Office
Isidro Fernández Barreiro	Chairman
Chantal Gut Revoredo	Director
Christian Gut Revoredo	Director

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office
Helena Revoredo Delvecchio	Chairman
Isidro Fernández Barreiro	Director
Chantal Gut Revoredo	Director
Pedro Guerrero Guerrero	Director
Ibercaja (represented by José Luís Martínez Candial)	Director - Secretary

STRATEGY AND INVESTMENT COMMITTEE

Name	Office
—	—

B.2.3. Rules of organisation and functioning governing the Board committees, and responsibilities assigned to each.

STEERING COMMITTEE

a) Regulation

Articles 25 of the Articles of Association and 15 of the Board Regulations.

b) Composition

The Steering Committee shall be formed by a minimum of three and a maximum of seven members of the Board of Directors. The Steering Committee shall be presided over by the Chairman of the Board of Directors.

In all cases, the adoption of the agreements for the appointment of members of the Steering Committee require a favourable vote of not less than two thirds of the members of the Board of Directors.

The office of secretary to the Steering Committee is assigned to the secretary of the Board of Directors.

c) Operation

Meetings of the Steering Committee are called in advance by the Chairman, using, in the absence of specific rules, the procedures established by the Board of Directors, whenever these are compatible with the natural running of the committee.

In all cases, the Steering Committee meets for at least seven ordinary sessions per year.

In those cases when, in the opinion of the Chairman, or of three members of the Steering Committee, the importance of the matter is such, the decisions made by the Committee are sent to the full Board of Directors for ratification. Where the Board of Directors has delegated the Committee to examine a matter, the Board reserves the right to make the final decision. In whatever other case, the decisions made by the Steering Committee are valid and binding without need of subsequent ratification by the full Board.

d) Responsibilities

The Steering Committee has wide powers to represent, administer and manage the Company, to dispose of funds and, in general, to carry out all actions corresponding to the Board of Directors, excepting those matters non-delegatable by law or the Articles of Association. Without prejudice to the above, specifically concerning the Steering Committee, where these powers cannot be attributed to any other body, the following powers may be delegated by the Board of Directors:

- The approval to undertake whatever significant investments or divestments for the Company:
- The supervision and follow up of decisions and actions of the CEO.

AUDIT COMMITTEE

a) Regulation

Articles 27 of the Articles of Association and 16 of the Board Regulations.

b) Composition

The Audit Committee shall be formed by a minimum of three and a maximum of five members of the Board of Directors.

In any event, a majority of its members shall be non-executive directors, appointed by the Board of Directors at the proposal of the Appointments and Remuneration Committee.

The Board of Directors shall designate, from among the non-executive directors, the person who shall perform his/her duties under the title of Chairman of the Audit Committee. The Chairman shall be replaced every four years but may be re-elected after a period of one year has elapsed from the date of cessation.

The Audit Committee shall appoint a secretary who shall draw up the minutes for the resolutions of the Committee. The office of secretary may be held by whoever is decided by the Committee, without requiring that the person be either a director or a member of the Committee.

c) Operation

The Audit Committee shall regulate its own functioning using, in the absence of specific rules, the procedures established by the Board of Directors, whenever these are compatible with the natural running of the committee.

The Audit Committee shall meet for at least four ordinary sessions during the year. The Audit Committee shall meet whenever the Board of Directors or the Chairman of the Board of Directors should request the issuance of a report or adoption of proposals, and, in any event, shall meet whenever necessary for the appropriate performance of its functions.

Attendance at meetings of the Committee is obligatory and to offer collaboration and access to information held for all members of the direction or Company personnel who may require it. Also, the Committee may require the presence of the auditors at its sessions.

d) Responsibilities

The Audit Committee holds the following basic responsibilities:

- To inform the Shareholders' Annual General Meeting about issues raised by the shareholders.
- To propose the appointment of the external auditor, appraise the service agreement, the scope of the professional mandate, and, when required, the revocation or non-renovation of the appointment.
- To check the annual reports of the Company, ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, as well as to notify in case of proposals to change the accounting principles or criteria suggested by the management.
- To serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the replies from the management team to the auditor's recommendations, and to mediate in cases of differences in the applicable principles or criteria in the preparation of the annual reports.
- To evaluate the adequacy and integrity of the systems of internal control and to oversee the appointment or substitution of those responsible for them.
- To supervise the completion of the audit contract, ensuring that the opinion on the annual reports and the principal contents of the auditor's report are presented in a clear and precise form.
- To check the bulletins and periodic financial information that the Board sends to the market and supervisory bodies.
- To examine the compliance with the Internal Rules of Conduct of the Stock Exchange, of the current regulations, and in general, of the regulations of the direction of the Company, and to make any necessary proposals for improvement. In particular, it is the responsibility of the Audit Committee to receive information, and, when required, to issue a statement about disciplinary measures concerning members of the senior management of the Company.

APPOINTMENTS AND REMUNERATION COMMITTEE

a) Regulation

Articles 26 of the Articles of Association and 17 of the Board Regulations.

b) Composition

The Appointments and Remuneration Committee shall be formed by a minimum of three and a maximum of five members of the Board of Directors.

The Appointments and Remuneration Committee shall be presided over by the Chairman of the Board of Directors and will appoint a secretary who shall draw up the minutes for the resolutions of the Committee. The office of secretary may be held by whoever is decided by the Committee, without requiring that the person be either a director or a member of the Committee.

c) Operation

Meetings of the Appointments and Remuneration Committee are called in advance by the Chairman, using, in the absence of specific rules, the procedures established by the Board of Directors, whenever these are compatible with the natural running of the committee.

The Appointments and Remuneration Committee shall meet whenever the Board of Directors or the Chairman of the Board of Directors should request the issuance good direction report // 123 of a report or the adoption of proposals, and, in any event, shall meet whenever necessary for the appropriate performance of its functions. In any event, it shall meet once a year to prepare the information about the emoluments of the Directors that the Board of Directors must approve and include in its public annual documentation.

d) Responsibilities

The Appointments and Remuneration Committee has the following basic responsibilities:

- To draw up and revise the criteria followed to establish membership of the Board of Directors and select candidates.
- To propose to the Board of Directors the appointment of directors to be directly designated (co-opted) by the Board or for their appointment to be put to the decision of the Shareholders' General Meeting.
- To propose to the Board of Directors who should hold seats on each of the Committees.
- To propose to the Board of Directors the system and amount of annual emoluments of the management.

To approve the hiring of senior management personnel, either though contracts of employment or via service contracts, their remuneration and possible inclusion in any Share Remuneration Schemes that may be decided at the Shareholders' General Meeting.

- To review remuneration programmes on a regular basis, considering appropriateness and performance.
- Ensure transparency in the emoluments.
- To report on transactions involving, or that might involve, conflicts of interest.

B.2.4. Advisory, consultative and delegate powers assigned to each of the Committees:

Name of committee	Brief description
Steering Committee	Committee with general decision-making powers. It has wide powers to represent, administer and manage the Company, to dispose of funds and, in general, to carry out all actions corresponding to the Board of Directors either legally or on a statutory basis.
Appointments and Remuneration Committee	Committee with consultative and control powers. For detail of the powers of this Committee, see section B.2.3 above.
Audit Committee	Committee with consultative and control powers. For detail of the powers of this Committee, see section B.2.3 above..

B.2.5. Regulations of the Board Committees, availability thereof for consultation purposes and amendments made during the year. Have any voluntary annual reports on the activities of each committee been prepared?

The Board Committees are governed by provisions of the Company's Articles of Asso ciation and the Board Regulations.

No specific regulations exist for any of them. The Board Committees have not prepared any annual reports on activities for 2005.

B.2.6. Level of delegation and independence of the Steering Committee in the exercise of its functions with regard to the adoption of resolutions concerning the management and running of the Company.

Working on a collegiate basis, the Steering Committee has wide powers to represent administer and manage the Company, to dispose of funds and, in general, to carry out all actions corresponding to the Board of Directors either legally or on a statutory basis.

B.2.7. Does the current composition of the Steering Committee reflect the membership of the Board based on the category of directors?

YES	NO	X

Membership of the Steering Committee

The Board of Directors is made up of four executive directors, three shareholder representatives and three independent directors. The Steering Committee is made up of three executive directors, two shareholder representatives and one independent director.

B.2.8. Are all the members of the Appointments and Remuneration Committee external directors?

YES	NO	X

C_RELATED PARTY OPERATIONS

C.1. Notable operations that involve the transfer of resources or obligations between the Company and member of its group, and significant shareholders of the Company:

Name of major shareholder	Name of the Company or Group entity	Nature of relationship	Type of operation	Amount *(thousands of euro)*
Gubel, S.L.	Proactinmo, S.L	Commercial	Tenancy agreement	787 thousand euro per year

C.2. Significant operations that involve the transfer of resources or obligations between the Company and member of its group, and the management or directors of the Company:

Name of major shareholder	Name of the Company or Group entity	Nature of relationship	Type of operation	Amount *(thousands of euro)*
—	—	—	—	—

C.3. Significant operations undertaken by the Company with other members of its group, always ensuring that these are not cancelled out in the process of forming the consolidated group annual reports and not forming part of the normal course of business of the Company:

Name of Group entity	Brief description of the operation	Amount (thousands of euro)
—	—	—

C.4. Potential conflicts of interest affecting the directors of the Company in accordance with section 127 (iii) of the Spanish Companies Act. The directors of the Company have not reported any potential conflicts of interest.

C.5. Mechanisms in place to detect, delimit and govern possible conflicts of interest between the Company and/or the group and its directors, executives or major shareholders.

Prosegur's Internal Code of Conduct for Matters Related with the Stock Market (ICC) requires the persons affected to act at all times with freedom of judgement, loyalty to Prosegur and its shareholders and independently of their own or third-party interests, as well as requiring such persons to refrain from taking part in or influencing any decision-making processes that might affect persons or entities with which a conflict of interest may exist and from seeking confidential information concerning such conflict of interest.

For these purposes, the ICC requires the persons affected to notify the Compliance Office of any conflicts of interest arising for them as a consequence of their activities outside Prosegur, personal assets or for any other reason in connection with:

a) Financial intermediaries with which Prosegur operates.

b) Professional investors such as fund managers, pension funds, etc. c) Significant suppliers, including providers of legal or audit services.

d) Significant customers

e) Organisations conducting the same business and competitors.

Pursuant to the ICC potential conflicts of interest are deemed to exist at least when the circumstances of personas affected with regard to the entities referred to above are as follows:

- Membership of the Board of Directors.
- Ownership of significant interests in share capital.
- Provision of services or performance of remunerated activities, or the existence of material contractual relations, whether direct or indirect.

Powers to regulate and resolve possible conflicts of interest in the Company are assigned by the Company's Articles of Association to the Appointments and Remunerations Committee.

The Internal Regulations of the Company's Board of Directors require directors to refrain from attending meetings and participating in debates referring to matters in which they may have a personal interest. Also, directors are not permitted to use business opportunities arising for the Company for their own benefit or the benefit of family or friends, unless such opportunity is first offered to the Company, and the Company opts not to conduct such business with the express authorisation of the Board subject to a report by the Appointments and Remuneration Committee.

Finally, directors are required to inform the Company of all shares in the same owned either directly or indirectly and of office held and activities carried out in other companies.

D_D. RISK CONTROL SYSTEMS

D.1. General description of the risk policy of the Company and/or its group, assessment of the risks covered by the system and validation of the appropriateness of the said systems for each type of risk:
The main risks covered by the system are operational, financial and of reputation in nature The Company has taken a range of different measures to counteract these risks based on their nature. In the case of financial risks, these include audits, for which purpose the Company has engaged a leading international firm, and various hedging operations designed to cover fluctuations in exchange and interest rates.

For operational risks, the Company has not only contracted insurance policies providing significantly higher cover than would be required by prevailing legislation conduct of its business, but also undertakes regular, detailed controls, which are carried out by the company's inspectorate at branch offices for the three lines of business. Reputational risks are addressed through due diligence and openness in the Company's normal conduct of affairs. All control measures are carried out under the supervision of the Audit Committee.

D.2. Control systems established by the company to evaluate, mitigate or reduce the main risks to which the Company and its group are exposed.
Acting through the Audit Committee, the Board of Directors supervises accounting policies and internal control systems and procedures with a view to providing reasonable assurance of the reliability and consistency of financial data and of the annual accounts prepared.
In addition, Prosegur's internal Risk Management department undertakes reviews priority issues identified in the Company's risk map, carrying out review plans either using its own resources or engaging external assistance.

Such plans are implemented on an ongoing basis in the areas of tax, accounting, IT, and insurable risks, allowing the corporate risk control department to concentrate its attention mainly on the development of business operations. The contingency of the Risk Management department covers all areas of the Prosegur Group's activities, comprising the Surveillance, Alarms and Cash Transport divisions.

It also carries out control and internal audit. work in the different departments of the Company.

The Risk Management department carries out audits in the various support units and service structures of the business units.

The department also performs quality audits based on the ISO 9001 standard at all Spanish Cash Transport and Surveillance offices of the Company. The Risk Management department also carries out control and internal audit work at the Spanish Alarms offices with particular attention to technical issues. Since Prosegur is a multinational concern with a presence in eleven countries, the internal audit work carried out by the Risk Management Department is also performed in the international subsidiaries of Prosegur, covering their business divisions and departments.

D.3. In the event that any of the risks affecting the Company and/or the group, explain the circumstances and whether the control systems in place operated effectively.
No significant incidents have arisen in this area during 2005.

D.4. Committee or governing body responsible for establishing and supervising control mechanisms and details of its functions.
The Audit Committee has been the body responsible for control mechanisms since it was created in 2003. The functions delegated to the Audit Committee for these purposes include, inter alia, the following:

- Examination of the financial disclosure process and the Company's internal control systems.
- Relations with the Company's external auditors in order to obtain information concerning those matters that may place their independence at risk, and any other issues connected with the audit process, as well as prior discussions required by auditing legislation and auditing standards in Spain.

D.5. Identification and description of compliance processes in respect of regulations affecting the Company and/or the group:

The Company, in order to ensure compliance with applicable regulations, has an adequate organisation, notable the existence of a Finance department, and an external service of legal assessment which, in all areas of its responsibility, oversees compliance with regulations (internal and external).

The Board Regulations expressly require the secretary to ensure the formal and actual legality of all of the actions of the Board and to oversee respect for the procedures and rules of direction of the Company and regular reviews thereof.

Meanwhile, the functions of the Audit Committee include the creation and supervision of an effective internal process to ensure that the Company complies with the laws and the regulatory provisions governing its activities and verify that the requisite procedures are in place to guarantee compliance with internal regulations by the management team and employees.

E_GENERAL MEETING OF SHAREHOLDERS

E.1. Quorum for the Annual General Meeting established in the Articles of Association.
Differences with minimum requirements in accordance with the Spanish Companies Act.

The quorums required to convene and attend General Meetings of the Shareholders in accordance with article 18 of the Company's Articles of Association are the same as those established in sections 102 and 103 of the Spanish Companies Act.

E.2. Regime for the adoption of corporate resolutions. Differences with regard to the regime provided in the Companies Act.
Article 19 of the Articles of Association establishes that the Shareholders at the duly convened General Meeting shall decide on those issues that are the competence of the Shareholders' Meeting by majority vote.

Where the General Meeting is attended by shareholders representing less than 50% of subscribed capital with voting rights, any resolution concerning the issue of obligations, share capital increase or decrease, transformation, merger or segregation of the Company and, in general, any amendment of the Articles of Association may only validly be adopted with the votes in favour of two thirds of the share capital present or represented at the meeting. Accordingly, there is no difference with the regime provided in sections 93 and 103 of the Spanish Companies Act.

E.3. Rights of Shareholders in connection with General Meetings other than those established in the Companies Act.
No Shareholder rights differing from those set forth in the Companies Act have been established in connection with General Meetings to date.

E.4. Measures adopted to foster participation by Shareholders in General Meetings.
The General Meeting Regulations establish a series of measures intended to foster the participation of shareholders in General Meetings. These consist mainly in facilitating access by shareholders to all of the information concerning the issues included in the agenda for the meeting in advance not only by means of physical delivery of the relevant documents, but also by posting such documents on the corporate website. Information will also be published concerning the means and procedures for conferring proxy representation at the Shareholders' Meeting, and from the day following the official announcement of the meeting the Company will provide a registered attendance and delegation card to all shareholders entitled to attend who may request the same.

E.5. Indicate if the Chairman of the Board of Directors also chairs the General Meeting of Shareholders. Detail, if this is the case, the measures established to guarantee the independence and proper functioning of the General Meeting of Shareholders.

YES	X	NO

Details of measures:

In accordance with the General Meeting Regulations:

1. The Chairman of the General Meeting is required to:

a) Direct the meeting to ensure debate on the issues set forth in the agenda.

b) Establish the order of debate and intervention by speakers.

c) Decide the manner of voting for resolutions in accordance with the provisions of these Regulations.

d) Resolve any concerns, clarifications or claims arising in connection with the agenda, the list of people attending, ownership of shares, delegated of proxy votes and quorum and resolution requirements, as well as matters concerning statutory limits on voting rights.

e) Allow those shareholders who so request to speak and to withdraw or withhold the right to speak where grounds exist, and to conclude debate when he/she understands that the issues have been sufficiently discussed, in accordance with the provisions in these Regulations.

f) Indicate when to move to a debate on the resolutions and announce the results of votes.

g) In general, exercise the authority required to ensure the orderly progress of the meeting, including interpretation of the provisions of these Regulations

E.6. Amendments made to the Shareholders' Meeting Regulations during the year.

There have been no modifications made to Prosegur's Shareholders' Meeting Regulations, approved at the Shareholders' Meeting of 26 April 2004, during the year.

E.7. Attendance at Shareholders' Meetings held during 2005:

Attendance

Date of Meeting	Physically attending (%)*	Represented (%)*	Remote votes (%)*	Total (%) *
27-06-2005	61.35 %	3.84 %	0.00%	65.19 %

** % of total share capital*

E.8. Resolutions adopted at the General Meetings held during the year to which this report refers and percentage of votes supporting the resolution in each case:

Shareholders' General Meeting on 27 June 2005

Point of order	Description of resolution	% of votes (of share capital) in favour Present or represented	Result of the vote
1	Approval of the annual reports, directors' report and proposed distribution of profits of Prosegur and its consolidated Group corresponding to the year 2004.	100%	Approved
2	Approval of the conduct of affaire by the Board of Directors during the year.	100%	Approved
3	Approval of the distribution of dividend out of unrestricted Company reserves.	100%	Approved
4	Approval of the merger by absorption of CESS Compañía Europea de Servicios de Seguridad, S.A. by Prosegur.	100%	Approved
5	Approval of the mergers by absorption of Atecyr, S.L.U., Nordes Instalaciones, S.A.U., Nordes Sistemas, S.A.U., Nordes Mantenimiento, S.A. and Nordes C.R.A., S.A. by Prosegur.	100%	Approved
6	Delegation to the Board of Directors the power to establish the aggregate annual remuneration to be paid to the directors each year, within the limits established by the Articles of Association.	100%	Approved
7	Authorisation for the acquisition of derivatives of the Company's own shares.	100%	Approved
8	Re-election of the external auditor.	100%	Approved
9	Ratification of the retirement of a director, appointment of a new directors and ratification of a director appointed by co-option.	100%	Approved
10	Approval of the modification of articles 5 to 33 of the Articles of Association, and approval for their corresponding new texts.	100%	Approved
11	Delegation of powers to formalise, execute and carry out the resolutions adopted by the Shareholders' General Meetingl.	100%	Approved

E.9. Number of shares required to attend the Shareholders' General Meeting and any related statutory restrictions:

In order to attend the General Meeting, each shareholder must hold title to one thousandth part of the Company's share capital, representing a total of 61,712 shares based on the total current share capital.

E.10. Policy followed by the Company with regard to the delegation of votes at Shareholders' Meetings.

The Company has no specific policy in this regard.

E.11. Is the Company aware or not of the policy of institutional investors to participate or otherwise in corporate decisions?

YES	NO	X

E.12. Address of the Company's website and access path to the corporate direction content:

Address: www.prosegur.com
Access: Home page / Shareholders and Investors / Corporate direction

F_ DEGREE OF COMPLIANCE WITH GOOD DIRECTION RECOMMENDATIONS

Degree of compliance by the Company with existing corporate good direction recommendations or, where applicable, non-conformance therewith.
Until such time as the document referred to in Order ECO/3722/2003 (issued on 26 December 2003) is prepared this section shall refer to the recommendations set forth in the Olivencia Report as updated and modified by the Aldama Report:

Recommendation 1: *"The Board of Directors should expressly place the general function of supervision at the centre of its mission, undertake the concomitant duties as responsibilities that cannot be delegated, and establish a formal classification of matters reserved for its attention."*
The policy of the Board is to delegate the day-to-day running of the company to its executive bodies and the management team, concentrating its activity on the general supervisory function and accepting and directly carrying out the concomitant duties by way of responsibilities that cannot be delegated.

Recommendation 2: *"The Board of Directors should include a reasonable number of independent directors, whose profile should be that of persons of good professional standing who are unconnected with the management team and major shareholders."*
The Company's Board of Directors currently includes two independent directors out of a total of nine directors. Their profile is that of persons of good professional standing who are unconnected with the management team and major shareholders.

Recommendation 3: *"In the membership of the Board of Directors, external directors (i.e. shareholder representatives and independent directors) should constitute a significant majority over executive directors. The proportion between shareholder representatives and independent directors should be established taking into consideration the proportion of share capital comprising significant interests and the rest."*
This recommendation has been updated in the Aldama Report to advise a significant majority of external directors and, among the same a very high proportion of independent directors, taking into consideration the ownership structure of the company and the share capital represented on the Board.
The external directors (three shareholder representatives and two independents) form a majority over the four executive directors.

Recommendation 4: *"The size of the Board of Directors should be such as to ensure that it has sufficient participation to function effectively. In principle, an appropriate size would be between 5 and 15 members."*

The Aldama Report drops any recommendation as to the maximum or minimum number of Board members, confining itself to the recommendation that the Board should have a reasonable number of members to ensure it is effective and the workload of each director is appropriate.

Article 20 of the Company's Articles of Association establishes that the Board of Directors shall be formed by a minimum of three and a maximum of fifteen members. The Company currently has a total of ten directors.

Recommendation 5:*"Should the Board opt for a formula that combines the offices of Chairman and Chief Executive Officer of the Company, the pertinent precautionary measures should be adopted to limit the risks of concentration of power in a single person."*

Currently, the Company has opted to separate the office of Chief Executive of Prosegur (which is held by the CEO Eduardo Paraja Quirós) from the office of Chairman of the Board of Directors (which is held by Helena Revoredo Delvecchio), which means that there is no accumulation of functions.

Recommendation 6: *"The office of secretary to the Board should be given greater relevance by boosting the independence and stability of the position and stressing the secretary's role of safeguarding the formal and material legality of the Board's actions."*

The secretary to the Board of Directors assists the Chairman in her work and safeguards the proper functioning of the Board, in particular advising the directors and providing them with the necessary information, keeping corporate documentation, drawing up the minutes in which the resolutions adopted are recorded and witnessing the same.

The secretary at all times safeguards the formal and material legality of the Board's actions and ensures compliance with procedures and results of direction and regular revision of the same. The secretary to the Board is also the secretary of the Steering Committee. Currently, the office of secretary to the Board of Directors is held by a person external from the Company, being a professional of high repute in the field of mercantile law.

Recommendation 7: *"Where a Steering Committee exists, its membership should reflect the same balance between different types of director as the Board, and relations between the two bodies should be inspired by the principle of openness, in such a manner that the Board will be fully aware of the issues dealt with and decisions made by the Committee."*

The Steering Committee has a total of six members, two of whom are shareholder representatives, three are executive directors and an independent director. As explained above, the Board has ten members, four of whom are executive directors, three shareholder representatives and three independent external directors. The Steering Committee regularly reports on significant decisions taken at its meetings to the Board of Directors.

Recommendation 8:*"The Board of Directors should create delegated control Committees formed exclusively by external directors to oversee accounting information and control (Audit), the selection of directors and senior executives (Appointments), remuneration policy and reviews (Remuneration), and the evaluation of the system of direction (Compliance)."*

The Board of Directors of Prosegur has set up an Audit Committee, which is formed by one executive director and two external shareholder representatives, and an Appointments and Remuneration Committee, which is formed by one executive director, two external shareholder representatives and two independent external directors.

Recommendation 9: *"Measures should be adopted to ensure that the directors are provided in advance with sufficient information, specifically drawn up and oriented toward the preparation of Board Meetings. The importance or restricted character of such information should not override the application of this principle except in exceptional circumstances."*

The secretary convenes meetings of the Board of Directors and sends the agenda at least five days in advance, and directors duly are presented with the information that is to be presented at the Board Meeting in advance. An annual schedule of Board Meetings is established in advance to facilitate the work of directors.

Directors are provided with any information or explanations they may require in connection with the matters included in the agenda during the course of Board meetings and/or subsequent thereto. All directors are entitled to seek and obtain the necessary information.

Recommendation 10: *"In order to ensure the proper functioning of the Board, meetings should be held as often as may be necessary for the Board to fulfil its mission; the Chairman should foster the intervention and free expression of opinion by all directors; special care should be taken with the drafting of minutes; and the quality and effectiveness of work should be appraised at least on an annual basis."*

The Board of Directors held a total of four meetings during 2005.

The action of the Chairman in the course of Board meetings is directed to fostering the participation of all of the directors, explaining the issues debated clearly and accurately and faithfully reflecting the opinion of the directors, who express their views as often as they deem appropriate in the course of the sessions.

Recommendation 11: *"The intervention of the Board in the selection and re-election of its members should take place in accordance with a formal and transparent procedure on the basis of a grounded proposal made by the Appointments Committee."*

In accordance with the Board Regulations, proposals for the appointment, re-election and ratification of directors submitted by the Board of Directors for consideration by the Shareholders at their General Meeting, and the appointments decided by the Board itself, shall be preceded by the relevant proposal from the Appointments and Remuneration Committee.

Recommendation 12: *"Company regulations should include the obligation for directors to resign in circumstances that could have a negative impact on the functioning of the Board or the standing and good name of the Company."*

The Board Regulations require directors to tender their resignation to the Board of Directors and formally to resign, subject to an affirmative report from the Appointments and Remuneration Committee in circumstances that could have a negative impact on the functioning of the Board or on the standing and good name of the Company. In particular, directors are required to resign in any of the circumstances of incompatibility or bar defined in prevailing legislation.

Recommendation 13: *"A maximum age limit should be established for the office of Director. This could be between 65 years and 70 years for executive directors and the Chairman, and somewhat more flexible for other Board members."*

The criteria of the Olivencia Report on this point were amended by the Aldama Report, which establishes no age limit but confines itself to recommending that any policy adopted by a company in this matter should be clearly and set forth in its internal regulations.

Neither the Board Regulations nor the Articles of Association establish any age limit, and the directors therefore undertake to continue to perform the duties of the office while they remain in full possession of the faculties, capabilities and availability that determined their election, and to leave office where their personal circumstances would impede the full exercise of such faculties, capabilities or availability.

Recommendation 14:*"The right of all directors to seek and obtain the necessary information and advice to fulfil supervisory functions should be formally recognised and appropriate channels should be established for the exercise of this right, including access to external experts in special circumstances."*

The provisions of article 26 of the Board Regulations grant the directors the widest facilities to inform themselves about whatever aspect of the Company, to examine its books, registers, documents and other records, and to inspect the properties, (a provision extending this right to information regarding subsidiary companies, whether Spanish or foreign) and regulates the procedures in the exercise of this right.

Additionally, article 27 of the Board Regulations recognises the rights of external directors to seek the engagement of legal advisors, accountants and financial or other experts by the Company. Such engagements must necessarily refer to specific problems that are both significant and relevant and arise in the performance of the director's office.

Recommendation 15: *"Policy regarding the remuneration of directors should be proposed, evaluated and reviewed by the Remuneration Committee and should set in accordance with criteria of moderation, relationship to the performance of the Company and detailed, individual information."*

The remuneration received by directors in their capacity as such is in accordance with the criteria of moderation in view of the performance and circumstances of the Company. In accordance with the provisions of article 22 of the Articles of Association of Prosegur Compañía de Seguridad, the post of director is remunerable. The remuneration of the directors consists of a fixed annual amount, not exceeding the total amount paid to all the directors as the maximum authorised by the Shareholders' General Meeting which remains in effect until modified by this body.

The Board Regulations provide that the director will have the right to that payment as fixed by the Board of Directors in accordance with statutory provisions and in agreement with the Appointments and Remuneration Committee. The Board of Directors ensures that the remuneration of the Director be appropriate in view of the actual performance of duties and appropriate to market conditions. This Corporate Direction Report provides aggregate disclosure of directors' remuneration.

Recommendation 16: *"The internal regulations of the company should detail the obligations arising out of the directors' general duties of diligence and loyalty, including in particular situations of conflict of interests, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets."*

The duties of directors as regards due diligence and loyalty are set out in Chapter IX of the Board Regulations, which establishes their obligation to withdraw in the event of conflicts of interest. Specifically, the draft board regulations establish, inter alia, the following obligations for members of the Board of Directors:

- Obligation to act with loyalty and due diligence.
- Obligation to maintain confidentiality.
- Obligation not to compete.
- Obligation to withdraw and report conflicts of interest.
- Obligation not to make use of corporate assets or privileged information.
- Obligation not to exploit business opportunities for personal gain.

In addition, the directors are bound by the Internal Code of Conduct for Matters Related with the Stock Market.

Recommendation 17: *"The Board of Directors should promote the adoption of appropriate measures to extend the duty of loyalty to major shareholders and, in particular, to establish safeguards for the case of transactions between such shareholders and the Company."*

The Board Regulations require that any direct or indirect transaction between the Company and a major shareholder be reported to the Board, and that the transaction shall not be authorised under any circumstances unless a prior report has been issued by the Appointments and Remuneration Committee with an assessment of the transaction from the standpoints of equality of treatment between shareholders and market conditions.

Recommendation 18: *"Measures should be established with a view to ensuring transparency in the mechanism for the delegation of votes and to foster communication between the Company and its Shareholders, in particular institutional investors."*

The Board Regulations require that any public applications for the delegation of votes by the Board of Directors or by any of its members must expressly indicate the manner in which the proxy will vote in the absence of instructions to that effect by the shareholder and, where appropriate, disclose the existence of any conflicts of interest.

All shareholders have the right to receive information, and the Regulations establish that they be provided with all information in accordance with legal requirements upon the occasion of the Shareholders' General Meeting, as well as all information that may be of interest and that it is reasonably possible to deliver, even where it is not legally required so to do. The Company is also required to attend to shareholders' requests for information prior to the Annual General Meeting and to answer any queries made by shareholders when the Meeting is held.

Regulations further establish the need to establish appropriate mechanisms for institutional investors to be furnished with information on a regular basis. However, the provision of information to these investors may not translate into a situation of privilege or advantage with regard to other shareholders.

Recommendation 19: *"Above and beyond the requirements established by prevailing legislation, the Board of Directors shall be responsible for providing the markets with timely, accurate and reliable information, in particular as regards the structure of shareholdings, material amendments to the rules of direction, significant related party operations and own shares."*
The Board has provided the markets with information in accordance with the requirements of prevailing legislation.

The Board Regulations establish the obligation for the Board of Directors to provide immediate public information concerning the following:
a) Relevant matters that could have a significant impact on the formation of market prices for the Company's stocks.
b) Changes in the ownership structure of the company, such as variations in major shareholdings, or syndication agreements or other forms of alliance between shareholders of which the directors may become aware.
c) Significant changes in the regulations of the Company's direction.
d) Significant operations involving own shares.

Recommendation 20: *"All regular financial information provided to the markets in addition to the annual reports should be prepared on the basis of the same accounting principles and professional practices as the annual reports and should be verified by the Audit Committee prior to disclosure."*
All information disclosed to the markets is prepared on the basis of the same criteria and professional practices as is used in the preparation of the annual reports and the reliability of such disclosures is similar. For these purposes, the information is examined and verified by the Audit Committee prior to disclosure wherever possible.

Recommendation 21: *"The Board of Directors and the Audit Committee should closely observe any situations that could compromise the independence of the Company's external auditors and, specifically, they should monitor the fees paid in respect of all services as a percentage of the auditor's total income and ensure public disclosure of all fees paid in respect of non-audit services."*
It has always been the Company's policy to respect the independence of external auditors. Moreover, relations between the auditor and the Company have been channelled through the Audit Committee since the creation of that body, and other services that could compromise the independence of the audit cannot be contracted without the Committee's authorisation and supervision.

The Board Regulations establish that the fees paid to any single auditor may not exceed a limit of 5% of that firm's total revenues. The company does not contract with professional services firms where this ceiling is exceeded.

In 2005 PriceWaterhouseCoopers Spain and the PriceWaterhouseCoopers organisation worldwide invoiced the following fees to the Group:

- 994.6 thousand in respect of audit work.
- 0 in respect of consultancy services.

The fees paid both to the lead auditor and to other audit firms in respect of non-audit services are disclosed in the notes to the annual reports.

Recommendation 22:*"The Board of Directors should seek to avoid situations in which the accounts prepared are presented to the Shareholders' General Meeting with qualifications in the Auditor's Report. Where this is not possible, both the Board and the auditor should clearly explain the content and scope of discrepancies to the shareholders and the markets."*
It has always been the Company's policy to ensure that audit reports do not contain qualifications, and the annual reports are prepared in accordance with generally accepted accounting principles in Spain.

Furthermore, the Board Regulations require the Board of Directors to prepare the definitive accounts in such a manner that the auditors will not find it necessary to make any qualifications. However, where the Board should deem it necessary to maintain certain criteria, it will publicly explain the content and scope of the discrepancy.

G_ OTHER MATTERS

Is the Company subject to any legislation of than that of Spain in relation to Corporate Direction? If so, indicate what information the Company must disclose that is not already included in the present report.

SECTION B.1.8.d)

In the section Aggregate Earnings of Directors all the types of emolument shown in table B.1.8 are covered (including salaries relating to the post, fees from attendance at board or committee meetings, etc.). The percentage of profit is calculated based on the individual profit of Prosegur Compañía de Seguridad, S.A., relating to 2005.

SECTION B.1.10.

The executive protection clauses are authorised by the Board of Directors as follows:

- In the case of the executive directors, clauses are authorised by the Board of Directors.
- In the case of other senior management, clauses are authorised by the Appointments and Remuneration Committee.

This annual report on corporate good direction was unanimously approved by the Board of Directors of the Company without votes against or abstentions at the meeting held on 22 May 2006.

Shareholder's Office

The Annual Report will be presented at the Shareholders' General Meeting and is available for shareholders of the Company at the offices at calle Pajaritos, 24, in Madrid.

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