FINANCIAL REPORT 2006

PROSEGUR

Contents of the consolidated annual accounts of PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. and subsidiaries

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Free translation of the auditor's report on the consolidated annual accounts originally issued in Spanish. 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 as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, 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.

For comparative purposes and in accordance with Spanish Corporate Law, the Parent Company's Directors have presented for each item in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts, the corresponding amounts for the previous year as well as the amounts for 2006. Our opinion refers solely to the 2006 consolidated annual accounts. On 26 April 2006 we issued our audit report on the consolidated annual accounts for 2005, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2006 present fairly, in all material respects, the consolidated financial position of Prosegur Compañía de Seguridad, S.A. and its subsidiaries as at 31 December 2006 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, applied on a basis consistent with the preceding year.

The accompanying consolidated Directors' Report for 2006 contains the information that the Parent Company's Directors consider relevant to the Group's position, the evolution 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 coincides with that of the consolidated annual accounts for 2006. 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 Gonzalo Sanjurjo Pose
Partner

30 April 2007

PricewaterhouseCoopers, S.L. - R. M. Vizcaya, hoja BI- 22.171, folio 43, tomo 3.669, libro 0, sección 8ª
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CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 AND 2005
ASSETS

In thousands of euros

ASSETS	note	2006	2005
Non-current assets			
Tangible fixed assets	6	215,735	211,601
Goodwill	7	248,559	241,521
Intangible assets	8	62,605	65,625
Investments in associate. comp.	9	-	2,649
Available-for-sale financial assets	10	3,797	4,810
Assets due to deferred tax	20	44,866	45,512
		575,562	**571,718**
Current assets			
Stock	11	21,960	17,419
Customers and receivables	12	452,321	392,597
Derivative financial instruments	23	1,810	-
Other financial assets	13	16,691	17,021
Cash and cash equivalents	14	54,652	32,072
		547,434	**459,109**
Total assets		**1,122,996**	**1,030,827**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 AND 2005
LIABILITIES

In thousands of euros

	note	2006	2005
EQUITY			
Capital and reserves attributable to Company shareholders			
Share capital	15	37,027	37,027
Share premium	15	25,472	25,472
Own shares	15	(3,853)	(775)
Revaluation reserve and others	16	1,557	343
Accumulated difference: conversion	17	(973)	9,087
Accumulated profit and other reserves	18	275,388	250,785
Minority interests		6	101
Total equity		**334,624**	**322,040**
LIABILITIES			
Non-current liabilities			
Debt capital	19	273,655	99,144
Liabilities due to deferred tax	20	39,882	36,031
Long-term provisions	21	95,359	60,831
		408,896	**196,006**
Current liabilities			
Suppliers and other payables	22	281,324	254,619
Liabilities due to current tax	20	26,274	18,713
Debt capital	19	44,382	215,014
Derivative financial instruments	23	3,360	5,315
Other liabilities and costs	24	24,136	19,120
		379,476	**512,781**
Total liabilities		**788,372**	**708,787**
Total equity and liabilities		**1,122,996**	**1,030,827**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

Consolidated income statement for financial years ending 31 december

In thousands of euros

	note	2006	2005
Current revenues	**25**	**1,631,265**	**1,387,770**
Variation of terminated product stocks and those in process		4,542	5,261
Commodities and other consumable goods used		(73,702)	(44,677)
Costs due to employee benefits	26	(1,147,279)	(973,640)
Costs due to non-recurrent employee benefits	26	(12,021)	-
Amortisation and charges due to impairment loss	6,7,8	(42,935)	(38,400)
External work, services and supplies		(127,129)	(119,736)
General costs		(118,758)	(94,664)
Tax		(8,931)	(7,999)
Operating profit		**105,052**	**113,915**
Net financial costs	27	(13,049)	(16,965)
Share in profit / (loss) of associates	9	-	(51)
Profit before tax		**92,003**	**96,899**
Profit tax	20	(34,400)	(35,716)
Year profit of continued activities		**57,603**	**61,183**
Year profit / (loss) of discontinued activities	37	-	4,097
Year consolidated profit		57,603	65,280
Attributable to:			
Minority interests		(0)	(22)
Company shareholders		57,603	65,302
Earnings per share for the profit of continued activities attributable to Company shareholders during the year (euros per share)			
- Basic and diluted	28	0.94	0.99
Earnings per share for the benefit of discontinued activities attributable to Company shareholders during the year (euros per share)			
- Basic and diluted	28	-	0.07
- Diluted		-	0.07

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

Consolidated statement of equity changes during financial years ending 31 december

In thousands of euros

	Attributable to the company shareholders							
	Share capital (Note 15)	Share premium (Note 15)	Own shares (Note 15)	Revaluation reserve and others (Note 16)	Accum. dif. conversion (Note 17)	Accum. profits and other reserves (Note 18)	Minority interests	Total equity
Balance at 1 January 2006	**37,027**	**25,472**	**(775)**	**343**	**9,087**	**250,785**	**101**	**322,040**
Gross revenues / (expense) directly recognised in equity				1,755				1,755
Tax impact				(541)				(541)
Net revenue / (costs) directly recognised in equity	-	-	-	1,214	-	-	-	1,214
Differences conversion foreign currency					(10,060)			(10,060)
Changes in consolidation							(95)	(95)
Year profit						57,603	0	57,603
Purchase / sale of own shares			(3,078)					(3,078)
Dividend corresponding to 2005						(33,000)		(33,000)
Balance at 31 December 2006	**37,027**	**25,472**	**(3,853)**	**1,557**	**(973)**	**275,388**	**6**	**334,624**
Balance at 1 January 2005	**37,027**	**25,472**	**(994)**	**(14)**	**(1,372)**	**206,539**	**403**	**267,061**
Gross revenue / (expense) directly recognised in equity				549				549
Tax impact				(192)				(192)
Net revenue / (expense) directly recognised in the equity	-	-	-	357	-	-	-	357
Differences currency conversion					10,459			10,459
Changes in consolidation						(722)	(148)	(870)
Year profit						65,302	(22)	65,280
Purchase / sale of own shares			219					219
Dividend corresponding to 2004						(20,334)	(132)	(20,466)
Balance at 31 December 2005	**37,027**	**25,472**	**(775)**	**343**	**9,087**	**250,785**	**101**	**322,040**

The notes attached on pages 11 to 99 are an integral part of these consolidated annual accounts

Consolidated statement of cash flows during financial years ending 31 december

In thousands of euros

	note	2006	2005
Cash flow of operating activities			
Cash generated by operations	30	159,473	111,821
Interests paid		(15,825)	(16,110)
Tax paid		(26,838)	(27,830)
Net cash generated by operating activities		116,810	67,881
Cash flow of investment activities			
Acquisition of subsidiaries, net of cash acquired		(5,828)	(82,156)
Acquisition of investments in associates	9	-	(2,700)
Acquisition of tangible assets	6	(49,805)	(49,178)
Acquisition of intangible assets	8	(5,187)	(22,588)
Revenues from sales of fixed assets		5,333	1,742
Sale of subsidiaries, net of cash		-	17
Acquisition of other financial assets		-	-
Net availability of available-for-sale assets		972	2,792
Interests received		748	895
Net cash used in investment activities		(53,767)	(151,176)
Cash flow of funding activities			
Variation of indebtedness		15,440	98,969
Variation of other debts		(16,922)	1,884
Variation of long-term provisions		(16,909)	-
Payments for financial leasing		(461)	(9,242)
Dividends paid to minority interests		(5)	(131)
Own shares	15	(3,078)	-
Dividends paid to company shareholders		(16,500)	(20,335)
Net cash received / (used) in funding activities		(38,435)	71,145
Net (decrease) / increase of cash and cash equivalents		**24,608**	**(12,150)**
Cash, cash equivalents and bank overdrafts at beginning of year	14	32,072	41,372
Profit / (loss) for exchange differences in cash and bank overdrafts		(2,028)	2,850
Cash, cash equivalents and bank overdrafts at year end	**14**	**54,652**	**32,072**

The notes attached on pages 11 to 91 are an integral part of these consolidated annual accounts

Notes to the 2006 consolidated annual accounts

In thousands of euros

1. General information

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. (hereinafter, the Company) is a security service company which at the close of 2006 is comprised of a group (hereinafter, the Group) formed of 68 companies: PROSEGUR COMPAÑIA DE SEGURIDAD, S.A., the parent company and 67 subsidiaries. Furthermore, the Group participates with other entities in four partnerships and nine joint ventures (hereinafter the Joint Ventures). Appendix I and II of these notes give further information on the entities included in the consolidated group, Appendix III describes the companies which are under receivership and Appendix IV lists partnerships.

The Group companies have interests of less than 20% in the capital of other entities with no significant influence.

The Group provides services in Spain, Portugal, Italy, France, Romania, Argentina, Chile, Uruguay, Paraguay, Brazil, Peru and Mexico.

To the effects of these consolidated annual accounts, a group is understood as such when the parent company has one or more subsidiaries under its direct or indirect control. The standards applied when preparing the Group's consolidated annual accounts are described in Note 2.2 together with details on consolidation.

Appendix I of these notes lists the identification details of the 70 fully consolidated subsidiary companies.

Appendix II of these notes lists the identification details of the 9 proportionately consolidated joint ventures.

Appendix IV of these notes lists the identification details of the four proportionately consolidated partnerships.

PROSEGUR COMPAÑIA DE SEGURIDAD, S.A., the parent company of the Group, was incorporated in Madrid on 14 May 1976 as a public limited company. It is entered into the Madrid Registry of Companies, tome 4,237, folio 22, section 3ª, page number 32,805 entry 1ª.

The company is entered under number 112 into the Special Registry of Private Security Companies, an organism which is dependant on the Spanish Ministry of Interior.

The business address of PROSEGUR COMPAÑIA DE SEGURIDAD, S.A. is Madrid, C/ Pajaritos, 24. Its headquarters are located at C/ Santa Sabina, 8 next to the business address.

The corporate purpose of the Company, as described in Article 2 of its articles of association, is to provide nationwide security services in accordance with the Spanish Private Security Act 23/1992, dated 30 July, without prejudice to the powers and jurisdiction of the Spanish Police and Armed Forces. On this basis, the Company carries out the following activities:

1. Surveillance and protection of property, premises, performances, events and conventions.

2. Personal protection of certain individuals, subject to official authorisation.

3. Holding, custody, counting and classification of coins and banknotes, share certificates, securities and other items requiring special protection due to their financial or intrinsic value, or their hazardous nature, without prejudice to the activities proper to financial institutions.

4. Transportation and distribution of the items referred to in the preceding paragraph, where applicable using vehicles fitted out and marked in accordance with the Spanish Ministry of Interior requirements. The Group's vehicles may not resemble those used by the Police or Armed Forces.

5. Installation and maintenance of security equipment, devices and systems.

6. Operation of control centres to receive, verify and transmit alarm signals and alert the Police or Armed Forces, as well as the provision of services falling under the jurisdiction of the State security services.

7. Security planning and advisory services.

8. Deployment of private estate wardens for the surveillance and protection of rural property.

The parent company's statutes expressly exclude all activities requiring compliance with special conditions established by Law and, in particular, any activity related with financial intermediation or restricted to mutual investment funds and companies by regulations governing such institutions or the Spanish Securities Market Act.

The parent company currently operates essentially within Spain.

The Group operates in 12 countries, which has been organised into three geographical areas: Spain, the rest of Europe and Latin America (Lat.Am) through two lines of business:

Corporate security services

This is a combination of services, products and organisational measures which comprise the security solutions provided to companies and corporations in order to minimise or neutralise events construed as a risk for their employees, facilities, visitors and information assets.

Residential security services

This is a combination of security services, products and solutions focused towards protecting homes, small businesses and their contents against any hazards. It also supplies personal security and assistance.

The changes in consolidation during the year were as follows:

■ The purchase of the company Escol Serviços de Segurança, S.A. in Portugal and the company Fireless, S.A. in Argentina, specialists in protection against fire.

Escol Serviços de Segurança, S.A., a leading company in fire suppression, operates in Portugal with its headquarters in Lisbon and Oporto.

Fireless, S.A. is an Argentinean company with its headquarters based in Buenos Aires which specialises in the design and installation of fire detection and suppression systems.

■ The following companies were established:

In Spain: Prosegur Activa España, and Prosegur Activa Holding,

In Portugal: Prosegur Activa Portugal,

In Italy: Prosegur Tecnología,

In France: Prosegur Securité Nucleaire,

In Argentina: Prosegur Activa, Prosegur Inversiones, and Prosegur Holding,

In Mexico: PRO-S Cia de Seguridad, and PS Mexico

In Romania: Rosegur Services

■ The companies Rosegur Holding Corporación S.L., (ex Romanian Holding Corporación, S.L.), Rosegur, S.A. (ex Dragon Star Guard) and Security Dragon Star SRL were considered as partners during

2006 as participation was increased to 50%. During the 2005 financial year they were considered as associates.

■ During 2006 the following companies ceased to form part of the group:

On 29 June 2006, the merger of Nordés Vigilancia, S.A.U. by Prosegur Compañía de Seguridad, S.A. was approved, the merger balance sheet being the annual balance sheet of the Company closed on 31 December 2005. Its entire equity was transferred to Prosegur Compañía de Seguridad, S.A. in a single block and on a universal basis, in accordance with that stipulated in the corresponding merger project.

On 29 June 2006, the merger of Prosegur Seguridad, S.A., by Prosegur Compañía de Seguridad, S.A. was approved, the merger balance sheet being the annual balance sheet of the Company closed on 31 December 2005. Its entire equity was transferred to Prosegur Compañía de Seguridad, S.A. in a block in accordance with that stipulated in the corresponding merger project.

On 30 September 2006, Sociedad Servimax, S.A. was dissolved through the entire transfer of its equity to its sole shareholder Prosegur Distribuçao e Serviços Lda.

The Group is controlled by Gubel S.L., incorporated in Madrid, which owns 50.075% of Company shares. The Company is quoted on the Madrid and Barcelona Stock Exchanges.

These consolidated annual accounts have been prepared by the Board of Directors on 29 March 2007 and are pending approval at the Shareholder's Meeting. However, the directors understand that said annual accounts will be approved as presented.

2. Summary of main accounting principles

Below is a description of the main accounting principles used when preparing these consolidated annual accounts. They have been consistently applied to all years presented.

2.1. Presentation

The consolidated annual accounts of the Group at 31 December 2006 were prepared in accordance with the International Financial Reporting Standards (IFRS) used in the European Union and approved by EC regulations and which are valid at 31 December 2006.

The standards described below have been uniformly applied to all the years presented in these consolidated annual accounts.

The consolidated annual accounts have been prepared using the historical cost approach, modified by the revaluation of the Pajaritos and Acacias buildings in Madrid and the Hospitalet building in Barcelona. In accordance with IFRS financial standards, these buildings were valued at market value, in other words their imputed cost and the registration of financial instruments at a fair value.

When preparing consolidated annual accounts in accordance with IFRS, it is necessary to use certain critical accounting estimates. Said standards also require Company management to use its judgement when applying accounting practices. Note 4 describes the areas involving the highest levels of judgement or complexity, and the areas where hypotheses and estimates are significant for consolidated annual accounts.

This report uses the following ratios:

EBITA : Profit before tax, interests and amortisation (operating profit)

EBITDA : Profit before tax, interests, amortisation and depreciation.

(a) Amendments to standards which will come into force during 2006

IAS 19 (Amendment), "Employee benefits": this is compulsory for all years as from 1 January 2006. The amendment introduces an alternative focus for the recognition of actuarial profits and losses. It is possible to impose additional recognition requirements for multi-company plans where the information available is insufficient for applying defined accounting provisions. It also adds new requirements with regards the disclosure of information. As the Group does not intend to change its accounting practices for the recognition of actuarial profits and losses and as it does not participate in any multi-company plan, the adoption of this amendment will only effect the format and scope of the breakdowns presented in the accounts.

(b) Previously-adopted standards

IFRS 7, Financial instruments: disclosures. During August 2005, the IASB issued IFRS 7 Financial instruments: disclosures, and a complementary amendment to IAS 1, Presentation of financial statements – capital disclosures. This IFRS introduces new requirements to improve the information disclosed on financial instruments presented in financial statements and substitutes IAS 30, Disclosures in the financial statements of banks and similar financial institutions, and some of the requirements stipulated by IAS 32, Financial instruments: Disclosure and presentation. The amendment to IAS 1 introduces the disclosure requirements on an entity's capital. IFRS 7 is applicable to years as from 1 January 2007. Early application of this standard is recommended. The Group has decided to adopt the standard in advance.

(c) Standards, amendments and interpretations with valid date in 2006 but with no effect on the Group's accounts

The following standards, amendments and interpretations are compulsory for years as from 1 January 2006, although they have no effect on the operations of the Group:

IAS 21 (Amendment December 2005), "Net investment in a foreign operation",

IAS 39 (Amendment 2005), "Cash Flow Hedges of Forecast Intragroup Transactions",

IAS 39 (Amendment June 2005), "Fair Value Option",

IAS 39 and IFRS 4 (Amendment August 2005), "Financial Guarantee Contracts",

IFRS 1 (Amendment), "First-time Adoption of International Financial Reporting Standards", and IFRS 6 (Amendment), "Exploration for and Assessment of Mineral Resources",

IFRS 6, "Exploration for and Assessment of Mineral Resources",

IFRIC 4, "Determining whether an Arrangement Contains a Lease",

IFRIC 5, "Rights to interests arising from Decommissioning, Restoration and Environmental Funds", and

IFRIC 6, "Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment".

(d) Standards, amendments and interpretations of existing standards issued by the IASB and adopted by the European Union which still have not come into force and are not relevant to the Group's operations

At the date of issue of these accounts, the following interpretations have been published. These interpretations are compulsory for years as from 1 May 2006, although they have no effect on the operations of the Group.

IFRIC 7, "Applying the restatement approach under IAS 29 – Financial reporting in hyperinflationary economies" (compulsory as from 1 May 2006). IFRIC 7 gives a guideline on how to apply the requirements of IAS 29 to an accounting period in which the entity identifies the existence of hyperinflation in the economy of its functional currency for the first time. Given the fact that none of the Group's entities operates in an entity whose functional currency is from an economy with hyperinflation, IFRIC 7 has no relevance for the operations of the Group.

IFRIC 8, "Scope of IFRS 2", (compulsory for all years as from 1 May 2006). IFRIC 8 requires the consideration of transactions involving the issue of equity instruments – in those cases in which the identifiable consideration is less than the fair value of the equity instruments granted – in order to determine whether or not said transactions fall within the scope of IFRS 2. The Group will start to apply IFRIC 8 as from 1 January 2007, even though it is expected that its application will have no effect on the Group's accounts.

IFRIC 9, "Reassessment of embedded derivatives", (compulsory for all years as from 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from the host contract and be accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited, unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. In this case reassessment is required. Given the fact that none of the entities comprising the Group has changed the conditions of its contracts, IFRIC 9 has no relevance for the operations of the Group.

(e) IASB standards, amendments and interpretations pending adoption by the European Union, whose validity date established by the IASB does not come into effect until after 1 January 2006 and which in consequence, the Group has not adopted in advance and therefore they have no relevance for the operations of the Group

IFRS 8 – "Operating Segments" (compulsory for all years as from 1 January 2009). This will replace IAS 14 – "Reporting financial information by segments" and responds to the convergence project with the American standard for this area covered by FAS131 – "Information on company segments and related information," based on information broken down into segments with regards decision-taking. Prosegur is assessing the impact of the new regulations on its financial information.

IFRIC 10. "Interim financial reporting and impairment" (compulsory for all years as from 1 November 2006). IFRIC 10 does not permit entities to reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The group will apply IFRIC 10 as from 1 January 2007, even though its application is not expected to have any impact on the accounts of the Group.

IFRIC 11 – "IFRS 2 – Group and Treasury Share Transactions" (compulsory for all years as from 1 March 2007). IFRIC 11 develops the application of IFRS 2 on company share-based payments when the latter are purchased from third parties or supplied by their shareholders, or share-based payments from another company belonging to the same Group. Once this is adopted by the European Union, Prosegur will assess the possibility of applying it in advance, even though it is not expected to make a significant impact on the financial information of the Group.

IFRIC 12 – "Service concession agreements" (compulsory for all years as from 1 January 2008). Once this interpretation is adopted by the European Union, it will be reflected in the accounting record of concession services. The Group is assessing the effects which this standard will have on its consolidated annual accounts once it comes into force. The impact could be significant as it will develop the accounting register of the Group's main activity.

2.2. Consolidation principles

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to direct their financial and operating practices and in which it generally owns an interest of over half the voting rights. When assessing whether or not the Group controls another entity, the existence and effect of any potential exercisable or transferable voting rights must be taken into account. The subsidiaries are consolidated as from the date on which their control is transferred to the Group, and they are excluded from the consolidation on the date on which the same is dissolved.

Any purchases of subsidiaries made by the Group are accounted for using the acquisition method. The cost of acquisition is calculated using the fair value of the assets delivered, of the equity instruments issued and of the liabilities incurred or assumed on the date of the exchange, plus any costs directly attributable to the purchase operation. Identifiable assets, liabilities and contingencies assumed in a business combination are initially valued by their fair value on the purchase date, regardless of minority interests. Any excess in the cost of acquisition over the fair value of the Group's interest in the identifiable net assets bought is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets belonging to the subsidiary that the Group has bought, the difference is directly recognised in the income statement after reassessing the identification and value of the net assets bought.

Inter-company transactions, balances and profits not realised through transactions between Group entities are deleted. Unrealised losses are also deleted, unless the transaction reveals an impairment loss of the transferred asset. In order to ensure the uniform practices of the Group, the accounting practices of subsidiaries are modified where necessary.

Appendix I of these notes gives details of the 70 fully consolidated subsidiary companies.

Transactions and minority interests

The Group considers transactions with minorities as transactions with the legal holders of the Group's capital instruments. When purchasing minority interests, the difference between the price paid and the corresponding proportion of the book value of the subsidiary net assets is deducted from the equity. Profits and/or losses from the sale of minority interests are also recorded in the equity. The alienation of minority interests, the difference between the consideration received and the corresponding proportion of minority interests are also recorded in the equity.

Partnerships

Participation in partnerships is proportionately consolidated. The Group combines its participation in the assets, liabilities, revenues and expenses and cash flows of the controlled entity with the similar entries in its accounts, dealing with each line separately. Its share in profits or losses resulting from the sale of Group assets to partnerships is recorded in the Group's consolidated annual accounts in the area corresponding to other partnerships. The Group does not record its share of any profits or losses resulting from the purchase of assets from partnerships until said assets are sold to a third party independently. Any loss in the transaction is recorded immediately if the same shows a reduction in the realisable net value of current assets, or an impairment loss.

Appendix IV of these notes lists details of the four proportionately consolidated partnerships.

The companies Rosegur Holding Corporación S.L., (ex Romanian Holding Corporación, S.L.), Rosegur, S.A. (ex Dragon Star Guard) and Security Dragon Star SRL were considered as partnerships during 2006. During the 2005 financial year they were considered as associates.

Associates

Associates are all those entities over which the Group has an important level of influence although they are not under its control. Generally speaking, the Group holds between 20% and 50% of voting rights. Investments in associates are accounted for in accordance to participation and they are initially recorded at cost. The Group's investment in associates includes goodwill (after deducting any accumulated impairment losses) identified at acquisition.

The Group's share in the profits or losses after purchasing an associate is recorded in the income statement and accumulated movements are set against the investment's book value. When the Group's share in the losses of an associate is equal or more than its share in the same (including any unreliable receivables), the Group does not record additional losses unless it has incurred indebtedness or performed payments in the associate's name.

Any profits which do not result from transactions between the Group and its associates are eliminated in accordance with the percentage of the Group's share in the same. Unrealised losses are also deleted, unless the transaction reveals an impairment loss of the transferred asset. In order to ensure the uniform practices of the Group, the accounting practices of subsidiaries are modified where necessary.

Joint Ventures

A joint venture is considered as such when two or more businesses collaborate in the development or execution of a project, service or supply for a limited or unlimited length of time.

The proportional part of items in the balance sheet and income statement of the Joint Venture is included in the balance sheet and income statement of the participating entity in accordance with its percentage of interest.

Appendix II of these notes lists details of the 9 proportionately consolidated joint ventures.

2.3. Financial information by segments

A business segment is a group of assets and operations used to supply products or services whose risks and earnings differ from those of the remaining business segments. A geographical segment provides products or services in a specific economic environment where the risks and earnings differ from those segments operating in other economic environments.

Each defined segment is allocated the costs it directly incurs and each geographical area has its own functional structure. Activity segments share any common functional costs in accordance with the time or degree of use.

2.4. Foreign currency transactions

Functional currency and presentation

The entries included in the annual accounts for each entity of the Group are assessed using the currency of the main economic environment in which the entity in question operates («functional currency») The consolidated annual accounts are expressed in thousands of euros (except where indicated to the contrary), 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 closing rates of exchange at the time of the transaction. Foreign currency profits and losses which result from the settlement of these transactions and from the conversion at closing rates of exchange of the monetary assets and liabilities in foreign currencies are recorded in the income statement, unless they are deferred to equity such as in the case of cash flow hedges.

Entities of the Group

The results and financial situation of all Group entities (none of which operate in economies with hyperinflation) with a functional currency other than the presentation currency are converted into the presentation currency as follows:

(i) The assets and liabilities of each balance sheet presented are converted at the closing rate of exchange of the balance sheet date;

(ii) The revenues and expenses of each income statement are converted at the average monthly exchange rate;

(iii) Any resulting exchange differences are recorded as a separate item from the equity.

The adjustments made to goodwill and fair value during the purchase of a foreign entity are treated as the assets and liabilities of the foreign entity and are converted at the closing rate of exchange.

2.5. Tangible assets

Land and buildings are essentially operative branch offices. Tangible assets are stated at cost of acquisition, minus depreciation and any corresponding accumulated impairment losses, except in the case of land which is presented after deducting impairment losses.

The historical cost includes the costs which are directly attributable to the purchase of items.

Subsequent costs are usually included in the asset's book value. However they can be recorded as a separate asset, but only when future economic profits associated to the element in question are likely and it is possible to determine a reliable cost of the element. The book value of the replaced component is cancelled. Any other maintenance costs or repairs are charged to the income statement during the year in which they occur.

Land is not amortised. Amortisation for other assets is calculated using the linear method to allocate the costs or re-valued amounts to the scrap value over their estimated useful life span:

	Coefficient (%)
Buildings	2 and 3
Plant and machinery	10 to 25
Other installations and equipment	10 to 30
Furniture	10
Computer equipment	25
Transportation	16
Other tangible assets	10 to 25

The residual value and useful life span of the assets are reviewed and adjusted where necessary on the date of each balance sheet.

When the asset's book value is higher than its estimated recovery value, its value is immediately reduced to said recoverable amount (Note 2.7).

Profits and losses from the sale of tangible assets are calculated by comparing the revenues obtained with the book value and are included in the income statement.

2.6. Intangible assets

Goodwill

Goodwill represents the excess in the cost of acquisition over the fair value of the Group's share in the identifiable net assets of the subsidiary / associate acquired on the date of purchase. Goodwill related to the purchase of subsidiaries is included in the balance sheet caption Goodwill. Goodwill related to the purchase of associates is included in investments in associated companies. Goodwill is checked on a yearly basis for any impairment loss and is stated at cost minus accumulated impairment losses. Profits and losses from the sale of an entity include the book value of the goodwill related to the sold entity.

Goodwill is allocated to cash generating units (CGU) in order to check for impairment losses, choosing the CGUs which are expected to benefit from the business combination in which said goodwill originated.

Goodwill acquired as from 1 January 2004 are valued at cost of acquisition, whereas previous acquisitions maintain their net accounting value at 31 December 2003, in accordance with Spanish accounting standards in force at said date.

As from 1 January 2004, goodwill is not amortised and at the end of each year (or before in the event of an exception) it is checked to see whether impairment has occurred reducing its recoverable value. The corresponding reorganisation is registered as described in Note 7.

Computer software

Licenses for computer software are capitalised over the base of the costs incurred for their acquisition and preparation for use. These costs are amortised during their estimated useful life span (5 years).

The expenses related to the development or maintenance of computer programmes are recorded as cost when they occur.

Intangible assets with indefinite useful lives

When clearly identified as such, intangible assets with indefinite useful lives are recorded by their fair value at the date of purchase in order to allocate the price paid to business combinations. These assets are registered at their fair value on the date of purchase minus any accumulated impairment losses. Checks for impairment loss are carried out at least once a year and whenever there is an indication of a possible loss in value.

2.7. Impairment loss in asset value

Assets with indefinite useful lives are not subject to amortisation and their value is assessed on a yearly basis to determine whether or not any impairment losses have occurred. The value of assets which are subject to depreciation is assessed to determine whether or not impairment losses have occurred whenever an event or change in circumstances indicates that the book value cannot be recovered. Impairment loss is recorded at the difference between the asset's book value and its recoverable value. The recovery value is the greater between the fair value of an asset minus sales costs and the value in use. In order to assess impairment loss, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

2.8. Financial assets

The Group classifies its investments into the following categories: financial assets registered at fair value with changes in results, loans and receivables; investments which the Group intends to maintain until their maturity and available-for-sale financial assets. Classification depends on the purpose of the investments. Management determines the classification of its investments at the moment they are first recorded and it reviews the classification every time financial information is reported.

Financial assets registered at fair value with changes in results

A financial asset is classified in this category if it is mainly bought for the purpose of being sold in the near future or if management decides to classify it as such. Derivatives are also classified as acquired for trading purposes, unless they are designated as hedges (note 3.2). The assets of this category are classified as current assets if they are maintained for trading purposes or if this is planned within the 12 months following the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or ascertainable payments which are not quoted on an active market. They occur when the Group directly grants money, goods or services to a debtor and has no intention of negotiating with the account receivable. They are included in current assets, except those with maturity falling 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in customers and other receivables in the balance sheet (Note 2.10).

Loans and receivables are accounted for by their amortised cost in accordance with the interest rate in use.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or ascertainable payments and set maturity dates which Group Management positively intends and has the capacity to maintain until maturity.

Held-to-maturity investments are accounted for by their amortised cost in accordance with the interest rate in use.

Financial assets

Available-for-sale financial assets are non-derivatives which are classified in this and no other category. They are included in current assets, unless management intends to dispose of the investment during the 12 months following the balance sheet date.

Investment acquisitions and disposals are recorded at their trade date; in other words, the date on which the Group undertakes to buy or sell the asset. The investments are initially recognised at their fair value plus the transaction costs for all financial assets not carried at fair value with change in results. The investments are cancelled from the accounting records when they have matured or the rights to receive cash flows from the investments have been transferred along with the risks and advantages of their ownership.

The available-for-sale financial assets and the financial assets at fair value with changes in results are later accounted for at their fair value.

Realised and unrealised profits and losses which arise from changes in the fair value of financial assets at fair value with changes in results are included in the income statement of the year in which they occurred. Unrealised profits and losses which arise from changes in the fair value of non-monetary securities classified as available-for-sale are recorded in the equity. When securities classified as available-for-sale are sold or suffer impairment losses, the accumulated adjustments in the fair value are included in the income statement as profit and losses of securities.

In order to assess non-quoted investments, the Group establishes their fair value using evaluation techniques which include recent free transactions between interested and duly-informed parties, relating to other essentially similar instruments, the analysis of discounted cash flows and improved models for fixing option prices to reflect the specific circumstances of the issuer.

On each balance sheet date, the Group assesses whether or not objective evidence exists indicating that a financial asset or a group of financial assets may have suffered impairment losses. In the case of capital securities classified as available-for-sale, in order to determine whether the securities have suffered impairment losses, the Group checks whether any significant or prolonged decrease in the fair value of the securities has taken place resulting in a value inferior to that of cost.

If any evidence of this type exists for available-for-sale financial assets, the accumulated loss determined as the difference between the cost of acquisition and the current fair value, minus any impairment loss of this financial asset previously recorded in losses or profits, is eliminated from the equity and recorded in the income statement. Impairment losses recorded in the income statement as equity instruments are not reversed through the income statement.

2.9. Stocks

Stocks are assessed at their cost or net realisable value, which ever is less, distinguishing between:

- Stocks held warehouses and uniforms are stated at weighted average cost.
- Plants in course of installation are recorded at cost, which includes the cost of materials and spare parts, as well as labour charged at standard rates. This does not differ from the actual costs incurred during the year.

The net realisable value is the estimated sales price during normal business, minus any applicable variable sales costs.

2.10. Trade receivables

Trade receivables are initially recorded at their nominal value which does not significantly differ from their fair value. Later a provision is established for impairment losses when there is objective evidence indicating that the Group will not be capable of collecting all the amounts owed in accordance with the original terms and conditions of the receivables. The amount of the provision is recorded in the income statement.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in credit entities, other highly liquid short-term investments with an original maturity date of three months or less and bank overdrafts. Bank overdrafts are classified as debt capital in the current liabilities of the balance sheet.

2.12. Share capital

Ordinary shares are classified as equity.

When any entity of the Group buys shares from the Company (own shares), the consideration paid, including any directly attributable incremental cost (net of profit tax) is deducted from the equity attributable to Company shareholders until its cancellation or disposal. When these shares are sold, any amount received after deducting any directly attributable incremental cost of the transaction and the corresponding profit tax is included in the equity attributable to the Company shareholders.

2.13. Government subsidizations

Government subsidizations are recorded at their fair value when there is a reasonable level certainty that the grant will be collected and that the Group will fulfil all the conditions established.

Government subsidizations for costs are deferred and recognised in the income statement during the period needed for their correlation to the costs that they intend to compensate.

Government subsidizations for the purchase of tangible assets are included in non-current liabilities as deferred government subsidizations and are credited to the income statement on a linear basis during the expected life of the corresponding assets.

2.14. Debt capital

Debt capital is initially recorded at its fair value after the deduction of any transaction costs. Later, it is valued at its amortised cost, any difference between the funds obtained (net of any costs incurred in the process) and the reimbursement value is recorded in the income statement during the life span of the debt in accordance with the interest rate used.

Debt capital is classified as current liabilities unless the Group holds an unconditional right to defer settlement during at least 12 months after the balance sheet date.

2.15. Deferred tax

In accordance with the balance method, deferred tax is calculated on the temporary differences existing between the tax base of the assets and liabilities and their book values in the consolidated annual accounts. However, it is not recorded if it arises from the original recognition of a liability or asset in a transaction other than a business combination and which at the time of the transaction does not affect the accounting result or the tax gain/loss.

Deferred tax is determined using taxation rates and laws which have been approved or are about to be approved on the balance sheet date and is applied when the corresponding asset per deferred tax is realised or the liability per deferred tax is liquidated.

The assets due to deferred tax are recorded according to the extent to which it is probable that future tax benefits will compensate the temporary differences.

Deferred tax on the temporary differences which arise in subsidiary and associate investments are recorded, except when the Group is able to control the date on which the temporary differences are reversed and that it is probable that the same will not be reversed in the foreseeable future.

2.16. Employee benefits

Share-based compensation

The Group maintains various compensation schemes based on shares, realisable shares or cash. The fair value of the employee services received in exchange for shares is recorded as an expense. The total amount reflected in expenses during the accrual period is determined by the fair value of the shares awarded. On the date of each balance sheet, the Company reviews its estimate of the number of shares expected to be exercisable and records the modification, when appropriate, in the income statement.

Lay off and retirement payments

These payments are paid to employees when the Company decides to terminate a work contract before the normal age of retirement or when an employee voluntarily accepts the termination of the working relationship in exchange for benefits. The Group recognises these benefits when it has demonstrably undertaken to terminate employees' jobs in accordance with a detailed formal plan and without any possibility of retracting the decision or when these payments are the result of an offer made to encourage a voluntary resignation.

Profit sharing and bonus schemes

The Group recognises profit sharing and bonuses as a liability and an expense, based on a formula which takes into account EBITA (profits before tax, interest and amortisation) and considers primary and secondary segments.

Directors' remuneration

In addition to share-based compensation and profit-sharing schemes, there are other directors' incentive schemes which are awarded when certain objectives set by the pertinent committees are achieved. At the year-end, these schemes were awarded to the best possible estimate of Company Management.

Staff benefits and related liabilities

In accordance with local Italian law on terminating a working relationship (Trattamento di Fine Rapporto), the Group must pay each worker a certain amount when the latter ceases to work for the company for whatever reason.

For its quantification to present value, an actuarial study has been performed with the following parameters:

- Rotation rate: 15%
- Yearly inflation rate: 2%
- Yearly TFR revaluation rate: 3%
- Yearly salary growth rate: 4.5% for executives (the only one informed was not in the census at 31.12.03), 3% for managers and employees and 3% for operators.
- Yearly deduction rate: 4%
- Mortality table: ISTAT 2000
- Disability table: INPS industry
- Retirement age: 65 years old for men and 60 years old for women.

Companies located in France must make a provision to cover employee retirement gifts. An actuarial study has been performed for its quantification to present value. The parameters used are as follows:

- Yearly inflation rate: 1.4%
- Yearly deduction rate: 3.5%
- Yearly salary growth rate: 2%
- Rotation rate of employees under 50 years old: between 4% and 12.5%
- Retirement age: 65 years old.

The above are considered as defined benefits as the payment received by the employee upon retirement or termination of the working relationship (in the case of Italy) is defined according to one or more factors, such as age, years of service and salary.

The liability recognised in the balance sheet with regards the above is the current value of the benefits defined on the balance sheet date with any pertinent adjustments due to losses and non-recognised actuarial profits and costs for past services. This liability is calculated on a yearly basis by independent actuaries in accordance with the method of credit unit applied. The current value of the liability is determined by discounting estimated future cash outflows, in line with that described above.

The actuarial profits and losses which arise from adjustments due to experience or changes to actuarial hypotheses are debited or credited in the income statement during the expected remaining average working life of the employees. The costs for past services are immediately recognised in the income statement.

2.17. Provisions

The provisions for restructuring and legal disputes are reflected when:

(i) The Group has a present legal or implied liability as a result of past events.
(ii) It is more likely that an outward financial flow will be needed to settle the liability than the contrary.
(iii) The amount estimated is reliable.

When a number of similar liabilities exist, the probability that an outward financial flow will be needed for their settlement is determined by taking into account the type of liabilities as a whole. A provision is recorded even when there is little likelihood of an outward financial flow with respect any item included within the same type of liabilities.

Provisions for restructuring include penalties for the cancellation of leaseholds and payments for employee dismissals. Provisions are not recognised for future operating losses.

2.18. Recognition of revenues

Current revenues include the fair value of goods and service sales, net of value added tax, returns and deductions and after eliminating intragroup sales. Current revenues are imputed in accordance with accrual criteria and are recognised as follows:

(a) Sales of goods are recognised when an entity of the Group has delivered the products to the customer and the customer has accepted the products. They are assessed at the fair value of the contra item received.

(b) The sales of services are recognised in the accounting year in which said services were provided, not including the taxes levied on these operations and deducting as the lower amount any invoice discounts which are not due to prompt payment.

(c) Interest revenues are accounted for in accordance with the term of the pending principal and with the applicable interest rate in force.

(d) Dividend revenues are recognised when the right to receive the payment has been established.

2.19. Leasing

When an entity of the Group is the leaseholder

When the Group essentially holds the economic risks and benefits associated with ownership, the leasing of tangible assets is classified as financial leasing. Financial leasing is recognised at the start of the leasing period at the lower of the fair value of the leased asset and the current value of the leasing minimum charges. Each lease payment is distributed between the repayment of the debt and financial expenses, in order to attain a constant interest rate for the balance of the debt. Lease payments are recorded as long-term payables after financial charges have been deducted. The interests for financial expenses are charged to the income statement during the term of the lease, in order to obtain a constant interest rate on the debt balance for each accounting period. Fixed assets held under financial leasing contracts are amortised during the useful life of the asset or the lease term, whichever is the shortest, when there is no possibility of transferring ownership. Otherwise, they are amortised in accordance with the estimated useful life of the asset.

Leasing where the lessor essentially holds the economic risks and benefits associated with ownership is classified as operating leasing. Payments made during the term of an operating lease (after deducting any incentives received from the lessor) are charged to the income statement according to the linear method.

When an entity of the Group is the lessor

Assets leased to third parties under operating lease contracts are recorded as tangible assets in the balance sheet. These assets are amortised during their expected useful life based on criteria applied to similar assets of the Group. Lease revenues are recorded using the linear method during their expected useful life.

2.20. Construction contracts / Services contracts

The costs of building contracts are reflected when they are incurred.

When it is not possible to give a reliable estimate of the result of a construction contract, the contract revenues are only recognised up to the limit that the contract expenses incurred are likely to be recovered.

When it is possible to give a reliable estimate of the result of a construction contract and it is likely to be profitable, contract revenues are recognised during the term of the contract. When it is likely that contract expenses are going to exceed the total revenues of the same, this loss is immediately recognised as an expense.

The Group uses the percentage of completion method to determine the appropriate amount which must be recognised during a certain period. The degree of completion is determined by referring to the contract costs incurred at balance sheet date as a percentage of the estimated total costs for each contract. The costs incurred during the year in relation to the future activity of a contract are excluded from the contract costs to determine the percentage of completion. They are presented as stocks, forward payments and other assets, depending on their nature.

The Group presents the gross amount owed by the customers for the work of all contracts in process as an asset, when the costs incurred plus recognised profits (deducting recognised losses) exceed the partial billing. The partial billing which still has not been paid by the customers and withholdings are included in customers and other receivables.

The Group presents the gross amount owed by the customers for the work of all contracts in process as a liability when partial billing exceeds the costs incurred plus recognised profits (deducting recognised losses).

2.21. Distribution of dividends

The dividends distributed to Company shareholders are recognised as a liability in the consolidated annual accounts of the Group in the year in which said dividends are approved by Company shareholders.

2.22. Environment issues

The cost of armoured vehicles that comply with the Euro III standard for particle emissions has been recorded increasing the value of the fixed asset and thereby generating corporate income tax benefits.

3. Financial risk management

3.1. Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk of fair value and price risk), credit risk and liquidity risk.. The management programme of the Group's global risk is focused on the uncertainty of financial markets and endeavours to minimise any potential adverse effects on the financial profitability of the Group. The Group employs derivatives to hedge certain risks.

Financial risk management is the responsibility of the Central Treasury Department of the Group and works in accordance with the practices approved by the Board of Directors. This department identifies, assesses and hedges financial risks in strict collaboration with the operating units of the Group.

Exchange Rate Risk

The Group operates on an international level and therefore is exposed to exchange rate risks with regards operations performed in currencies, in particular the Argentinean peso, the Brazilian real and, to a lesser extent, the Chilean peso and the Peruvian nuevo sol. Exchange rate risk arises from future transactions, recognised assets and liabilities and net investments in operations abroad.

In order to control the exchange rate risk resulting from financial transactions, recognised assets and liabilities, and when necessary in accordance with Group policies and market prospects, the entities of the group use forward contracts, approved by the Group Treasury Department, who subsequently contract them in the corresponding market. The exchange rate risk arises when future transactions, recognised assets and liabilities are in a currency which is not the functional currency of the Group. The Group Treasury Department is responsible for managing the net position in each foreign currency using external forward contracts in local or foreign currency, in accordance with the competitiveness and suitability of the same.

As the Group has defined a strategy as a long-term or almost permanent long lasting player in the overseas markets in which it operates, it has not adopted / established exchange risk management policies strictly inked to the equity invested in each corresponding country. In order to ease the impact on the operating cash flow, financing operations are contracted in the functional currency in order to offset loans against cash flow.

If at 31 December 2006, the Euro had decreased in value by 10% with respect the other currencies in which the group operates (mainly Brazilian real, Argentinean peso, Peruvian nuevo sol and Chilean peso) with the remaining variables constant, the year result after tax would have registered at € 3,250 thousand more (2005: € 1,375 thousand more), mainly due to the profits / losses arising from exchange rate fluctuations when converting into Euros from customers and other receivables, financial assets at fair value with changes in results, debt instruments classified as available-for-sale in local currencies and profits / losses for exchange rate fluctuations when converting capital debts into local currencies.

Credit risk

The Group does not have any significant credit risk. In this sector, non-payments are practically non-existent or represent an insignificant percentage. If a customer has been rated independently, said ratings are used. Otherwise, credit control assesses the credit rating of customers, bearing in mind their financial situation, past history and other factors. The individual credit limits are established in accordance with internal and external ratings depending on the limits fixed by financial management. The use of credit limits is monitored on a regular basis.

In Spain, the collection department handles an approximate volume of 4,000 customers with an average billing amount per customer of € 17,000 a month. The most used method of payment by customers is transfer (70%) with 30% using other instruments (cheques, promissory notes, etc.).

The following table shows the percentage over the total billing amount of our six main customers:

Counterpart	Billing (%)
Corte Ingles	1.44
Banco de Santander	1.14
BBVA	1.03
Metro	1.03
Iberia	0.88
Grupo Popular	0.83

The table below shows the credit limits and balances with the most significant counterparts at balance sheet date:

	31 December 2006		31 December 2005	
Counterpart	Credit limit	Balance	Credit limit	Balance
Santander Bank	83,500	30,500	85,000	63,600
BBVA	80,000	36,400	33,000	19,000
Caja de Madrid	65,000	30,500	10,000	5,700
Barclays	51,100	34,000	30,400	27,400
ABN Amro	32,000	17,000	1,500	1,500
The National Bank of Paris	30,500	17,000	-	-
	342,100	**165,400**	**159,900**	**117,200**

Liquidity risk

Efficient liquidity risk management involves the maintenance of sufficient cash and marketable securities, the availability of funding through a sufficient amount of credit facilities guaranteed and the capacity to liquidate market positions. Given the dynamic character of the underlying businesses, an objective of the Group Treasury Department is to maintain the flexibility of funding through the availability of guaranteed lines of credit.

Management monitors the provisions for the liquidity reserve of the Group in accordance with expected cash flows.

The table below analyses the Group's financial liabilities which will be settled at net grouped by maturity in accordance with the instalments pending on the balance sheet date and until the maturity date stipulated on the contract. The amounts displayed in the table correspond to the cash flows stipulated in the contract without discount.. The amounts payable within 12 months are the same as the book values of the same, given that deductions are not significant.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At 31 December 2006			
Bank loans	20,531	85,141	168,600
Credit agreements	6,580	-	-
Leasing	3,631	3,307	-
At 31 December 2005			
Bank loans	125,424	68,909	-
Credit agreements	69,296	-	-
Leasing	4,014	3,385	-

Interest rate, cash flow and fair value risk

As the Group does not possess important paying assets, the revenues and cash flows of the operating activities of the Group are reasonably independent with respect fluctuations in market interest rates.

The largest risk factor of this type for the Group arises from its long-term capital debts. The capital debts contracted at variable rates expose the cash flows to interest rate risks. The loans contracted at fixed interest rates expose the Group to interest rate risks of fair value.

The Group manages the interest rate risk to cash flows through interest rate swaps from variable to fixed. These interest rate swaps convert the variable interest rates of capital debts into fixed interest rates. Generally, the Group obtains long-term capital debts at a variable interest rate and interest rate swaps depending on the trend and competitiveness of future interest rate curves. Under these interest rate swaps, the Group undertakes with other parties to exchange, generally on a quarterly basis, the difference between the fixed and variable interests calculated in accordance with that stipulated in the contract.

The Group uses various hedging structures to face these risks which are described in note 23.

During 2006 and 2005, the Group's capital debts at variable interest rates were in Euros with a small amount in US dollars and Brazilian reals.

If at 31 December 2006, the interest rates of the capital debts in euros were 10 basic points higher / lower, the remaining variables staying constant, the results after tax of the period would have been € 114,000 thousand (2005: € 150,800 thousand) lower / higher, mainly due to a higher / lower cost in the interests of the loans at variable rate.

Exposure to price volatility

As the Group is a service company with an extensive human capital, there are no significant risks with regards exposure to price volatility.

3.2. Derivative and hedge accounting

Derivatives are initially recognised at their fair value on the date the contract was signed and subsequently this fair value is adjusted. The method used to account for the resulting profit or loss depends on whether or not the derivative is a hedging tool, in which case that of the hedged item is applied. The Group allocates certain derivatives to:

- Hedge the fair value of recognised assets or liabilities or a firm commitment;
- Hedge highly probable transactions (cash flow hedges);
- Hedge net investments in foreign operations.

At the start of the operation, the Group documents the relationship between the hedging tools and the items covered as well as the objective of its risk management and the strategy employed to undertake the various hedging operations. The Group also provides initial and continuous assessment on whether the derivatives used in the hedging transactions are efficiently compensating the changes in fair values or in the cash flows of the hedged items.

Note 23 covers information on the reasonable values of various derivatives used in hedging operations.

Fair value hedges

The changes in the fair value of the designated derivatives which fulfil the conditions required to be classified as fair value hedging operations are recognised in results together with any change in the fair value of the asset or liability hedged which is attributable to the risk in question.

Cash flow hedges

The effective part of changes in the fair value of the designated derivatives which fulfil the requirements for being considered as cash flow hedges are recognised in the equity. The profit or loss corresponding to the non-effective part is immediately recorded in the income statement.

When the hedging tool expires or is sold, or when a hedging operation ceases to satisfy the requirements needed to apply hedge accounting, the profits or losses accumulated in the equity up to this moment will continue to form part of the same and are recognised when the forward transaction is finally reflected in the income statement. However, if it becomes unlikely that the aforementioned transaction takes place, the profits or losses accumulated in the equity are immediately transferred to the income statement.

Derivatives which do not qualify for hedge accounting

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

3.3. Estimating fair value

The fair value of financial instruments traded on active markets (such as derivatives with official quotation and the investments acquired for trading purposes) is based on market prices at the year-end. The market price used by the Group for financial assets is the current buying price, whereas the appropriate price for financial liabilities is the current selling price.

The fair value of financial instruments which are not quoted on an active market is determined by using assessment techniques. The Group uses a variety of methods and makes hypotheses which are based on the market conditions existing on each balance sheet date. The market prices for similar instruments are used for long-term debts. Other techniques are used in order to determine the fair value of the remaining financial instruments, such as estimated discounted cash flows. The fair value of interest rate swaps are calculated as the current value of the estimated future cash flows. The fair value of the forward exchange rate contracts is determined by using the forward exchange rates in the market on the balance sheet date.

It is assumed that nominal values minus estimated credit adjustments of receivables and payables are approximate to their fair values. The fair value of financial liabilities for financial reporting is estimated by discounting future contract cash flows at the current interest rate of the market which is available to the Group for similar financial instruments.

4. Accounting estimates and judgements

Estimates and judgements are continually assessed based on experience and other factors and taking into account any predicted future events deemed reasonable under the circumstances.

The Group makes estimates and judgements for the future. However, the resulting accounting estimates, by definition, rarely coincide with the corresponding real results. Below is an explanation of the estimates and judgements with a significant risk of causing tangible adjustments in the book values of assets and passives during the following financial year.

Estimated impairment loss in goodwill

The Group checks on a yearly basis whether goodwill has suffered any impairment loss, in accordance with the accounting practice described in Note 2.6. The recoverable amounts of the cash generating units have been determined by calculating the value in use. These calculations require the use of estimates (Note 7).

The recoverable amount is the greater between the market value minus sales cost and the value in use, the latter of which is understood as the current value of estimated future cash flows. In order to estimate the value in use, the Group forecasts future cash flows before tax using the most recently approved budgets by the company directors. These budgets incorporate the best estimates available for the revenues and costs of the cash generating units by using a combination of past experience and future prospects.

These prospects cover a period of three years and estimate the flows for future years by applying fair growth rates which under no circumstances are increasing or exceed the growth rate of previous years.

The Group uses a time span of three years, considering that it best adapts to the activity of the sector in which it operates.

These flows are discounted to calculate their current value at a rate which covers the capital cost of the business and of the geographical area in which it operates. For its calculation, the Group takes into account the current calculation of the money and the risk premiums generally used by analysts for the geographical area.

In the event that the recoverable amount is less than the net book value of the asset, the corresponding provision is registered for the impairment for the difference and charged to the caption “Amortisation and charges for impairment losses” of the consolidated income statement.

Any reorganisation carried out in goodwill is not reversible.

Note 7 together with the analysis of goodwill contains an analysis of the same.

Profit tax

The Group is subject to profit tax in many jurisdictions. An extremely high level of judgement is needed to determine a global provision for profit tax. Final tax determination for many transactions and calculations is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax uncertainties by estimating whether or not it will be necessary to apply additional taxes. When the final tax result of the above is different to the amounts initially recognised, said differences will effect profit tax and provisions for deferred tax during the year in which said determination was made.

Claims

Management estimates the corresponding provisions for future claims using the historical information available and taking into account recent trends which suggest that the past information on cost could differ from future claims. In addition, management is supported by external labour, legal and tax advisors in order to make the best estimates possible.

Staff benefits

This is applied when the accounting practice of the Group is to recognise immediately any actuarial profit or loss through the income statement.

The present value of liabilities due to staff benefits depends on a number of factors which are determined on an actuarial base and using a series of hypotheses. The hypotheses used to determine the net cost (revenue) includes the discount rate. Any change in these hypotheses will effect the book value of the liabilities related to pensions.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate which should be used to determine the current value of future cash outflows which are expected to be necessary in order to settle said liabilities. In order to determine the correct discount rate, the Group considers the interest rates of state bonds in the currency in which the benefits are to be paid and which mature at a similar time to the corresponding liability.

Other key hypotheses for the assessment of these pension liabilities are partly based on current market conditions.

The amount corresponding to said obligations is € 4,420 thousand. Should the discount rate used differ by 10% from management’s estimates, the variation in the book value of said liabilities will be irrelevant.

5. Reporting financial information by segments

(a) Main format for reporting information by segments: geographical areas

At 31 December 2006, the global organisation of the Group is in accordance with the following three main segments: Spain, Rest of Europe, Latin America. There are no other segments which need to be reported separately.

The results per segment for the year ending 31 December 2006 are as follows:

	Spain	Rest of Europe	Lat. Am	Not allocated	Group
Sales	842,684	272,240	513,494	-	1,628,418
Operating profit	45,088	6,217	53,747	-	105,052
Net financial costs (Note 27)	5,402	(162)	7,809	-	13,049
Profit before tax	39,686	6,379	45,938	-	92,003
Profit tax	15,440	1,487	17,473	-	34,400
Year profit contin. activities	24,246	4,892	28,465	-	57,603
Minority interests	-	-	-	-	-
Year profit	24,246	4,892	28,465	-	57,603

The sales turnover does not include other revenues, as explained in Note 25.

The results per segment for the year ending 31 December 2005 are as follows:

	Spain	Rest of Europe	Lat. Am	Not 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 financial costs (Note 27)	8,833	(596)	9,214	(486)	16,965
Share of loss/(profit) from associates	-	51	-	-	51
Profit before tax	70,026	4,974	20,349	1,550	96,899
Profit tax	22,343	6,396	6,643	334	35,716
Year profit from contin. activities	47,683	(1,422)	13,706	1,216	61,183
Discontinued operations	-	-	-	4,097	4,097
Minority interests	-	3	19	-	22
Year profit	47,683	(1,419)	13,725	5,313	65,302

The costs that are not allocated correspond to discontinued operations.

Other segment items included in the income statement for the year ending 31 December 2006 are as follows:

	Spain	Rest of Europe	Lat. Am	Not allocated	Group
Depreciation of tangible assets (Note 6)	15,794	5,577	13,969		35,340
Depreciation of intangible assets (Note 8)	6,903	71	621		7,595
Depreciation insolvencies and stocks	3,165	1,747	1,233		6,145

Other segment items included in the income statement for the year ending 31 December 2005 are as follows:

	Spain	Rest of Europe	Lat. Am	Not allocated	Group
Depreciation of tangible assets (Note 6)	16,897	5,978	10,534	21	33,430
Depreciation of intangible assets (Note 8)	4,298	125	547		4,970
Depreciation insolvencies and stocks	1,148	2,411	295		3,854

The assets and liabilities of the segments at 31 December 2006 and the investments in fixed assets during the year ending on this same date are as follows:

	Spain	Rest of Europe	Lat. Am	Not allocated	Group
Total assets and liabilities	244,216	63,883	251,933		560,032
Investments in fixed assets (Notes 6, 7 and 8)	25,634	5,161	24,197		54,992

The assets and liabilities of the segments at 31 December 2005 and the investments in fixed assets during the year ending on this same date are as follows:

	Spain	Rest of Europe	Lat. Am	Not allocated	Group
Total assets and liabilities	265,896	67,366	212,543	3,488	549,293
Investments in fixed assets (Notes 6, 7 and 8)	46,144	2,303	63,571		112,018

The total assets and liabilities of the segments include fixed assets and non-financial working capital, which is comprised of current assets minus current liabilities excluding cash and cash equivalents, capital debts with banks, derivative financial instruments and including investments in associated companies.

Inter-group loan balances are not considered.

Investments in fixed assets include new tangible assets (Note 6) and intangible assets (Note 8) and those additions resulting from purchases made through business combinations (Notes 6, 8 and 33).

(a) Secondary format for reporting information by segments: activity segments

The three geographical segments of the Group operate in two activities. Spain is the country of origin of the Company, which in turn is the main operator. Its main area of activity is corporate security.

Group sales are classified as follows:

Sales	**2006**	**2005**
Corporate Security	1,540,327	1,306,477
Residential security	88,091	81,293
Total	**1,628,418**	**1,387,770**

The sales turnover does not include other revenues, as explained in Note 25.

The sales are allocated in accordance with customer segment.

Total assets	**2006**	**2005**
Corporate security	552,875	541,880
Residential security	7,157	7,413
Total	**560,032**	**549,293**

The asset total is allocated according to its use.

Investment in fixed assets	**2006**	**2005**
Corporate security	41,239	103,098
Residential security	13,753	8,920
Total	**54,992**	**112,018**

Investment in fixed assets is allocated according to the use of the assets.

6. Tangible assets

The breakdown and movements of the various types of tangible assets are reflected in the following table:

	Land and buildings	Plant and machinery	Other Installations and furniture	Other tangible assets	Advances and tangible assets In course of construction	Total
Year ending 31December 2006						
Initial book amount	80,104	6,610	56,939	55,599	12,349	211,601
Conversion differences	(1,266)	(422)	(894)	(2,023)	(336)	(4,941)
Additions	1,753	3,531	24,502	15,869	4,150	49,805
Disposals	(303)	(1,551)	(12,961)	(11,426)	(5)	(26,246)
Acum. depreciation disposals	165	1,535	10,426	7,342	-	19,468
Depreciation charge	(2,284)	(3,164)	(23,951)	(5,941)	-	(35,340)
Provision for impairment loss recognised in results	-	-	-	-	-	-
Exit consolidation	-	-	-	-	-	-
Depreciation exit consolidation	-	-	-	-	-	-
Incorporation consolidation	98	3	16	2,223	-	2,340
Depreciation incorporation consolidation	(91)	(1)	(10)	(850)	-	(952)
Other movements	(1,590)	2,197	719	15,624	(7,901)	9,049
Other depreciation movements	(1,315)	1,782	7,214	(16,731)	1	(9,049)
End book amount	**75,271**	**10,520**	**62,000**	**59,686**	**8,258**	**215,735**
At 31 December 2006						
Cost or assessment	99,968	33,149	129,272	152,350	8,258	422,997
Accumulated depreciation and impairment loss	(24,697)	(22,629)	(67,272)	(92,664)	-	(207,262)
Net book amount at 31 December 2006	**75,271**	**10,520**	**62,000**	**59,686**	**8,258**	**215,735**

	Land and buildings	Plant and machinery	Other Installations and furniture	Other tangible assets	Advances and tangible assets In course of construction	Total
Year ending 31December 2005						
Initial net book value	75,380	7,082	46,620	41,357	7,411	177,849
Conversion differences	2,294	824	1,386	4,167	539	9,210
Additions	1,857	2,248	18,321	20,848	13,871	57,145
Disposals	(1,950)	(1,040)	(10,417)	(8,075)	(1,228)	(22,710)
Accumulated depreciation disposals	538	373	10,417	8,962	-	20,290
Depreciation charge	(2,140)	(2,893)	(13,563)	(14,833)	-	(33,430)
Exit from the consolidated group	(511)	-	(1,170)	(2,110)	(1)	(3,792)
Depreciation exit from consolidated group	181	-	1,169	1,193	-	2,544
Incorporation into consolidated group	1,784	25	2,305	3,554	41	7,709
Depreciation incorporation into consolidated group	(147)	(8)	(898)	(2,160)	-	(3,214)
Transfers	2,818	(1)	2,768	2,698	(8,283)	-
Other depreciation movements	-	-	-	-	-	-
End net book value	**80,104**	**6,610**	**56,939**	**55,599**	**12,349**	**211,601**
At 31 December de 2005						
Cost or assessment	101,276	29,390	117,890	132,086	12,350	392,992
Accumulated depreciation and impairment loss	(21,172)	(22,780)	(60,951)	(76,487)	(1)	(181,391)
Net book value at 31 December 2005	**80,104**	**6,610**	**56,939**	**55,599**	**12,349**	**211,601**

The buildings located in the streets C/ Pajaritos and C/ Acacias in Madrid and the Hospitalet building in Barcelona were last re-valued on 1 January 2004 by independent experts. The method stipulated by the ECO 805/2003 standard was used in the evaluation of these three buildings. The benchmark cost method was used to obtain the market value of the Hospitalet building. The unexploited land was considered for the building in C/ Acacias in accordance with its present residential use and the benchmark method was used for the building in C/ Pajaritos. The capital gains resulting from this revaluation after deducting the corresponding deferred tax was set to Accumulated profits and other reserves.

The impact on the depreciation costs corresponding to the revaluation of these buildings totals € 439 thousand a year.

The aforementioned revaluation has resulted in a net increase in asset costs of € 38,006 thousand (2005: € 38.445 thousand).

The category of other installations, equipment and furniture includes those installations which the Group leases to third parties under operating leasing agreements with the following book values:

	2006	**2005**
Rented installations	61,281	53,668
Accumulated depreciation	(33,661)	(28,050)
	27,620	**25,618**

The income statement includes the installation leasing income of € 80,044 thousand (2005: € 67,522 million). These amounts refer to the entire rental business, whose associated costs are included in the income statement.

During the 2006 financial year, the company invested in armoured vehicles that comply with the Euro III standard for particle emissions. This investment was registered increasing the value of the fixed asset and totalled € 1,661 thousand (2005: € 3,180 thousand) and generated corporate income tax benefits of € 70 thousand (2005: € 111 thousand). Likewise, at the 2006 year end, the company had no environmental contingencies, it is not involved in any court actions in this regard and has no generated any income or incurred expenses in this area.

The following are the tangible assets subject to financial leasing with the Group as the leaseholder:

	2006	**2005**
Cost of capitalised financial leasing	22,912	21,915
Accumulated depreciation	(9,618)	(7,605)
Net book amount	**13,294**	**14,310**

Interests have not been capitalised to tangible assets during the year.

7. Goodwill

Year ending 31 December 2006	Goodwill
Initial book value	241,521
Conversion differences	-
Revaluation decrease	-
Incorporation consolidation	7,038
Internal additions	-
Other movements	-
Net book value at 31 December 2006	**248,559**
Cost or assessment	417,870
Accumulated depreciation and impairment loss	(169,311)
Net book value at 31 December 2006	**248,559**

During the 2006 financial year, goodwill was incorporated for the purchase of Escol at € 1,943 thousand and of Fireless, at € 3,004 thousand. The companies in Romania have generated goodwill valued at € 2,091 thousand. Note 33 gives details on the calculation of goodwill by acquisitions.

	Goodwill
At 1 January 2005	
Net book value at 1 January 2005	177,861
Year ending 31 December 2005	
Initial net book value	177,861
Additions	64,172
Exits	(512)
Net book value at 31 December 2005	**241,521**

During the 2005 financial year, goodwill was incorporated for the purchase of the CESS Groups amounting to 26,834 thousand Euros and the Nordés purchase amounting to 30,439. There is a deferred payment for the purchase of the Nordés Group which has been considered as an additional amount of goodwill and has been assessed at the fair value of € 6,899 thousand. The goodwill allocated to the Panama subsidiary company was written off at a value of € 512 thousand. Note 33 gives details on the calculation of goodwill by acquisitions.

(a) Tests for impairment loss in goodwill

The goodwill and intangible assets with indefinite useful lives have been allocated to the cash generating units (CGU) of the Group depending on the country of the operation and the business segment.

Below is a summary of goodwill allocation to CGUs grouped by region:

At 31 December 2006

	Spain	Rest of Europe	Lat.Am.	Total
Corporate security	84,067	32,828	115,483	232,378
Residencial security	4,816	-	11,365	16,181
Total	**88,883**	**32,828**	**126,848**	**248,559**

At 31 December 2005

	Spain	Rest of Europe	Lat.Am.	Total
Corporate security	84,067	28,794	112,479	225,340
Residencial security	4,816	-	11,365	16,181
Total	**88,883**	**28,794**	**123,844**	**241,521**

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

Key hypotheses used when calculating value in use

The following hypotheses have been used to calculate the value in use for the CGUs within a business segment:

	Spain	Rest of Europe	Lat.Am.
Growth rate[1]	3	3	3
Discount rate[2]	6.5	7.9	11.7

[1] The weighted average growth rate used to extrapolate cash flows which are not included in the budgeted period.
[2] The average discount rate before tax applied to the cash flow forecasts.

Management determined the EBITA (profit before tax, interest and amortisation) for the budget by considering past performance and market development prospects. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are before tax and reflect the specific risks related to relevant segments.

During 2006 and 2005, no impairment loss was recognised as the cash flow forecasts attributable to the CGUs allow for the net value recovery of all goodwill registered at 31 December of both years.

Estimated impairment loss in goodwill

The Group checks on a yearly basis whether goodwill has suffered any impairment loss, in accordance with the accounting practice described in Note 2.7. The recoverable amounts of the cash generating units have been determined by calculating the value in use. These calculations require the use of estimates (Note 4).

If the EBITA reviewed at 31 December 2006 had been 10% less than the management's estimates of 31 December 2005, the Group would not need to reduce any goodwill book value.

If the reviewed estimate of the discount rate before tax which is applied to discounted cash flows had been 10% higher than the management's estimates, the Group would not need to reduce the goodwill book value.

8. Intangible assets

The breakdown and movements of the main types of intangible assets, distinguishing between those generated internally and other intangible assets, are as follows:

Year ending 31 December 2006	Computer software	Customer portfolio	Total
Initial net book value	15,659	49,967	65,626
Conversion differences	39	(584)	(545)
Additions	3,946	1,241	5,187
Incorporation consolidation	41	427	468
Depreciation incorporation	(20)	-	(20)
Disposals	(480)	(529)	(1,009)
Depreciation disposals	493	-	493
Depreciation charge	(4,169)	(3,426)	(7,595)
Other movements	707	(707)	-
Net book value at 31 December 2006	**16,216**	**46,389**	**62,605**
Cost or assessment	25,963	56,430	82,393
Accumulated depreciation and impairment loss	(9,747)	(10,041)	(19,788)
Net book value at 31 December 2006	**16,216**	**46,389**	**62,605**

Year ending 31 December 2005	Computer software	Customer portfolio	Total
Initial net book value	10,098	3,212	13,310
Conversion differences	425	2,264	2,689
Additions	7,479	27,925	35,404
Incorporation into consolidated group	617	19,469	20,086
Depreciation for incorporation	(383)	-	(383)
Exit from consolidated group: cost and depreciation	-	(511)	(511)
Depreciation charge	(2,577)	(2,393)	(4,970)
Net book value at 31 December 2005	**15,659**	**49,966**	**65,625**
Cost or assessment	21,517	56,582	78,099
Accumulated depreciation and impairment loss	(5,858)	(6,616)	(12,474)
Net book value at 31 December 2005	**15,659**	**49,966**	**65,625**

Worth special mention with regards other intangible assets is the addition of customer portfolios during 2006 originating from the PPA assessment of company acquisition in Romania (see note 33).

Likewise, during 2005 customer portfolios were incorporated, originating from the PPA assessment of the CESS, ESC and Nordés Group acquisitions in Spain, for a total amount of € 19,469 thousand (see note 33).

The corporate security customer portfolios of Preserve and Transpev in Brazil, of € 29,611 thousand (€ 30,195 thousand in 2005), are considered intangible assets of indefinite useful life. Therefore, this shall pass the deterioration testing according to note 7 yearly.

The assessment criteria stipulated in notes 2.6 and 2.7 must be taken into account when evaluating intangible assets in Brazil.

The remaining assets informed are amortised in percentages ranging from 7.7% to 16.7%, depending on their estimated life.

None of the intangible assets are subject to restrictions of ownership, nor do they have to guarantee specific operations.

9. Investments in associated companies

	2006	2005
Initial balance	**2,649**	-
Investment	-	2,700
Divestment	-	-
Share in result	-	(51)
Conversion differences	-	-
Dividends collected	-	-
Transfers and others	(2,649)	-
End balance	**-**	**2,649**

At the end of the 2005 financial year, the Group's share in its main associated companies (none of which are quoted on the stock market) was as follows:

Name	Investment	Share %	Total assets	Operating income	Profit / (loss)
Romanian Holding Corp.	2,700	50.0%	5,383	18	(20)

Romanian Holding Corp. is a vehicle company incorporated by Prosegur Compañía de Seguridad using GED Eastern Fund II FCR venture capital to jointly invest in security companies in Romania. Through this corporation, both companies have acquired Dragon Star Guard, srl and Security Dragon Star.

Name	Participation %	Total assets	Operating income	Profit / (loss)
Dragon Star Guard srl	37.9%	2,456	9,690	351
Security Dragon Star	37.9%	550	1,579	(460)

During 2006, Romanian Holding Corporation changed its registered name to that of Rosegur Holding Corporation and Dragon Star Guard changed its name to Rosegur S.A.

Likewise, during 2006 the participation of Rosegur Holding in Rosegur S.A. (previously Dragon Star Guard srl.) was increased to 99.97% resulting in the partial incorporation of these Romanian companies into the consolidated group. See note 35.

10. Available-for-sale financial assets

	Thous. of euros
At 1 January 2005	**2,823**
Additions	3,215
Disposals	(1,277)
Conversion differences	49
Balance at 31 December 2005	**4,810**
Additions	536
Disposals	(1,508)
Conversion differences	(41)
Balance at 31 December 2006	**3,797**

Financial assets include the following net investments:

Name	Net investment value	Share %
Euroforum Escorial, S.A.	936	8.1%
Naviera Spica, A.I.E.	444	50.0%
Naviera Muxía, A.I.E.	454	50.0%
Keytech Sistemas Integrales	213	37.0%
Others	421	
	2,468	

These investments are valued at the lower of the cost and its theoretical accounting value, given that it is not possible to make reliable assessments of the same. The company Keytech Sistemas Integrales is currently in liquidation.

This caption of the balance sheet includes € 952 thousand (2005: € 673 thousand) corresponding to long-term guarantee deposits and other long-term assets for the amount of € 377 thousand (2005: € 809 thousand).

11. Stocks

Stocks at 31 December 2006 and 2005 are as follows:

	2006	2005
Products in course	11,112	8,539
Commercial products, fuel and others	6,130	5,172
Operating material	2,132	1,937
Uniforms	2,586	1,771
Total	**21,960**	**17,419**

During the current year, the provision for stock impairment resulted in an impact on results totalling € 1,372 thousand (2005: € 198 thousand). No stocks have been pledged as debt guarantees.

12. Customers and receivables

	2006	2005
Customers	399,105	354,531
Less: provision for impairment loss of receivables	(20,025)	(21,330)
Customers – Net	379,080	333,201
Other receivables	63,936	53,473
Advance payments	9,305	5,923
Total	**452,321**	**392,597**

Trade receivables have no credit risk concentration as the Group has a large amount of customers spread out all over the world.

Debts with public administrations for various tax concepts are recorded in other receivables at the value of € 40,152 thousand (2005: € 32,564 thousand) of which € 28,383 thousand (2005: € 7,880 thousand) correspond to payments on account and corporate income tax debts. Likewise, legal deposits are registered at a total of € 10,169 thousand (2005: € 7,629 thousand) and staff advances at € 2,997 thousand (2005: € 3.248 thousand).

The fair values of the aforementioned concepts do not differ significantly from their nominal value.

The book value of Group receivables is expressed in the following currencies:

	2006	2005
Euro	314,301	280,005
Other currencies	84,804	74,526
	399,105	**354,531**

The movements of the provision for impairment loss of receivables is as follows:

	2006	2005
Initial balance	**21,330**	**18,101**
Incorporation into consolidated group	-	2,862
Provision for impairment loss of receivables	960	3,351
Applications and others	(366)	95
Reversal of unused amounts	(1,899)	(3,079)
End balance	**20,025**	**21,330**

In addition, during 2006 the impairment loss in receivables totalled € 5,711 thousand (2005: € 3,159 thousand). The loss has been included in the general expenses of the income statement and is unlikely to be recovered.

Receivables suffering impairment loss mainly correspond to wholesalers with unforeseen financial difficulties.

Normally, the amounts charged to the provision account are annulled when prospects of recovery are nil.

The remaining accounts included in receivables do not contain assets which have suffered impairment loss.

The maximum exposure to credit risk at the date of presenting this information is the fair value of each category of receivables indicated above. The Group does not hold any guarantee as insurance.

13. Other financial assets

This caption comprises a held-to-maturity deposit. Its value in Brazilian reals is 47 million and its exchangeable value is € 16,691 thousand (2005: € 17,021 thousand). This deposit guarantees a loan granted to a subsidiary company in Brazil (see notes 19 and 23). It is presented as a current asset given the connection and the operation can be cancelled at any maturity date by the parent company of the Group.

This deposit was performed during the 2004 financial year and it was not modified in 2005 or 2006.

14. Cash and cash equivalents

	2006	2005
Cash and banks accounts	34,756	23,765
Short-term deposits in credit inst.	19,896	8,307
	54,652	**32,072**

The effective interest rate of the short-term deposits in credit institutions was 3.20% (2005: 2.04%) and the average maturity of said deposits is one day.

15. Capital

Share capital	No. shares (thousands)	Ordinary shares	Share premium	Own shares	Total
At 1 January 2005	61,712	37,027	25,472	(994)	61,505
Delivery of own shares				219	219
Balance at 31 December 2005	61,712	37,027	25,472	(775)	61,724
Purchase of own shares				(3,099)	(3,099)
Sale of own shares				21	21
Balance at 31 December 2006	61,712	37,027	25,472	(3,853)	58,646

At 31 December 2006, the share capital of Prosegur Compañía de Seguridad S.A. totalled € 37,027.478 represented by 61,712,464 totally subscribed and paid shares with the nominal value of € 0.6. They are quoted in their entirety on the Madrid and Barcelona stock markets. Shareholders are as follows:

Number of shares	31-Dec-06	31-Dec-05
The Gut Revoredo Family	30,924,033	30,924,033
The Alvarez Giesso Family	3,463,932	3,463,932
Mr. Isidro Fernández Barreiro	3,089,673	3,229,673
Ibercaja (represented by Mr. José Luis Martínez Candial)	65,500	65,500
Mr. Angel Vizcaíno Ocariz	13,067	13,067
Mr. Pedro Guerrero Guerrero	32,100	32,100
Others	24,124,159	23,984,159
TOTAL	**61,712,464**	**61,712,464**

Director participation corresponds to the total shares in their power which are owned directly or indirectly through companies controlled by the same. At 31 December 2006, the Board of Directors of Prosegur Compañía de Seguridad, S.A. owned 37,588,305 shares (37,728,305 shares in 2005) which corresponds to 60.91% of the share capital (61.14% in 2005).

Share premium

A share premium of the value of € 25,472 thousand is available and was not modified during the 2005 and 2006 financial years.

Own shares

On 9 May 2000 the Shareholders' General Meeting authorised the Board of Directors to acquire own shares up to a maximum of 5% of the parent company's share capital and to apply up to 0.75% to the Plan 2000 executive motivation and loyalty scheme. At the Shareholder's Meeting held on 9 June 2001 the Board of Directors was authorised to acquire own shares and apply up to 0.065% of the Company's share capital to the Plan 2001 executive compensation scheme. At their meeting on 18 April 2002 the Shareholders approved the Plan 2002 executive compensation scheme, to which a maximum of 0.095% of share capital may be applied. The Shareholders' Meeting held on 29 April 2003 approved the Plan 2003 executive compensation scheme, to which a maximum of 1.37% of share capital may be applied. The Shareholders' Meeting held on 26 April 2004 approved the Plan 2004 executive compensation scheme, to which a maximum of 0.067% of share capital may be applied.

At 1 January 2005 a total of 92,859 securities in the form of own shares were accounted for at the gross amount of € 994 euros. At 31 December 2005 a total of 72,425 securities in the form of own shares were accounted for at the gross amount of € 775 thousand. During 2005 a total of 20,434 shares with a gross value of € 219 thousand were allocated to certain executives.

During the 2006 financial year, 165,725 own shares were acquired. At 31 December 2006 a total 236,147 securities in the form of own shares were accounted for at the gross amount of € 3.853 thousand. During 2006 a total of 2,003 shares were sold at a gross amount of € 21 thousand.

Details of the shares assigned to the various executive compensation schemes at 31 December 2006 and 2005 are as follows:

	2006	2005
Plan 2002	-	2,003
Plan 2003	-	28,884
Plan 2004	21,973	17,317
Total	**21,973**	**48,204**

The commitment acquired by the company in connection with the various executive remuneration schemes has been provided for under the caption “Staff accruals”, detailed in Note 22 for a total of € 543 thousand (€ 930 thousand at 31 December 2005).

16. Revaluation reserve and others

	Reserve for hedging operations	Reserve for own shares	Reserve for revaluation
At 1 January 2005	**(14)**	**-**	**(14)**
Fair value profits of the year	549	-	549
Tax on fair value profits	(192)	-	(192)
Balance at 31 December 2005	**343**	**-**	**343**
Fair value profits of year	1,742	13	1,755
Tax on fair value profits	(541)	-	(541)
Balance at 31 December 2006	**1,544**	**13**	**1,557**

The variation in the reserves for hedging operations is due to the assessment of Cross Currency Swaps and Interest Rate Swaps described in Note 23.

The reserves for own shares corresponds to the result of selling own shares. See Note 15.

17. Accumulated conversion difference

	Conversion
1 January 2005	**(1,372)**
Conversion differences	10,459
31 December 2005	**9,087**
Conversion differences	(10,060)
31 December 2006	**(973)**

The breakdown of the accumulated conversion difference by segments at close of years 2006 and 2005 is as follows:

	2006	2005
Spain	-	-
Rest of Europe	-	-
Latin America	(973)	8,752
Not allocated	-	335
Total	**(973)**	**9,087**

18. Accumulated profits and other reserves

At 31 December 2006, unavailable accumulated reserves and profits existed for an amount of € 8,043 thousand (2005: € 7,721 thousand). The movement of unavailable reserves is due to the variation of the reserve for own shares.

The legal reserve of € 7,405 thousand is in accordance with Article 214 of the Spanish Companies Act, which stipulates that in all cases an amount equal to 10% of the year profit must be devoted to such end up to at least 20% of the share capital. 100% of said amount is provided for.

The legal reserve cannot be distributed and if it is used to compensate losses when no other reserves are available for said end, it must be replaced with future profits.

Likewise, the reserve for own shares at the amount of € 472 thousand (2005: € 150 thousand), the reserve for revaluation at the amount of € 150 thousand and the reserve for converting capital to euros at the amount of € 61 thousand are of limited availability.

Contribution by segments to the consolidated results and their minority interests are as follows:

	2006		2005	
	Result attributed to company shareholders	Result attributed to minority interests	Result attributed to company shareholders	Result attributed to minority interests
Spain	24,246	-	47,684	-
Rest of Europe	4,892	-	(1,419)	(3)
Lat. Am.	28,465	-	13,725	(19)
Not allocated	-	-	1,215	-
Disrupted operations	-	-	4,097	-
	57,603	**-**	**65,302**	**(22)**

The proposal for the distribution of the 2006 results and other parent company reserves is as follows, determined in accordance with commercial law and the criteria for reporting individual annual accounts to the General Meeting of Shareholders, and compared with the approved distribution of the 2005 result:

	2006	2005
Basis of distribution		
Year profit	28,499	52,640
Voluntary reserves	11,501	-
	40,000	**52,640**
Distribution		
Voluntary reserves	-	2,051
Negative results (losses) from previous years	-	17,589
Dividends	40,000	33,000
	40,000	**52,640**

19. Debt capital

This caption of the balance sheet is as follows:

	2006	2005
Non-current		
Credit accounts	-	-
Loans with credit institutions	5,266	21,909
Syndicated loan	248,475	47,000
Leasing debts	3,307	3,385
Other debts	16,607	26,849
	273,655	**99,144**
Current		
Credit accounts	6,580	69,298
Loans with credit institutions	20,531	77,786
Syndicated loan	-	47,638
Leasing debts	3,631	4,014
Other debts	13,640	16,279
	44,382	**215,014**
Total debt capital	**318,037**	**314,158**

Interest rates	2006	2005
Credit accounts	3.91%	5.07%
Loans	8.23%	9.88%
Syndicated	3.89%	3.72%
Leasing debts	16.50%	18.46%

The book value of the capital debt is similar to that of its fair value.

The financial debt has been restructured by signing a syndicated credit in July 2006 for a total amount of € 450,000 thousand, divided into two tranches: a € 250,000 thousand debt which can be amortised through constant instalments over five years (one year grace period) and an available € 200,000 thousand debt for five years.

The Group capital debt (excluding the other debts caption) on their price review date is as follows:

	6 months or under	6 to 12 months	1 to 5 years	Total
At 31 December 2006				
Total capital debt (excluding other debts)	3,134	27,607	257,049	287,790
At 31 December 2005				
Total capital debt (excluding other debts)	111,748	86,988	72,294	271,030

The book value of the group's capital debts excluding other debts is translated into the following currencies:

	2006	2005
Euro	266,151	209,455
US dollar	-	16,953
Other currencies	21,639	44,622
	287,790	**271,030**

Details of the maturity dates of loans taken out with credit institutions are as follows:

	12 months or under	1 to 5 years	Total
At 31 December 2006			
Total capital debt	20,531	5,266	25,797
At 31 December 2005			
Total capital debt	77,785	21,909	99,694

At 31 December 2006, the Group has undrawn credits granted totalling € 328,914 thousand (€ 70,585 thousand in December 2005). The Group has the following undrawn lines of credit:

	2006	2005
Variable rate:		
– with maturity falling within a year	128,914	70,585
– with maturity falling after a year	200,000	-
Fixed rate:		
– with maturity falling within a year	-	-
Total	**328,914**	**70,585**

The lines of credit with maturity falling within a year will be subject to various reviews during 2007.

Funding in Brazil

A loan amounting to 47,000 thousand reals, (2005: 47,000 thousand reals) with an exchangeable value of € 16,692 thousand (2005: € 17,021 thousand) granted to a subsidiary company in Brazil has been classified as short-term even though its maturity is long-term, as the same is linked to a guarantee deposit which is classified as short-term (credit notes that guarantee a loan granted by Barclays Bank to a subsidiary company in Brazil). Therefore the aforementioned operation can be cancelled at any moment by the parent company of the Group.

Syndicated loans

In October 2001, a syndicated loan was formalised (34 credit institutions) for an amount of € 240,000 thousand available in dollars and euros, allocated to payments related to company purchases and to the refinancing of the Group's bank debt. At 31 December 2005, the outstanding amount of this syndicated loan was € 78,000 thousand and $ 20,000 thousand (exchangeable value of € 16,638 thousand). On 8 August 2006, this loan was cancelled in advance as a new syndicated loan was contracted in its replacement.

In July 2006, Prosegur Cia Seguridad SA contracted a syndicated financing operation for the value of € 450 thousand at a five-year term. The financing operation was structured into two tranches:

- The first tranche (A) was established as a loan for the value of € 250 thousand with full availability at the beginning of the contract. This amount was used to amortise the pending balance of the previous syndicated loan and other short-term loans arranged with banking institutions.
- The second tranche (B) has been taken out as a credit for the amount of € 200,000 thousand. This tranche is destined to cover corporate needs and any possible company acquisitions undertaken by the Group. At present it is totally available.

The financial conditions for the payment of interests is stipulated in Euribor plus a margin scaled in accordance with the following ratio:

Net financial debt/EBITDA	Applicable margin Tranches A and B
Greater or equal to 2.75x	0.50%
Greater or equal to 2.00x but less than 2.75x	0.40%
Less than 2.00x but greater or equal to 1.25x	0.35%
Less than 1.25x	0.30%

The current Net Financial Debt/EBIDTA ratio is between 1.25 and 2 and it is expected to maintain this value in the future. Therefore the applicable margin for Prosegur is Euribor + 0.35%.

The loan matures on 25 July 2011.

The loan is guaranteed by the following subsidiary companies of the Prosegur Group: Compañía de Segurança Ltda, Prosegur Transporte de Valores, S.A., Servimax Servicios Generales, S.A., Prosegur Brasil, S.A., Transportadora de Caudales Juncadella, S.A., Prosegur S.A.: and Prosegur Securité Humaine, EURL.

In accordance with the loan contract, the maximum amount drawn for tranche A with regards the loan of € 250,000 thousand at each amortisation date will be as follows:

Amortisation Date	Amount (thous, euros)	Outstanding balance (thous, euros)
25 January 2008	31,250.0	218,750.0
25 July 2008	31,250.0	187,500.0
25 January 2009	31,250.0	156,250.0
25 July 2009	31,250.0	125,000.0
25 January 2010	31,250.0	93,750.0
25 July 2010	31,250.0	62,500.0
25 January 2011	31,250.0	31,250.0
25 July 2011	31,250.0	0.0

The contract also has certain compulsory covenants which refer to the movement of the following ratios:

	2006	2007	2008	2009	2010
EBITDA/Financial expenses	5	5	5	5	5
Net Debt/EBITDA	3.5	3.5	3.5	3.5	3.5

Furthermore, the loan agreement establishes certain obligations with which Prosegur must comply. These covenants substantially limit the parent company's freedom to dispose of assets of over € 10,000 thousand. However, sales exceeding this amount are permitted when the obtained amount (always at market price) is entirely reinvested in similar assets, at a maximum term of six months or at the early amortisation of the loan or commitment undertaken without the knowledge of the lender. The loan agreement also requires that guarantees provided by Group companies be extended to cover at least 85% of assets, EBITDA and the Group's revenues and includes all undertakings that individually contribute over 5% thereof. Finally, major shareholders are required to maintain a direct or indirect interest in Prosegur equal to at least 40% of share capital provided that they can maintain control over the board of directors.

The financial ratios included in the consolidated annual accounts of the entity at 31 December 2006, in accordance with the description of each section, have been totally fulfilled at said date.

Leasing debts

Details of the minimum payments for financial leasing contracts are as follows:

	2006	2005
Less than 1 year	4,152	5,022
Betw. 1 and 5 years	4,431	5,206
Over 5 years	329	0
Future charges for financial leasing	(1,974)	(2,829)
Curr. value of financial leasing liabilities	6,938	7,399

The main assets subject to financial leasing contracts are armoured vehicles and counting machines.

Other debts

The caption called other debts mainly covers those debts pending payment which are associated to the purchase of shares (see Note 33) performed during present and past years. The breakdown is as follows:

	2006	2005
Non-current		
Prosegur Seguridad, S.A.	319	499
CESS and ESC Group	4,966	9,521
Nordés Group	6,899	6,899
Fireless	1,294	-
Escol	1,173	-
Preserve and Transpev	-	8,087
Others	1,956	1,843
	16,607	**26,849**
Current		
Prosegur Seguridad, S.A.	180	195
CESS and ESC Group	5,366	10,722
Preserve and Transpev	7,103	2,221
Fireless	260	-
EIGs	-	3,093
Others	731	48
	13,640	**16,279**

Maturity details are as follows:

	2006	2005
Less than one year	13,640	16,279
Between 1 and 5 years	16,607	26,849
Over 5 years	-	-

20. Tax matters

Prosegur Compañía de Seguridad, S.A. is the leading company of a Group which pays corporate income tax under the consolidated taxation regime in Spain. The Consolidated Tax Group is comprised of Prosegur Compañía de Seguridad, S.A. as the parent company with the subsidiary companies being those Spanish corporations which fulfil the requirements for such end stipulated by the regulating legislation on the consolidated profit of company groups. Therefore, the companies comprising the consolidated tax group at 31 December 2006 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., ESC Servicios Generales, S.L., Nordés Prosegur Tecnología, S.L., Prosegur Activa Holding, S.L., Prosegur Activa España, S.L. and Romanian Holding, S.L.

The remaining subsidiary companies of the Group present their tax returns in accordance with the tax regulations applicable in the country in question. In particular, certain companies of the Group in France, all of which are either directly or indirectly subsidiary companies, have formed a Tax Consolidation Group (Intégration Fiscale). The companies comprising this group, formerly the Cinieri Group, are as follows: 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 Technologie. Group companies in Italy have also formed a Tax Consolidation Group (Consolidato Fiscale), all of which are either directly or indirectly subsidiary companies: Mabro, S.R.L, Prosegur Servizi, S.R.L., Prosegur Roma, S.R.L., Prosegur Torino, S.R.L., Prosegur Milano, S.R.L., Prosegur Servizi Integrati, S.R.L. and Prosegur Tecnologia, S.R.L.

The expenses deriving from profit tax, based on profit before tax, are calculated as follows:

	2006	2005
Profit before tax	92,003	96,899
Tax rate	35%	35%
Result adjusted to tax rate	32,201	33,914
Permanent differences	3,048	-903
Impact of different tax rates	-2,807	-2,739
Recognition of deferred taxes from previous years	-	-739
Adjustment of deferred assets from previous years	-	4,863
Change of tax rates by deferred tax	-1,043	-
Adjustment of taxes from previous years	574	-1,035
Losses without deferred tax	-967	3,775
Deductions	-1,946	-1,952
Latin America goodwill	5,120	-
Others	220	532
Tax expense	34,400	35,716

The weighted average rate is 37.4% (2005: 36.9%). Even when the weighted average rate is only half percent, variations are produced in the concepts, mainly with regards the use or generation of losses without deferred tax, the adjustment of deferred tax during 2005, the tax deferred by goodwill in Latin America due to change of focus, the permanent differences and the adjustment of deferred tax due to the change in the corporate tax rate in Spain.

The forecast change in the tax rate in Spain for the next financial years (32.5% for 2007 and 30% for 2008) has resulted in changes in deferred tax, of which the following are the most significant: decrease in the deferred taxes of assets, with regards provisions (€ 796 thousand), the impact of the Supreme Court's ruling (€ 1,500 thousand), see Note 26, and the accrual of residential security sales (€ 502 thousand), decrease in the deferred taxes of liabilities with regards the revaluation of buildings (€ 1,900 thousand) and goodwill and portfolio amortisation (€ 2,549 thousand).

Liabilities have not been recognised for deferred taxes with regards withholdings and other taxes to be paid on profits which have not been remitted by subsidiary companies abroad, with the exception of those in Latin America, which has resulted in a change of focus as these amounts are permanently reinvested and have the capacity of controlling the dividend distribution practice of the same.

During 2005 and with the purpose of reporting the results of discontinued activities net of corporate income tax, tax expenses increased by € 387.3 thousand and were transferred to year profit / (loss) of discontinued activities (Note 37).

The difference between the tax charge imputed to years 2006 and 2005 and what is to be paid for said years, recorded in the captions "deferred taxes, assets" and "deferred taxes, liabilities" of assets or liabilities as appropriate, of the consolidated balance sheet dated 31 December 2006 and 2005 is the result of the temporary differences generated by the difference between the accounting value of certain assets and liabilities and the tax base. Gross movements in the deferred tax assets and liabilities account and their breakdown at the end of the 2005 and 2006 financial years are as follows:

Deferred tax assets

	31-Dec-04	Debit or credit to results	Business combinations	Cargo o credit to equity	Convers. difference	**31-Dec-05**	Debit or credit to results	Business combinat.	Debit or credit to equity	Convers. difference	**31-Dec-06**
Depreciation tangible and intangible assets	**1,111**	(46)	-	-	157	**1,222**	(782)	-	-	(4)	**436**
Accrual alarm costs	**8,291**	88	-	-	99	**8,478**	(2,790)	-	-	106	**5,794**
Different provisions	**4,457**	(2,137)	-	-	322	**2,642**	6,517	-	-	(127)	**9,032**
Risks in France	**11,846**	409	-	-	-	**12,255**	(8,356)	-	-	-	**3,899**
Negative tax base	**11,964**	(462)	-	-	844	**12,346**	(5,402)	-	-	(170)	**6,774**
Ruling difference hourly rate	**-**	-	-	-	-	**-**	9,000	-	-	-	**9,000**
Others	**5,968**	1,537	-	-	1,064	**8,569**	1,586	-	-	(224)	**9,931**
Total	**43,637**	**(611)**	**-**	**-**	**2,486**	**45,512**	**(227)**	**-**	**-**	**(419)**	**44,866**

Deferred tax liabilities

	31-Dec-04	Debit or credit to results	Business combina-tions	Cargo o credit to equity	Convers. difference	31-Dec-05	Debit or credit to results	Business combina-negocio	Cargo o credit to equity	Convers. difference	31-Dec-06
Depreciation tangible and intangible assets	**(893)**	(831)	-	-	(175)	**(1,899)**	(956)	-	-	209	**(2,646)**
Tax goodwill	**(5,955)**	(6,452)	-	-	-	**(12,407)**	(5,853)	-	-	-	**(18,260)**
Investments	**(1,216)**	(427)	-	-	(165)	**(1,808)**	(234)	-	-	206	**(1,836)**
Accrual alarm revenues	**(561)**	(54)	-	-	(76)	**(691)**	(253)	-	-	79	**(865)**
Deferred cap. gains sales fixed assets	**(1,760)**	257	-	-	(40)	**(1,543)**	285	-	-	-	**(1,258)**
Exchange dif. loans in foreign currency	**(8,504)**	6,539	-	-	-	**(1,965)**	1,965	-	-	-	**-**
EIG results	**-**	(187)	(127)	-	-	**(314)**	-	(292)	-	-	**(606)**
Asset revaluation	**(13,609)**	154	-	-	-	**(13,455)**	2,053	-	-	-	**(11,402)**
Others	**(4,641)**	2,799	-	(192)	85	**(1,949)**	(148)	(128)	(541)	(243)	**(3,009)**
Total	**(37,139)**	**1,798**	**(127)**	**(192)**	**(371)**	**(36,031)**	**(3,141)**	**(420)**	**(541)**	**251**	**(39,882)**

The deferred tax assets generated during 2006 for a value of € 9,000 thousand correspond to the deferred tax impact of the Supreme Court ruling on extra hours, as described in Note 26.

The deferred tax assets as negative tax bases pending offset are recognised depending on the likelihood of the corresponding tax benefit via future tax benefits. The details of negative tax bases, and their offset deadline are as follows:

Year	Total	Not capitalised	Capitalised
2007	6,620	6,620	-
2008	6,088	6,088	-
2009	1,891	1,876	15
Subsequent years, or with no time limit	59,118	39,216	19,902
Total	**73,717**	**53,800**	**19,917**

The capitalised tax bases correspond to those tax bases which have been allocated a deferred tax asset and which have mainly originated in Brazil. The Financial Budget authorised by Management foresees future tax benefits in Brazil.

During 2006, two mergers were performed, which are covered by the tax regime described in Chapter VIII of Title VII of the Amended Spanish Corporate Income Tax Act. These mergers are as follows:

In June the merger of Prosegur Seguridad, S.A. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of both companies. As from 1 January 2006 the operations of Prosegur Seguridad, S.A. are considered as performed by the company to which its equity was passed for accounting purposes.

Likewise in June 2006 the merger of Nordés Vigilancia, S.A.U. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of both companies. As from 1 January 2006 the operations of Nordés Vigilancia, S. A. are considered as performed by the company to which its equity was passed for accounting purposes.

The additional assets and liabilities resulting from these mergers were recorded at the book value of the merged company without generating any capital gains.

The Board of Directors of Prosegur Compañía de Seguridad, S.A. agreed to restructure the company. As a result, in October 2006 the Portuguese company Prosegur Companhia de Seguranca, Lda. was segregated and the book value of residential security assets and liabilities were carried over to a new company Prosegur Activa Portugal Unipesoal, Lda. without generating any capital gains and in accordance with Portuguese tax neutrality. During 2007, similar operations will be carried out in Spain and Argentina with residential alarms assets and liabilities carried over to Prosegur Activa España and Prosegur Activa Portugal respectively, and without generating any accounting or tax gains.

During 2005, two mergers were performed and a new branch of activity was created in Spain, covered by the tax regime described in Chapter VIII of Title VII of the Amended Spanish Corporate Income Tax Act. These mergers are as follows:

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

In June 2005 the merger of CESS Compañía Europea de Servicios de Seguridad, S.A. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of both companies.

Likewise in June 2005 the merger of Atecyr, S.L., Nordés Instalaciones, S.A., Nordés Sistemas, S.A., Nordés Mantenimiento, S.A. and Nordés C.R.A., S.A. by Prosegur Compañía de Seguridad, S.A. was approved at the General Shareholders Meetings of the companies.

On 27 December 2005, a document was publicly issued relating to the capital increase of Nordés Prosegur Tecnología, S.L., a result of a non-monetary contribution by Prosegur Compañía de Seguridad, S.A. consisting of the transfer of all assets and rights for activities concerning electricity installation and maintenance, security systems, fire detection and suppression systems and connection services to the central alarm centre for major customers (with all the staff, material, financial means and constructive know-how linked to this activity).

The additional assets and liabilities resulting from these mergers and contributions were recorded at the book value of the merged company without generating any capital gains, in accordance with the aforementioned tax regime.

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

Likewise, Nordés Instalaciones, S.A., a company belonging to the Nordés Group and merged into Prosegur Compañía de Seguridad, S.A., holds 50% of the share capital of the two Economic Interest Groups called Naviera Muxía, A.I.E. and Naviera Spica, A.I.E.

Both groups were incorporated in July 2004 by Banco Santander Central Hispano, S.A. and in September of the same year Nordés Instalaciones, S.A. acquired 50%.

The purpose of these groups is to buy ships which will be subsequently leased with or without a purchasing option.

On 17 November 2004, both groups signed a credit contract with Santander Investment Services, S.A. to finance 100% of the payments needed to buy the ships.

On said date, the groups entered into contracts of sale with the aim of each group acquiring a ship under a financial lease.

Again on the same date, the leasing contracts were signed with the end ship-owning companies.

On 7 April 2006 after the ships were delivered, Prosegur Compañía de Seguridad, S.A. made a contribution of € 3,092,999.

In view of the tax regime of these two groups, in 2006 Prosegur Compañía de Seguridad S.A. decreased its tax base by € 3,852,273 (€ 2,467,421 in 2005), deferring the recognition of the profit until the groups change to the tonnage-based tax regime.

At 31 December no tax reports of any significant amount have been initiated.

The oldest financial year open to inspection by tax authorities in Spain is 2002. The remaining countries are subject to local legislation, with the 2002 financial year being the oldest open to inspection in most cases.

21. Long-term provisions

On 31 December 2006, the amount under this caption totalled € 95,359 (2005: € 60,831 thousand). Said amount is comprised of:

a) Revenue accruals. This refers to alarms, at an amount of € 17,658 thousand (2005: € 21,779 thousand).

b) Provisions for liabilities and charges. The movement during the year is as follows:

	2006	2005
Initial balance	39,052	31,959
Allocation	25,184	14,017
Reversal	(5,204)	(4,313)
Incorp.consolidated group	4,095	1,772
Applications	(16,909)	(5,902)
Conversion diff.	(767)	1,519
End balance	**45,451**	**39,052**

The breakdown by concept for the provision for liabilities during the 2006 financial year is as follows:

Legal: € 25,270 thousand. Legal provisions are analysed individually.

Labour: € 20,181 thousand. The provisions for labour liabilities are based on the company's past experience.

With regards lawsuits, the following is the most important:

On 8 January 1996, ordinary declaratory action for a major claim was initiated by the official receivers of Esabe Express, S.A. for a sum of € 13,024 thousand. This writ named the Danish company called Alarmselskabet Dansikring A/S, a subsidiary of the Swedish Securitas Group, as co-defendant in this action.

Subject to the final decision of the Courts, the directors of the Group believe that Prosegur has strong arguments to defend its position, though proceedings are expected to be protracted. On this basis, it is considered unlikely that significant liabilities having a material effect on the financial position of the Group will arise, particularly since Prosegur was not involved in any way in the purchase of 16 subsidiaries of Esabe Express, S.A. but simply accepted a payment that Securitas had undertaken to make on behalf of Esabe Express, S.A. Together with its Group company Alarmselkabet Dansikring A/S, Securitas in fact made this commitment in order to facilitate the purchase of Esabe businesses, which the Swedish Group was interested in acquiring. To this end, Alarmselkabet Dansikring A/S and its parent company Securitas A.B. assumed Esabe's obligation to pay Prosegur the sum claimed by the receivers.

The case was heard at the Madrid Court of First Instance no. 61, which set aside the claim in a ruling issued on 30 June 1998 on technical grounds, since the retroactive date of bankruptcy constituted a prior issue to the joinder of action. As a consequence, Prosegur was exonerated from payment of the sum claimed. The official receivers appealed against this ruling in the Madrid Provincial Court. The appeal was dismissed in a ruling issued on 29 March 2000, whereafter the receivers moved to vacate the judgement. Prosegur is party to this action, in which a ruling has not yet been issued.

On 14 December 1998, after the Madrid Court of First Instance no. 61 had issued its ruling, Prosegur was notified of a further ruling issued by Court no. 34 on 2 December in the matter of the retroactive date of bankruptcy of Esabe Express. In accordance with this ruling, the date of bankruptcy was established as 1 May 1991. Said date has been made definitive through a writ issued by the Supreme Court dated 17 May 2005.

In the opinion of Prosegur, once the retroactive date of bankruptcy is established, a new action will be brought allowing Prosegur to raise and defend technical and substantive issues that have not yet been addressed in any judgement.

c) Staff accruals

Furthermore, the Company has accounted for a liability totalling € 2,250 thousand for accumulated accruals at 31 December 2006 with regards the directors' incentives included in the scheme to give compensation when certain objectives are met over a three-year period. These incentives will be paid to the beneficiaries on 31 December 2007 at the end of the accrued period.

d) Variation due to extra hours

In May 2005, the current State Collective Agreement for Security Companies was signed for 2005 to 2008, endorsed by the employers' associations APROSER, FES, AMPES and ACAES and by the UGT and USO unions.

On 6 February 2006, the corporate division of the National Court dismissed the claim presented by other minor unions against the articles of the aforementioned agreement which set the value of extra hours for security guards.

These unions presented a motion to vacate the judgement before the corporate division of the Supreme Court, which on 21 February 2007 issued a ruling which set aside the judgement and allowed for the claim brought by the appealing party. Said ruling declared the nullity of "section 1. a) of article 42 of the State Collective Agreement for security companies for 2005 to 2008 which sets the value of extra hours for security guards" of article 42, section b) only with regards the extra working hours for the remaining professional categories and of point 2 of article 42, which sets the value of ordinary working hours to guarantee the minimum value of extra hours under that stipulated by law.

As a consequence of this ruling, the companies of the group are under the obligation to compensate employees with a differential respect the amount earned for the extra hours incurred, resulting from the new value calculation base of the same. The management of the Group companies, after analysing the Supreme Court ruling, and based on the best possible estimation practice, calculated the provision needed to cover this accrued and claimable liability, including a provision of € 30 million (€ 18 million for 2006 and € 12 million for 2005) for past years as from the beginning of the Agreement to the year end at 31 December 2006. This was included in staff costs with a credit entry to a long-term provision.

22. Suppliers and other payables

The breakdown of suppliers and other payables is as follows:

	2006	**2005**
Suppliers	18,059	17,828
Other payables	79,525	60,547
Staff accruals	108,556	96,940
Social security and other taxes	75,184	79,304
	281,324	**254,619**

The payment policy for the indirect staff of the Prosegur Group includes the variable element of the incentive programmes developed for such end. The objective of said programmes is to recognise and award those persons who meet or exceed objectives and provide excellent service, thereby contributing to the success of the Company.

The Incentive Programme is based on a variable payment for meeting objectives established for a specific length of time by Company Management or the direct manager of the individual in question.

The variable payment received depends on the objectives set for each professional in their particular office and on performance assessment.

The main objectives of these Incentive Programmes are:

- To align staff interests and objectives with Company and Department strategy and to compensate staff performance so that they are directly linked to company results.
- To motivate programme participants to continually improve their professional development, productivity and quality of service.
- To provide a structure and process to establish objectives, assess performance and make decisions concerning the training, development, payment and promotion of the various individuals of our Organisation.
- To offer variable compensation based on value-creating objectives and performance assessment.

The amount recognised in the operating account for this concept is classified under the caption Employee benefits costs and totals € 21,908 thousand (2005: € 14,558 thousand).

The caption Staff accruals includes all the liabilities corresponding to directors' compensation schemes as explained in note 15 and pension scheme liabilities for an amount of € 4,420 thousand (2005: € 4,589 thousand) calculated as described in note 2.16.

23. Derivative financial instruments

Interest rate swaps (IRS)

During the 2006 financial year, Prosegur initially contracted IRS for pre-hedging and as from July 2006 for hedging a syndicated loan totalling € 250,000 thousand. The result of this operation is that the variable interest rate of the syndicated loan is now fixed. The operation was contracted with reductions in the theoretical value and therefore perfectly adjusts to the amortisation of the syndicated loan.

Hedge objective

The objective of the hedge is to eliminate the risk of cash flow variations in liabilities due to fluctuations in the 6-month Euribor rates during the term of the hedging tool. The result is the payment of an interest rate equal to the fixed interest rate of the hedging tool.

Type of hedge:

Cash flow hedge.

Hedging tools:

	Santander	Barclays
Type of tool:	Interest rate swap	Interest rate swap
Starting date:	08-08-2006	08-08-2006
Maturity date:	26-07-2011	25-07-2011
Payments:	Six-monthly	Six-monthly
Prosegur receives:	6-month Euribor	6-month Euribor
Prosegur pays:	3.679%	3.68%
Nominal:	€ 125,000,000 amortised every six months	€ 125,000,000 amortised every six months

Hedged Element:

A liability with the following characteristics:

Starting date:	08-06-2006
Maturity date:	27-07-2011
Payments:	Six-monthly
Prosegur pays:	6-month Euribor
Nominal:	€ 250,000,000 amortised every six months

Prospective testing using the Regression Method:

Prospective testing has been carried out using the linear regression method to assess the efficiency of the hedge.

The linear regression method is a statistical technique used to assess the relationship between various variables. In this case the two variables are the accummulated variations in the value of the expected cash flows of the hedged element and those of the hedging tool. Linear regression endeavours to assess which line best represents the relationship between both variables. In accordance with the results obtained, it is considered a perfect hedge and the variations in fair value are directly included in the equity account.

Details of the interest rate swap (IRS) for the amount of € 250,000 thousand are as follows:

		Santander		Barclays
Nominal (thous. of euros)		125,000		125,000
Maturity date:		26-07-2011		25-07-2011
Six-monthly payments at beginning of period at:		6-m Euribor		6-m Euribor
Payments settled monthly at fixed rate of:		3.679%		3.68%
Theoretical (thous. of euros)				
From 08-08-2006	to 25-01-2008	125,000	to 25-01-2008	125,000
	to 25-07-2008	109,375	to 25-07-2008	109,375
	to 26-01-2009	93,750	to 26-01-2009	93,750
	to 27-07-2009	78,125	to 25-07-2009	78,125
	to 26-01-2010	62,500	to 25-01-2010	62,500
	to 26-07-2010	46,875	to 26-07-2010	46,875
	to 26-01-2011	31,250	to 25-01-2011	31,250
	to 26-07-2011	15,625	to 25-07-2011	15,625

This operation protects Prosegur from possible increases in interest rates for a principal value of € 250,000 thousand. Prosegur will always pay fixed interest rates of 3.679% and 3.68% and will receive Euribor at 6 months.

Cross Currency Swap

Prosegur has entered into a Cross Currency SWAP on 47,000,000 BRL for the purchase of a financial asset from a Brazilian entity.

Hedge objective

The objective of the hedge is to eliminate the risk of fluctuating interest rates due to the purchase of a credit note in Brazilian reals. Therefore, this hedge is the perfect accompaniment to the underlying asset which represents the purchase of this credit note in Brazilian reals, paid at 85% of the CDI (interbank deposit certificate) once the 15% withholding has been deducted at source and any variations in cash flow go directly to the equity.

Hedging tool

Type of tool:	Interest rate and cross currency swap
Theoretical value in euros:	€ 12,950,000
Theoretical value in Brazilian reals:	47,000,000 Brazilian reals
Settlement interests:	Six-monthly
Prosegur receives:	6-month Euribor
Prosegur pays:	85% CDI over theoretical value in Brazilian reals
Starting date:	11 May 2004
Maturity date:	11 May 2009

Hedged element

The hedged element is an asset with the following characteristics:

Credit note	for 47,000,000 Brazilian reals
Term:	5 years
Settlement of interests:	Six-monthly
Interest:	100% CDI. (15% withholding tax is deducted at source)
Starting date:	11 May 2004
Maturity date:	11 May 2009

Currency hedge

In February 2006, Prosegur Brasil contracted an NDF (non-deliverable forward) of euros against Brazilian reals. Through said contract, it undertakes to buy the theoretical value of euros at 2.8569 reals on the maturity date. The operation covers the risk to which Prosegur Brazil is exposed through the intercompany debt it contracted in euros (principal plus interests) with the parent company Prosegur Cia de Seguridad SA.

	Non-deliverable forward (NDF EurBrl)	Maturity 21/02/2007
Theoretical	€ 36,010 thousand	Established exchange : 2.8569 Brl per euro

Currency exchange hedge

In October 2006, Juncadella Prosegur Internacional contracted an NDF (non-deliverable forward) of euros against Argentinean pesos. Through said contract, it undertakes to buy the theoretical value of euros at 4.5328 Argentinean pesos on the maturity date. The operation covers the risk to which Juncadella Prosegur Internacional is exposed through the intercompany debt it contracted in euros with the parent company Prosegur Cia de Seguridad SA.

	Non-deliverable forward (NDF EurArs)		Maturity. 3/10/2008
Theoretical	€ 1,500 thousand	Established exchange : 4.5328	Argentinean pesos per euro

Interest rate collar

During the 2005 financial year, Prosegur contracted a interest rate collar as follows:

Nominal € 55,000 thousand	Maturity. 25/04/06
- Fixed rate collections at beginning of period at 3-month Euribor	
- Fixed rate payments at maturity at 12-month USD Libor	
Floor Rate	3.3250%
Capped Rate	4.40%
Knock Out	6.00%

This operation covered Prosegur from possible increases in interest rates for a principal value of € 55,000 thousand. Prosegur would pay a minimum of 3.325% provided that the one-year USD Libor (when settlement period matures) was below or equal to said percentage. If the one-year USD Libor were between 3.325% and 4.40%, Prosegur would pay the market interest rate fixed by one-year USD Libor. If it were above 4.40% but below 6%, Prosegur would pay a maximum rate of 4.40%. If the rate were equal to or rose above 6%, the hedge against USD interest rate fluctuations would disappear. Therefore it was considered as a non-perfect hedge and the variations in fair value are directly reflected in the income statement. On the other hand, Prosegur will always receive Eurobor at 3 months, fixed at the beginning of each settlement period.

This operation was cancelled upon maturity.

The market value of asset financial instruments at December 2006 and 2005 is as follows:

Characteristics	Amount	Fair value at 31/12/2006	Fair value at 31/12/2005	Variation in equity
Interest rate hedge	€ 250,000 thousand	1,809	-	1,809
Exchange insurance EurArs	€ 1,500 thousand	1	-	-
	Totals	**1,810**	**-**	**1,809**

The market value of liability financial instruments at December 2006 and 2005 is as follows:

Characteristics	Amount	Fair value at 31/12/2006	Fair value at 31/12/2005	Variation in equity
Interest rate hedge	47,000,000 BRL	3,278	3,543	(265)
Exchange insurance EurBrl[1]	€ 36,010 thousand	82	-	-
Interest rate hedge[1]	€ 55,000 thousand	-	1,772	-
	Totals	**3,360**	**5,315**	**(265)**

[1] Financial instruments, whose variation in market value is included in the income statement as they are not perfect hedge tools

The total net variation of the financial instruments totalling € 1,742 thousand is associated to a tax impact of € 541 thousand.

24. Other liabilities and expenses

	2006	2005
Advance income	15,175	7,956
Provision discontinued activities	7,573	9,120
Other expenses	1,388	2,044
	24,136	**19,120**

Worth special mention with regards the concepts listed under the caption Other expenses are the liabilities due to shortages valued at € 1,295 thousand (2005: € 1,836 thousand).

25. Current and other revenues

Details of current revenues at 31 December 2006 and 2005 are as follows:

	2006	2005
Sale of goods	52,066	26,676
Provision of services	1,496,308	1,293,572
Operating leasing revenue	80,044	67,522
Total current revenue	**1,628,418**	**1,387,770**

Furthermore, the caption Other revenues includes € 2,847 thousand corresponding to technical contracts (pela preferança) signed between financial institutions and subsidiary companies in Brazil.

26. Expenses due to employee benefits

Details of the expenses due to employee benefits at 31 December 2006 and 2005 are as follows:

	2006	2005
Salaries and wages	861,174	727,026
Compensation	13,277	11,421
Social security expenses	247,726	206,536
Other corporate expenses	37,123	28,657
	1,159,300	**973,640**

In accordance with that stipulated in the note on Long-term provisions, the amount related to the Supreme Court ruling was accounted for as Salaries and Wages and Social Security Expenses at the value of € 22.4 million and € 7.6 million respectively.

Of said amounts, € 18 million are registered under the caption Expenses due to employee benefits and € 12 million under the caption Non-recurrent expenses due to employee benefits as they correspond to accruals estimated for the 2005 financial year.

27. Net financial costs

The net financial costs are as follows:

	2006	2005
Expenses from interests:		
- loans with credit institutions	(16,882)	(14,879)
- loans with other entities	(3)	(4)
	(16,885)	(14,883)
Revenue from interests::		
- Cash equivalents:	478	269
- Credits and other investments	995	1,251
	1,473	1,520
Net (loss) / profit from foreign currency transactions	1,787	(5,274)
Financial expenses from leasing operations	(1,335)	(1,147)
Other net financial expenses / revenues	139	1,678
Interest rate swaps	1,772	1,140
	2,363	(3,603)
	(13,049)	**(16,965)**

28. Earnings per share

Basic

The basic earnings per share are calculated by dividing the profit from continued activities attributable to Company shareholders by the weighted average number of ordinary shares in circulation during the year, excluding those own shares acquired by the Company (Note 15).

	2006	2005
Profit from continued activities attributable to company shareholders (euros)	57,603,020	61,204,544
No, of ordinary shares in circulation	61,712,464	61,712,464
Average no, of own shares	154,286	82,642
Basic earnings per share (€ per share)	0.94	0.99
Profit from discontinued activities attributable to company shareholders	-	4,097,427
No. of ordinary shares in circulation	61,712,464	61,712,464
Average no. of own shares	154,286	82,642
Basic earnings per share (€ per share)	-	0.07

Diluted

The diluted earnings per share are calculated by adjusting the average number of shares in circulation excluding own shares, taking into account the directors' plans described in note 15. Likewise, in 2006 the Group did not issue any securities convertible into shares. The diluted earnings per share determined in this way do not differ from the basic earnings per share from continued and discontinued activities.

29. Dividends per share

The dividends approved by the Shareholders' Meeting in June 2006 and June 2005 were € 33,000,000 (€ 0.53 per share) and € 20,334,469 (€ 0.33 per share) respectively. A dividend per share of € 0.65 will be proposed at the next General Shareholders' Meeting, which will result in a total dividend of € 40,000,000. This dividend is not reflected in these consolidated annual accounts.

30. Cash generated by operating activities

	2006	2005
Net profit before tax	**92,003**	**100,609**
Adjustments to the result:	110,627	59,406
- Share in the loss / (profit) of associated companies	-	51
- Receivership of French companies	-	(6,875)
- Depreciation	42,935	38,465
- Losses from sales of fixed assets	1,961	678
- Loss / (profit) from exchange differences	(1,787)	4,726
- Loss from goodwill impairment	-	-
- Net variation of provisions	48,109	10,969
- Net variation of deferred taxes	3,662	(1,187)
- Loss / (profit) of derivative financial instruments	(1,772)	(1,140)
- Other financial revenues	(701)	(2,424)
- Other financial expenses	18,220	16,143
Profit before changes in the working capital	**202,630**	**160,015**
(Increase) / decrease of receivables	(51,999)	(86,291)
(Increase) / decrease of stocks	(4,542)	(5,261)
(Increase) / decrease of payables and other liabilities	15,226	52,980
Profit / (loss) from exchange differences in the working capital	(1,842)	(9,622)
Cash generated by operations	**159,473**	**111,821**

In the cash flow statements, revenues resulting from the sale of tangible and intangible assets include the following (expressed in thousands of euros):

	2006	2005
Book value	7,294	2,420
Loss for sale of fixed assets	(1,961)	(678)
Amount received for sale of fixed assets	5,333	1,742

31. Contingencies

The Group has contingent liabilities due to bank and other guarantees related to normal business operations which are not expected to result in any significant liabilities. With regards the acquisition of the Nordés Group (see Note 33) and in the event that the acquired operations fulfil certain sales objectives, it may be necessary to pay an additional consideration in cash for the value of € 3,600 thousand with respect the liabilities registered by the company as a result of its acquisition.

The following are the guarantees granted by the Group to external parties:

	2006	2005
Trade guarantees	41,158	34,598
Financial guarantees	48,529	49,918
Levies	16,287	19,103
TOTAL	**105,974**	**103,619**

The financial guarantees granted to third parties during the 2006 financial year include € 10.5 million (2005: € 22 million) to warrant future payments resulting from acquisitions performed during the year. For further information, please read the comments on Long-term provisions and Other liabilities and expenses in notes 21 and 24.

32. Commitments

Commitment to purchase fixed assets

The investments which were still not undertaken at the balance sheet date are as follows:

	2006	2005
Tangible assets	5,866	3,145
Intangible assets	560	1,028
	6,426	**4,173**

The tangible assets include the purchase of armoured vehicles, installations and furniture.

The intangible assets include various computer applications which are currently under development.

Operating leasing commitment

The Group lets out various premises, offices, warehouses, storage units and vehicles under operating leasing contracts which cannot be cancelled.

The Group also lets out installations under operating leasing contracts which can be cancelled. The Group is required to notify the end of an agreement with at least six months notice.

The total future minimum payments arising from operating leasing contracts which cannot be cancelled are as follows:

2007	6,562
2008 onwards	10,074
	16,636

The commitments are funded by the cash generated by the operations.

Other commitments

The Group has undertaken commitments with the Company T-SYSTEM to outsource services from the operating area of the information technology department.
The total future minimum payments arising from this commitment are as follows:

2007	3,643
2008 onwards	11,498
	15,141

The commitments are funded by the cash generated by the operations.

33. Business combinations

Goodwill is recorded after deducting the financial cost associated to the registration of the deferred debt at current value. Incorporation of goodwill is described in note 7.

With regards the acquisition during 2005 of the companies ESC and CESS, at 31 December 2006 the deferred amount not updated to current value is € 10,332 thousand, which will be paid in February 2007 and March 2008.

With regards the acquisition during 2005 of the Nordés Group, the seller has the guarantee of an additional amount of € 9 million in cash or up to € 3 million worth of shares in Nordés Prosegur Tecnología, S.L. and the remaining amount in cash in the event of an average annual accumulated increase in the sales turnover of 10% during the period 2006-2008, and an additional cash amount of € 3.6 million if the average annual increase is 15% or higher. The first requirement is met in the strategic plan approved by the Group. Therefore, in 2005 this deferred payment was considered as additional goodwill and it was valued at the fair value of € 6,899 thousand.

On 25 April 2005, Prosegur completed the acquisition of the assets (customer contracts, armoured vehicles, cash machines and weapons) with regards TRANSPEV's operations, a company located in the cities of Rio de Janeiro, São Paulo, Campinas, Belo Horizonte and São José do Rio Preto, for a value of R$ 70.0 million (€ 23,615.7 thousand). Payments had been made up to December 2006 for R$ 48 million with R$ 22 million (€ 8,087 thousand) still remaining and reaching maturity in March 2007.

On 4 December 2006, the Group acquired 100% of the share capital of Escol Serviços de Segurança, S.A., a leading company in fire detection and prevention, which develops its activity in Portugal with its headquarters in Lisbon and Oporto.

The total purchase price was € 5,699 thousand.

This business will be consolidated as from 1 January 2007 and therefore has not contributed any revenues or results to the Group as yet. If the acquisition had taken place on 1 January 2006, the consolidated revenues and profits of the period would have seen an increase of € 2.5 million and € 0.4 million respectively. The CGU is included in the main section on Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price:

– Cash paid	4,526
– Deferred at fair value	1,173
Total purchase price	5,699
Fair value of the net assets acquired	3,756
Goodwill (Note 7)	1,943

The goodwill is attributable to the high profitability of the business and to the important synergies which are expected to arise after the acquisition.

The deferred amount not updated to current value is € 1,410 thousand, which will be paid in three instalments in month of April in years 2008, 2009 and 2010.

Goodwill is recorded after deducting the financial cost associated to the registration of the deferred debt at current value.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Other assets and liabilities	594	594
Cash and cash equivalents	3,162	3,162
Acquisition total	5,699	
Goodwill	1,943	

Next year will see the completion of the assessment of the fair values allocated to this business combination.

On 11 December 2006, the Group acquired 100% of the share capital of Fireless, S.A., an Argentinean company with headquarters in Buenos Aires which specialises in the design and installation of fire detection and suppression systems.

This business will be consolidated as from 1 January 2007 and therefore has not contributed any revenues or results to the Group as yet. If the acquisition had taken place on 1 January 2006, the consolidated revenues and profits of the period would have seen an increase of € 3.7 million and € 1.2 million respectively. The CGU is included in the main section on Latin America and in the Corporate Security section.

The price of the operation amounted to 13,950 Argentinean pesos (€ 3,453 thousand).

Details of the net assets acquired and goodwill are as follows:

Purchase price:

– Cash paid	1,899
– Deferred at fair value	1,554
– Direct costs related to the acquisition	
Total purchase price	3,453
Fair value of the net assets acquired	449
Goodwill (Note 7)	3,004

The goodwill is attributable to the high profitability of the business and to the important synergies which are expected to arise after the acquisition. The deferred amount not updated to current value is 6,278 Argentinean pesos (€ 1,554 thousand), which will be paid in equal six-monthly payments from 20 July 2007 to 20 January 2010. Goodwill is recorded after deducting the financial cost associated to the registration of the deferred debt at current value.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Other assets and liabilities	519	519
Intangible assets		
Cash and cash equivalents	45	45
Financial debt of subsidiary acquired	(115)	(115)
Acquisition total	3,453	
Goodwill	3,004	

Next year will see the completion of the assessment of the fair values allocated to this business combination.

During 2005, Prosegur Compañía de Seguridad S.A. and the GED venture capital fund created an open fund (at 50%) called Romanian Holding Corporación, with the purpose of investing in security companies in Southeast Europe. At 31 December 2005, Romanian Holding Corporación owned 75.85% of the companies Dragon Star Guard SRL and Security Dragon Star SRL, which provide service in Romania. The direct share of the Prosegur Group at 31 December 2005 was 37.9 %. This share was considered as an investment and was consolidated by the equity method. On 5 May 2006, Romanian Holding Corporation increased its share in Dragon Star Guard to 99.97%. This year, Romanian Holding Corporation and its investments in Romania were proportionately consolidated. The business acquired contributed revenues to the Group for the value of € 6.6 million and a net loss of € 0.8 million during 2006. The CGU is included in the main section on Europe and in the Corporate Security section.

Details of the net assets acquired and goodwill are as follows:

Purchase price:

– Cash paid	2,816
– Deferred at fair value	0
Direct costs related to the acquisition	
Total purchase price	2,816
Fair value of the net assets acquired	725
Goodwill (Note 7)	2,091

The goodwill is attributable to the high profitability of the business and to the important synergies which are expected to arise after the acquisition.

The fixed asset is supported on customer relations and is amortised over 15 years.

There are no amounts deferred for these acquisitions.

The assets and liabilities resulting from the acquisition are as follows:

	Fair value	Book value
Vehicles	302	302
Intangible assets	427	-
Deferred tax	(128)	-
Other assets and liabilities	1,118	1,118
Cash and cash equivalents	206	206
Financial debt of subsidiary acquired	(1,200)	(1,200)
Acquisition total	2,816	
Goodwill	2,091	

34. Transactions with related parties

The Group is controlled by Gubel S.L. (incorporated in Madrid), which owns 50.075% of company shares. The remaining 49.89% of shares is owned by various shareholders, among which worth special mention is As Inversiones S.L. with 5.305% and Corporación Financiera Alba S.A. with 5.007%.

The transactions below are performed with related parties:

Provision of services

In Spain, the Group has provided corporate security services to Ibercaja, which forms part of the Board of Directors. The amount of said services totalled € 2,221 million (2005: € 2,257 thousand). Likewise, the Group holds current accounts with said financial institution for the payment of the services rendered.

Purchase of goods and services

In October 2005, a leasing contract was signed with Proactinmo S.L. for the building located in Santa Sabina street, adjacent to the building at Pajaritos 24, which belongs to Prosegur.

The contract is for five years which can be extended for a further five years and the lease at 31 December 2006 was € 69,634 a month plus € 14,973 a month for leasing the garage. A two-month grace period was established with the first bill payable in January 2006.

This contract cannot be broken during the initial period or extension until the validity dates have expired. In the event that the leasee wishes to leave the building before the initial period of the contract has been completed, it must pay the equivalent in rent corresponding to the remaining part up to the expiry date of said period. In the event that the leasee wishes to leave the building during the extension period of the contract, it must pay the equivalent in rent corresponding to the remaining part until the expiry date of said period, with a maximum of 24 monthly payments.

During 2006, the rent for all concepts was € 1,031 thousand.

Directors' compensation

The remuneration earned by the members of the Board of Directors was as follows:

	2006	2005
Fixed earnings	1,252	1,034
Variable earnings	562	410
Allowances	624	537
Life insurance premiums	4	14
Total	**2,442**	**1,995**

The total remuneration earned by senior officers of the company during the 2006 financial year was € 2,549 thousand (€ 1,966 thousand in 2005).

A long-term variable compensation scheme has been designed for certain members of the board who hold positions in the management of the company. This scheme is based on medium-term objectives, as detailed in Note 22.

Loans to related parties

At 31 December 2005 there were no loans to related companies. During 2006, the related companies were developed into partners with partial integration.

In accordance with the requirements of article 127 III of the Amended Spanish Companies Act, the directors hereby represent that they do not own any interests in share capital or hold executive office in any non-group companies having the same, similar or comparable activities to those of the company.

The members of the Board of Directors which hold executive office in the rest of the Group are:

Director's name or company name	Corporate name of group entity	Office
Mr. Christian Gut Revoredo	Nordés Prosegur Tecnología, S.L.	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

35. Partnerships

The Group has an interest of 50% in a partnership with the GED venture capital fund, the purpose of which is to invest in security companies in Southeast Europe.

The amounts below represented the 50% interest of the Group in assets and liabilities, and the partnership sales and results. These amounts are included in the balance sheet and income statement:

	2006
Activos:	
Long-term assets	1,124
Current assets	1,871
	2,995
Liabilities:	
Long-term liabilities	406
Current liabilities	2,589
	2,995
Net assets	
Revenues	6,580
Expenses	7,460
Loss after tax	(880)

There are no contingent liabilities corresponding to the Group's interest in the partnership, nor contingent liabilities from the partnership itself.

36. Joint ventures

The Group's interest in various joint ventures is detailed in APPENDIX II. – Consolidated Joint Ventures. The amounts below represented the Group's percentage of interest in assets and liabilities, and joint venture sales and results. These amounts are included in the balance sheet and income statement:

	2006	2005
Assets:		
Non-current assets		
Current assets	252	996
	252	**996**
Liabilities:		
Non-current liabilities		(14)
Current liabilities	(252)	(981)
	(252)	(996)
Revenues	(116)	(3,164)
Expenses	142	3,187
Profit / (loss) after tax	26	23

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

37. Non-current assets for sale and discontinued activities

The companies Bac Sécurité, Force Gardiennage, Sécurité Europeenne de L'Espace Industriel (SEEI), and their subsidiary companies SARL Initiale and SARL Yardair (both were dissolved in 2006), operated in the geographical area of Île de France (IDF) and were acquired from the middle of 2002 to the beginning of 2003 by Prosegur Compañía de Seguridad S.A.

The progressive decline of the income statement, together with the 8.5% increase in labour expenses during 2005 rendered this situation unsustainable, and therefore on 7 April 2005 the accounts of said companies were deposited before the Commercial Court of Versailles.

The Court, through a ruling dated 8 April 2005, declared the companies Bac Sécurité, Force Gardiennage and Sécurité

Europeenne de L'Espace Industriel (SEEI) under court supervision and opened a three-month inquiry under the administration of Maître Philippe Jeannerot. At this time the total annual sales volume was € 48 million.

During 2005 two corporate plans were undertaken which affected a total of 378 workers at a total cost of € 5,000 thousand, of which the Group was responsible for € 1,780 thousand.

Through a ruling dated 24 October 2005, the Court ordered the transfer of assets to D2M Security as of 1 November 2005, which affected a total of 750 work contracts at a total cost of € 125 thousand. In the same ruling, the Commercial Court of Versailles entrusted the liquidation of the companies to the legal administrator Maître Philippe Jeannerot.

In the hearing on 29 September 2006, the definitive liability balance of the companies under liquidation was established by the Commercial Court of Versailles. The total credit balance admitted amounted to € 28,365 thousand, of which € 14,123 thousand corresponded to the Prosegur Group.

In 2004 a provision was created for € 13,000 thousand to cover the best estimate of the losses associated with discontinued activities, even though at said date the decision to deposit the affected companies' accounts in court had not yet been decided. Once the legal proceedings started, the amounts provided for the derivative costs of this process amounted to € 1,547 thousand in 2006 (€ 3,880 thousand in 2005). The balance of said provision at 31 December 2006 totalled € 7,573 thousand (see note 24). The remaining part of the provision will be used to cover the cash deficit and/or other associated concepts, in accordance with the best legal advice received.

The cash flows of discontinued activities were as follows:

	2006	2005
Net cash received / (used) in operating activities		(1,554)
Net cash received / (used) in investment activities		(9)
Net cash received / (used) in funding activities		(53)
Increase / (decrease) in net cash, bank overdrafts and cash equivalents	(1,547)	(1,616)

38. Subsequent events

To date, the Group has carried out the following operations subsequent to 31 December 2006:

On 19 February 2007, an agreement was reached for the purchase of a majority shareholding in the company Thomas Greg & Sons Transportadora de Valores (TG&S), one of the main companies for the transportation of securities and cash management in Columbia. TG&S has an important national presence with 17 branch offices and over 1,400 employees. In 2006 its revenues exceeded € 35,000 thousand. This agreement has meant an investment of € 20,500 thousand by Prosegur. The formalisation of this operation is subject to certain conditions and it is scheduled during the first six months of the 2007 financial year.

39. Other informationn

	2006	2005
Operators	73,112	63,859
Rest	3,653	3,450
TOTAL	**76,765**	**67,309**

The average number of operators employed during 2006 by the companies forming part of the consolidated group using the proportionate method was 4,183 individuals.

Auditors’ fees for 2006 amounted to a total of € 982 thousand, in accordance with the following table:

	2006
PriceWaterhouseCoopers	964
B.D.O.	18
TOTAL	**982**

During 2006, neither company has provided services other than audits.

APPENDIX I. - Consolidated subsidiary companies

Corporate Name	Address
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.	Pº de las Acacias, 51 (MADRID)
Prosegur Multiservicios S.A.	Pajaritos, 24 (MADRID)
ESC Servicios Generales, S.L.	Avda. Primera, B-1 (A CORUÑA)
Nordés Prosegur Tecnología, S.L.	Avda. Primera, B-1 (A CORUÑA)
Prosegur Activa España S.A.	Pajaritos, 24 (MADRID
Prosegur Activa Holding S.A.	Pajaritos, 24 (MADRID
Prosegur International Handels GMBH	Poststrasse, 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 (LISBON)
Prosegur Activa Portugal Lda.	Av.Infante Dom Henrique, 326 (LISBON
Prosegur Companhia de Seguranca, Lda	Av.Infante Dom Henrique, 326 (LISBON)
Escol Serviços Segurança, S.A.	Zona Ind. Maia, 1 (OPORTO)
Prosegur Servizi S.R.L.	via Archimede 12/14 - 20090 segrate (MILAN)
Prosegur Roma, S.R.L.	via Mar della Cina 199 - 00144 (ROME)
Prosegur Torino S.R.L.	via Nenni 15/B - 10036 Settimo Torinese (TURIN)
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 (MILAN)
Prosegur Servizi Integrati S.R.L	via Archimede 12/14 - 20090 segrate (MILAN)
Prosegur Tecnologia	via Archimede 12/14 - 20090 segrate (MILAN)
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 Securité Nucleaire	84 Rue des Aceries (SAINT ETIENNE)
Prosegur Technologie	84 Rue des Aceries (SAINT ETIENNE)
Jean Jaures SCI	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)
Esta Service, S.R.L.	29B Cours Mirabeau (MARIGNANE)
Prosegur Services S.R.L.	Z.I. Des Tourrades (MANDELIEU)

Cost in thous. Euros	Interest % over nominal	Holder of share	Consolidation	Activity	Auditor
406	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
120	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	6	B
1,030	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
150	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	2	B
6	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
16,117	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
383	100	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	2	B
3	100	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	4	B
36,078	100.0	Malcoff Holding BV	a	4	B
172,089	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	4	B
635	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	5	A
3,277	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
504	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	2	B
7,026	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
3,794	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	2	B
4,916	100.0	Mabro S.R.L.	a	1	A
215	100.0	Prosegur Servizi S.R.L.	a	1	A
30	100.0	Prosegur Servizi S.R.L.	a	1	A
4,336	100.0	Prosegur Servizi S.R.L.	a	1	A
0	70.0	Prosegur Servizi S.R.L.	a	1	A
18,649	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
65	100.0	Prosegur Servizi S.R.L.	a	1	A
30	100.0	Mabro S.R.L.	a	1	B
35,224	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
3,532	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
150	100.0	Prosegur France, S.A.	a	1	B
1,524	100.0	Prosegur France, S.A.	a	1	A
61	100.0	Prosegur France, S.A.	a	1	B
706	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	4	B
0	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	B

Corporate Name	Address
Armor Acquisition S.A.	Tres Arroyos 2835 City of Buenos Aires
Juncadella Prosegur Internacional S.A.	Tres Arroyos 2835 City of Buenos Aires
Transportadora de Caudales de Juncadella S.A.	Tres Arroyos 2835 City of Buenos Aires
Prosegur Alarmas, S.A.	Tres Arroyos 2835 City of Buenos Aires
Juncadella Prosegur Asistencia Tecnica S.A.	Tres Arroyos 2835 City of Buenos Aires
Prosegur, S.A.	Tres Arroyos 2835 City of Buenos Aires
Servicios Auxiliares Petroleros, S.A.	Tres Arroyos 2835 City of Buenos Aires
Prosegur Activa, S.A.	Tres Arroyos 2835 City of Buenos Aires
Prosegur Inversiones, S.A.	Tres Arroyos 2835 City of Buenos Aires
Prosegur Holding, S.A.	Tres Arroyos 2835 City of Buenos Aires
Fireless, S.A.	Charlone, 1351/57 City of Buenos Aires
Prosegur Uruguay, S.A.	Bvrd.Artigas 2629 (Montevideo)
Compañía Ridur S.A.	25 de Mayo 455. Apto 4- Montevideo
Prosegur Transportadora de Caudales S.A.	Guarani 1531(Montevideo)
Transportadora de Valores Silviland	Guarani 1531(Montevideo)
Prosegur Activa Uruguay, 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, na 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

Cost in thous. Euros	Interest % over nominal	Holder of share	Consolidation	Activity	Auditor
5,523 22,148	5.0 95.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. Prosegur International handels GMBH	a	4	A
17,657 7,801	68.8 31.2	Armor Acquisition S.A. Prosegur International handels GMBH	a	4	A
1,026 (16,657)	5.0 95.0	Armor Acquisition S.A. Juncadella Prosegur Internacional S.A.	a	1	A
0 0	95.0 5.0	Transportadora de Caudales de Juncadella S.A. Armor Acquisition S.A.	a	2	A
116 2	95.0 5.0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	A
416 3,745 792 381	3.7 33.3 59.9 3.1	Prosegur Inversiones, S.A Prosegur Holding, S.A Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	A
3 0	95.0 5.0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	A
0 0	95.0 5.0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	2	B
0 0	95.0 5.0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	4	B
0 0	95.0 5.0	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	4	B
3,116 0	90.0 10.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. Juncadella Prosegur Internacional S.A.	a	1	B
876 63	90,0 10,0	Prosegur, S.A. Armor Acquisition S.A.	a	3	A
1,258	100.0	Juncadella Prosegur Internacional S.A.	a	1	A
1,388 1	99.9 0.1	Juncadella Prosegur Internacional S.A. Armor Acquisition S.A.	a	1	A
0	100.0	Prosegur Transportadora de Caudales S.A.	a	1	A
1,254 66	95.0 5.0	Prosegur Activa Holding S.A. Prosegur Activa España S.A.	a	2	B
49,282	100.0	Juncadella Prosegur Internacional S.A.	a	4	A
82,019	100.0	TSR Participacoes Societarias S.A.	a	1	A
(982) (1,644)	1.0 99.0	Prosegur Brasil S.A. TSR Participacoes Societarias S.A.	a	1	A
(6)	99.0	Prosegur Brasil S.A.	a	6	A
47 0	99.8 0.2	Prosegur Brasil S.A. Prosegur Sistemas de Securanca Ltda	a	6	A
(71)	100.0	Juncadella Prosegur Internacional S.A.	a	4	A

Corporate Name	Address
Capacitaciones Ocupacionales Sociedad Ltda	Los Gobelinos 2567 Of. 100, Renca, Santiago
Empresa de Transportes Compañía de Seguridad Chile Ltda	Los Gobelinos 2567, Renca, Santiago
Servicios Prosegur Ltda	Los Gobelinos 2567, Renca, Santiago
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
PRO-S Cia Seg Privada S.A.	Colonia Industrial Antoto. C/ Atlacomulco 500 MEXICO D.F.
PS Mexico Cia Seguridad Privada S.A. de CV	Colonia Industrial Antoto. C/ Atlacomulco 500 MEXICO D.F

Consolidation:

The consolidation conditions set by Section 42 of the Commercial Code are as follows:

a. That the parent company owns the majority of voting rights.
b. That the parent company has the right to appoint or dismiss the majority of the members of the board of directors.
c. That the parent company may dispose of the majority of voting rights, pursuant to agreements held with other members.
d. That through its voting rights, the parent company has exclusively appointed the majority of the members of the board of directors, who are in office at the time of and two years previous to the preparation of the consolidated accounts.
e. When, through any other means, one or various companies are under the same management.

Except when indicated to the contrary, the closing date of these annual accounts is 31 December 2006.

Cost in thous. Euros	Interest % over nominal	Holder of share	Consolidation	Activity	Auditor
383	83.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	6	A
0	7.0	Prosegur International handels GMBH			
46	10.0	Juncadella Prosegur Group Andina			
3,574	60.0	Juncadella Prosegur Group Andina	a	1	A
0	40.0	Prosegur International handels GMBH	a	1	A
1,533	99.9	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
1,018	0.1	Prosegur International handels GMBH			
1,311	49.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	A
1,172	30.0	Juncadella Prosegur Group Andina			
265	21.0	Prosegur International handels GMBH			
1,449	70.0	Prosegur, S.A.	a	1	A
563	30.0	Prosegur International handels GMBH			
1,120	99.0	Prosegur Chile, S.A.	a	1	A
0	1.0	Juncadella Prosegur Group Andina			
(1,140)	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
(12)	1.0	Transportadora de Caudales de Juncadella S.A.			
12	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
0	1.0	Transportadora de Caudales de Juncadella S.A.			
0	100.0	Prosegur Paraguay S.A.	a	1	A
(3,043)	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
(3,032)	48.0	Transportadora de Caudales de Juncadella S.A.			
(229)	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
0	48.0	Transportadora de Caudales de Juncadella S.A.			
0	100.0	PS Mexico Cia Seguridad Privada S.A. de CV	a	1	A
4	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	1	B

Activity:

(1) Operations of the Group in Corporate Security

(2) Operations of the Group in Residential Security

(3) Operations of the Group in Both

(4) Holding company

(5) Financial services

(6) Auxiliary services

Auditor:

A Audited by PricewaterhouseCoopers

B Not subject to audit

C Audited by B.D.O.

APPENDIX II. – Consolidated Joint Ventures

Name	Address
PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.-VALCHIP, S.L. UTE	C/ Pajaritos, 24 Madrid
CESS-ESC UTE	Av. Mas Fuster 131. Barcelona
NORDÉS INSTALACIONES Y A. ROADE, S.L. UTE	C/ Gambrinus 89 La Coruña
UTE LYS PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A – SERVIMAX SERVICIOS AUXILIARES S.A.	C/ Pajaritos, 24 Madrid
UTE MALAGA PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A. – NORDÉS PROSEGUR TECNOLOGIA, S.A.	C/ Pajaritos, 24 Madrid
UTE ESC –CLECE EDIFICIOS MUNICIPALES	C/ La Paz, 14 Valencia
UTE ESC –CLECE COLEGIOS PÚBLICOS	C/ La Paz, 14 Valencia
UTE SERAT AEROPUERTO DE BILBAO SERVIMAX SERVICIOS AUXILIARES, S.A. – EUROLIMP, S.A.	C/ Principe de Vergara, 135 Madrid
UTE NORDÉS PROSEGUR TECNOLOGÍA, S.A. – SICE, S.A.	C/ Sepúlveda, 6 (Alcobendas), Madrid

Notes:

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

(a) The objective of this joint venture is to provide security and surveillance services, to operate the security systems and control the access systems of the buildings comprising the University of Pompeu Fabra in Barcelona.

(b) The objective of this joint venture is to supply and install high security systems through digital recordings and video transmissions for the Spanish National Traffic Administration.

(c) The purpose of this joint venture is the detection and suppression of fires and to provide air-conditioning for the Forum Metropolitano in La Coruña.

(d) The objective of this joint venture is to provide security and surveillance during the exhibition “El Universo de Lys”.

(e) The objective of this joint venture is to provide security, surveillance and maintenance in the health centres of Malaga.

(f) The objective of this joint venture is to provide caretakers and information services in the Municipal Buildings of Parterna City Council (Valencia).

(g) The objective of this joint venture is to provide caretakers in the state schools of Paterna City Council (Valencia).

(h) The objective of this joint venture is to provide customer and information services as well as services in the VIP lounge of Bilbao Airport.

(i) The objective of this joint venture is to supply and install high security systems in the Madrid metro.

Consolidation:

The integration of joint ventures has been performed in the

Cost in thous. Euros	Interest % over nominal	Partner	notes	Activity
3.0	51.9	Valchip, S.L.	(b)	(1)
0.0	100.0		(a)	(1)
0.3	50.0	A. ROADE, S.L.	(c)	(1)
	100.0		(d)	(1)
	100.0		(e)	(1)
	90.0	CLECE, S.A.	(f)	(1)
	90.0	CLECE, S.A.	(g)	(1)
	40.0	EUROLIMP, S.A.	(h)	(1)
	10.0	SICE, S.A.	(i)	(1)

Group's Balance Sheet and Profit and Loss Account in accordance with their share of interest.

Activities:

(1) Operations of the Group in Corporate Security

Auditor:

These joint ventures are not subject to audit

APPENDIX III. – 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)

Subsidiary companies of SA Bac Securité (dissolved during 2006))

Corporate Name	Address
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 subsidiary companies 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 decline of the income statement, together with the 8.5% increase in labour expenses during 2005 rendered this situation unsustainable, and therefore on 7 April 2005 the accounts of said companies were deposited before the Commercial Court of Versailles.

Activity:

(1) Operations of the Group in Corporate Security.
(2) Operations of the Group in Residential Security.
(3) Operations of the Group in Both.

Participación Cost in thous. Euros at 31/03/05	% over nominal	Holder of share	Activity
0.0	59.98	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	1
457.3	40.02	SARL Esta Service	
0.0	4.80	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	1
217.7	95.20	SARL Esta Service	
10,533.6	100.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	1

Participación Cost in thous. Euros at 31/03/05	% over nominal	Holder of share	Activity
7.7	100.0	SA Bac Securité	1
19.8	100.0	SA Bac Securité	1

APPENDIX IV. – Consolidated partnerships

Corporate Name	Address
Rosegur Holding Corporación, S.L.	Pajaritos, 24 Madrid
Rosegur, S.A.	Calea Plevnei nr 137ª Sector 6 Bucuresti
Security Dragon Star SRL	B-dul Traian nr. 1 B Baia Mare. Maramures
Rosegur Services, S.L.	B-dul Ghica Tei, 64-70 Bucuresti

Consolidation:

The consolidation conditions set by Section. 42 of the Commercial Code are as follows:

a. That the parent company owns the majority of voting rights.
b. That the parent company has the right to appoint or dismiss the majority of the members of the board of directors.
c. That the parent company may dispose of the majority of voting rights, pursuant to agreements held with other members.
d. That through its voting rights, the parent company has exclusively appointed the majority of the members of the board of directors, who are in office at the time of and two years previous to the preparation of the consolidated accounts.
e. When, through any other means, one or various companies are under the same management.

Except when indicated to the contrary, the closing date of these annual accounts is 31 December 2006.

Activity:

(1) Operations of the Group in Corporate Security
(2) Operations of the Group in Residential Security
(3) Operations of the Group in Both
(4) Holding company
(5) Financial services
(6) Auxiliary services

Auditor:

A Audited by PricewaterhouseCoopers
B Not subject to audit
C Audited by B.D.O.

Cost in thous. Euros.	Interest % over nominal	Holder of share	Consolidation	Activity	Auditor
2,816.0	50.0	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	a	4	B
	100.0	Rosegur Holding Corporación, S.L.	a	1	C
	100.0	Rosegur, S.A.	a	1	C
	100.0	Security Dragon Star SRL	a	1	C


PROSEGUR

DIRECTORS' REPORT

1. Management principles

The 2006 financial year was satisfactory: a year with many important strategic and management challenges. The consolidation of our leading position in the majority of the markets in which we operate has been strengthened by our latest acquisitions, thereby confirming our global vocation and future prospects.

The data corresponding to the 2006 financial year include the following important events:

- The Romanian companies Rosegur Holding Corporación S.L., (ex Romanian Holding Corporación, S.L.), Rosegur, S.A. (ex Dragon Star Guard) and Security Dragon Star SRL were considered as subsidiaries during 2006, as participation was increased to 50%. During the 2005 financial year they were considered as associates.
- In order to strengthen our activity with regards security against fire, two companies (Escol and Fireless) based in Portugal and Argentina were purchased.
- New companies have been established which will handle our residential security business.

The year has seen a marked improvement in the budgeting techniques used for each line of business as well as in the techniques employed for determining the main management indicators of each business.

All this has contributed to the maintenance of the following policies during the year:

a) To establish targets for continuous improvement.
b) To address alternative strategies and options.
c) To implement the strategies adopted in the strategic planning process effectively and on schedule, while gaining early warning of deviations through real time alerts in the information system permitting corrective action.
d) To develop competitive advantages over rivals in the market.

The management of Prosegur Group had access to timely and sufficient information on clients, the market and the legal, economic and technological environment which allowed it to fine-tune its management procedure throughout the year.

Below is a list of the key management variables and their development throughout the year: activities, commercial management, staff, investments, operations and finance.

2. Activities

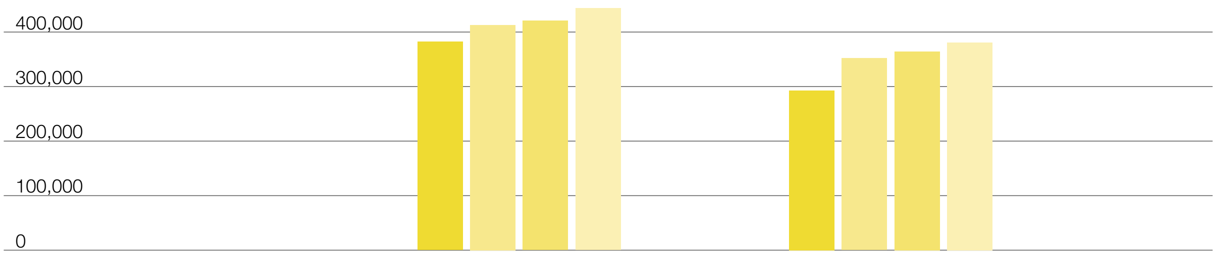
The financial year ending 31 December 2006 was closed with total revenues of € 1,628,418 thousand (as opposed to € 1,387,770 thousand in 2005).

	2006	2005
Spain	842,684	754,819
Rest of Europe	272,240	238,014
Lat. Am.	513,494	394,529
Not assigned	-	408
Total	**1,628,418**	**1,387,770**

By lines of business as follows:

	2006	2005
Corporate security	1,540,327	1,306,477
Residential security	88,091	81,293
Total	**1,628,418**	**1,387,770**

Development during the 2006 and 2005 financial years has been as follows:



	2006 Thousands of euros	**2005** Thousands of euros
1st quarter	383,905	291,514
2nd quarter	404,587	342,538
3rd quarter	413,154	366,408
4th quarter	426,772	387,310

*non-audited series,

■ Revenues reached € 1,628.4 thousand million during 2006 as opposed to the € 1,387.8 thousand million of 2005: an increase of 17.3%.

■ During the 2006 financial year, investments in Rumania were consolidated using the proportional method, whereas the equity method was employed in 2005. The impact on revenues during 2006 was € 6.6 thousand million.

■ The business area with the highest level of growth during 2006 was that of corporate security services, which obtained accumulated revenues of € 1,540.3 thousand million, an increase of 17.8% with respect the revenues of this area during 2005. The yearly revenues of the residential insurance area (alarms) were € 88.1 thousand million in 2006, 9.7% higher than that of the previous year.

■ This growth is mainly based in Latin America, which saw a total growth of 30.6%, the most significant being the 36.3% organic growth in Brazil (in Euros).

The following table illustrates sales growth over the last ten years. FRS criteria was used for the years 2004 onwards and the SNCA standards for previous years.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Data (in thousand of euros)	481,657	584,346	684,234	685,562	903,848	1,106,843	1,117,578	1,112,276	1,387,770	1,628,418

3. Commercial information

Services are commercialised through the various branch offices by the Group's own dedicated sales staff, who at all times apply strict selective criteria to minimise the risk of default and eventual bad debt. To this end, customers for whom historical information is not available are checked through public data base consultations in order to prepare individual reports based on objectively measurable risk assessments. After closing the contract, the customer receives direct attention for the period in which the service is provided. This enables the Group to fine-tune to the customer's operational needs and financial reality thereby reducing the risk of default.

The main customers of corporate security services are financial institutions, industrial and commercial companies and public institutions.

4. Personnel

At the 2006 year end, the Prosegur Group workforce was comprised of 79,838 employees, as opposed to 70,838 in 2005.

Historically, recruitment procedures have been a key tool enabling the Prosegur Group to position itself as one of the leading European service groups. Special trust and responsibility infuse the customer relationships of employees providing on-site services in an area as sensitive as security. In view of this, the Prosegur Group needs to guarantee not only the skills of its professionals, but also their personal honesty, conscientiousness, emotional balance and psychological maturity.

For these reasons, continuous improvement of recruitment processes, permitting accurate assessment of a candidate's suitability for a job within the Prosegur Group, has always been a priority of Human Resources Management.

The table below describes the development of candidates in Spain for the corporate area during 2006:

Recruitment Statistics, Spain	Total	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Total Candidates	39,285	2,529	2,266	2,308	1,963	4,148	3,955	4,093	3,479	3,443	4,161	4,642	2,298
Short listed Candidates	13,201	906	897	990	834	1,366	1,373	1,381	1,097	1,162	1,179	1,201	815
Short listed/Total Cand.	33.60	35.82	39.59	42.89	42.49	32.93	34.72	33.74	31.53	33.75	28.33	25.87	35.47

Training Statistics Total, Spain	Total	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Total Induction Courses	107	8	9	6	5	13	6	6	15	10	8	11	10
Total Attendees of Induction Courses	2,595	254	195	169	977	186	193	310	209	326	304	276	76
No. Internal Training Courses	728	32	62	61	60	123	119	19	3	51	76	90	32
Attendees Internal Training Courses	16,772	800	1,688	1,489	1,297	2,841	2,229	471	71	1,275	1,900	2,250	457
Total Courses	835	40	71	67	65	136	125	25	18	61	84	101	42
Total Attendees	19,367	1,054	1,883	1,658	1,394	3,027	2,422	781	284	1,601	2,204	2,526	533

The development per month of the Group workforce is described below:

Year 2006	Corporate Security	Home Security	Total
January	73,040	1,375	74,415
February	73,069	1,407	74,476
March	73,206	1,411	74,617
April	73,662	1,427	75,089
May	72,983	2,062	75,045
June	74,042	2,079	76,121
July	75,347	2,140	77,487
August	75,783	2,143	77,926
September	75,869	2,153	78,022
October	76,599	2,172	78,771
November	77,041	2,329	79,370
December	77,507	2,331	79,838
Average	**74,846**	**1,919**	**76,765**

The development of the workforce over the last five years is as follows:

Workforce	2006	2005	2004	2003	2002
Direct	73,112	63,859	55,041	52,376	52,892
Indirect	3,653	3,450	3,298	3,150	2,834
Total	**76,765**	**67,309**	**58,339**	**55,526**	**55,726**

The development of the workforce over the last five years with respect turnover is as follows (FRS criteria was used for the years 2004 onwards and the SNCA standards for previous years):

No. of individuals for each € million of revenue	2006	2005	2004	2003	2002
Direct	44.9	46.0	49.5	46.9	47.8
Indirect	2.2	2.5	3.0	2.8	2.6

With respect training during the period, 835 training courses on corporate security were held in Spain, which were attended by a total of 19,367 persons, distributed as follows:

	Initiation training course		Continual raining course		total	
	Total Courses	**Attendees**	**No of Courses**	**Attendees**	**No of Courses**	**Attendees**
First Quarter	23	618	155	3,977	178	4,595
Second Quarter	24	476	302	6,367	326	6,843
Third Quarter	31	845	73	1,821	104	2,666
Fourth Quarter	29	656	198	4,607	227	5,263
TOTAL	**107**	**2,595**	**728**	**16,772**	**835**	**19,367**

5. Investments

The Investment Analysis Department analyses all of the Group's investments on the basis of the expected return period as a prior requirement for approval. Plans are subsequently passed on to the Investment Committee, which gives the final go-ahead for the investment or outlay. Investments of more than € 600 thousand are presented to the Executive Commission for their approval. During the year, € 42,935 thousand (€ 38,400 thousand in 2005) were provided for redemption, of which € 35,340 thousand (€ 33,430 thousand in 2005) corresponded to tangible assets and € 7,595 thousand (€ 4,970 thousand in 2005) to intangible assets.

Below describes the total investments analysed by the Steering Committee during 2006 and their comparison with 2005:

	2006	**2005**
First Quarter	6,369	15,860
Second Quarter	11,272	23,769
Third Quarter	7,353	6,658
Fourth Quarter	16,234	15,120

Data in thousands of euros

During the year, 49,801,000 euros were invested in fixed assets.

6. Operations

The margins improved with regards the 2005 financial year, mainly due to the positive development of the majority of companies and in particular to the positive development of business in Brazil.

Without taking into account the implementation costs of the new markets (Mexico and Romania), the margin reached 8.4%. The following details the operating profit over the last five years (new standards from 2004 onwards and SNCA standards for previous years):

2006	2005	2004	2003	2002
105,052	113,915	105,527	102,285	107,383

Data in thousands of euros

The constant growth rate reveals an accumulated operating profit variation of –0.5%. This decrease is due to the provision of € 30 million registered in the 2006 financial year in consequence of the over-time value differential. Without taking said concept into account, the continuous and accumulated growth would be 5.9%.

7. Forecast and trends

Although now in more moderation, the trend continues towards growth in domestic and company/commercial demand thanks to economic development, improvement in the general standard of living of citizens and increased awareness with regards protection against crime. Furthermore, Public Administration will continue to outsource certain security services. In this context, strategies will continue to develop in order to elaborate comprehensive services and products and to provide tailored solutions to our customers.

This includes improving the complementarity between surveillance services and the installation of electronic security systems and home automation, alarms and fire equipment within a diversification process which aims to offer a comprehensive service package to the end user.

Estimates and judgements are continually assessed based on experience and other factors and taking into account any predicted future events deemed reasonable under the circumstances.

The Group makes estimates and judgements on the future. However, the resulting accounting evaluations, by definition, rarely coincide with the corresponding real results. The main uncertainties with regards assessments are those related to goodwill, tax expenses and provisions.

8. Financial management

From the financial management point of view, 2006 was an extremely active year with certain actions taken for future years with regards financing and the availability of financial resources.

Therefore, using the Group solvency capacity with its low indebtedness, the ratio of the net financial debt over Own Resources was only 0.7% at the 2005 year end, and also taking advantage of the reserves which existed in the banking market, the company restructured its entire financial debt and placed its average maturity to long-term. Furthermore, new financial resources were contracted to give immediate capacity to respond to any possible acquisitions in the future.

On the other hand, in provision of future increases in interest rates, an IRS was agreed to fix the interest rates of financial debts taken out in euros for the next five years.

Certain actions concerning debt restructuring and capital movement in Brazil reduced the financial debt. All these actions resulted in the improvement in the average cost of the financial debt during the year.

Financial structure

In July 2006, Prosegur Cia Seguridad SA contracted a syndicated funding operation for the value of € 450 million at a five-year term. Twenty-one financial institutions participated and it was directed by three leading financial institutions.

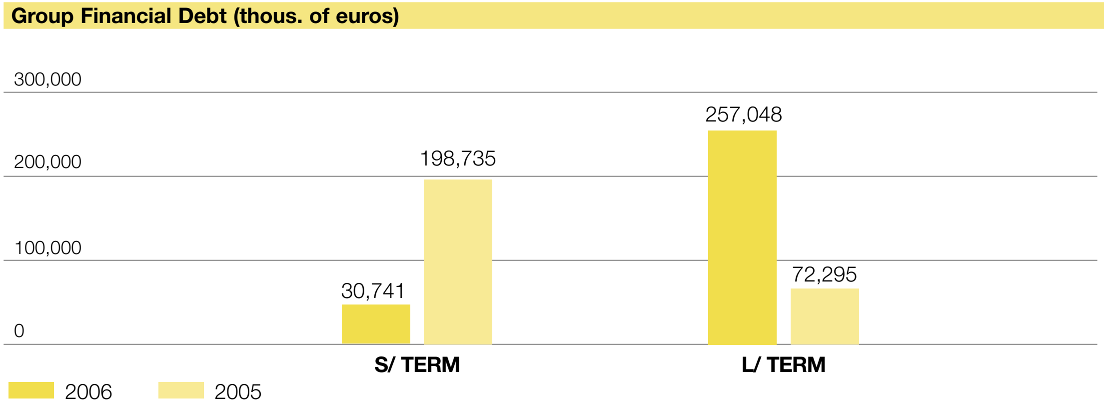
The financing operation was structured into two tranches. The first tranche was established as a loan for the value of € 250 thousand million with full availability at the beginning of the contract. This amount was used to depreciate the pending balance of the previous syndicated loan and other short-term loans arranged with banking institutions. The second tranche was taken out as credit for the value of € 200 thousand million destined to respond to any corporate needs or possible company acquisitions undertaken by the Group. At present it is totally available.

As a result of this syndicated loan, it has been possible to change the financial debt structure by considerably extending the maturity of the same.

Therefore, at the end of the year the long-term (maturity falling after one year) consolidated financial debt totalled € 257.0 thousand million, basically comprising the loan arranged with the syndicate of banks in Spain and the financial and leasing operations in Brazil, as opposed to the € 72.3 thousand million of the previous year.

On the other hand, the short-term financial debt totalled € 30.7 thousand million, as opposed to the € 198.7 thousand million of the previous year.

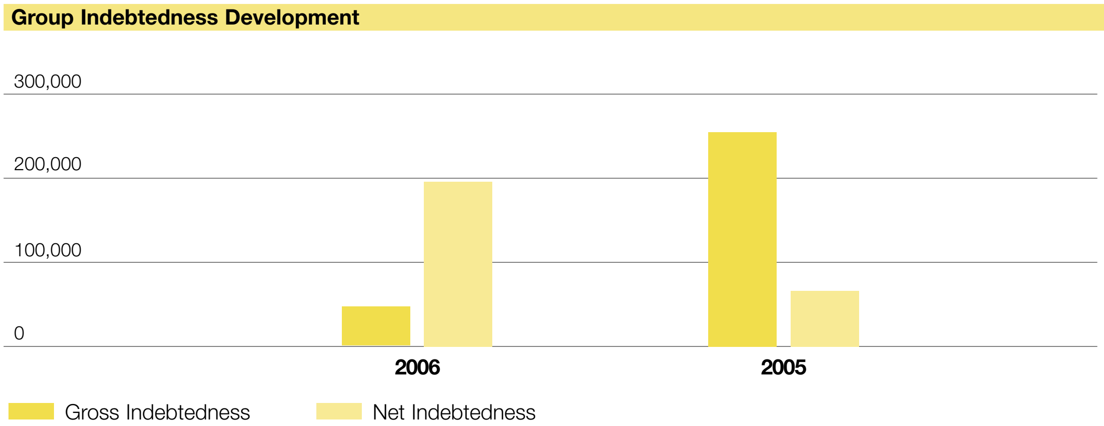
At the 2006 year end, the development of the financial debt structure by maturity over the last two years was as follows::



The average cost of the financial debt during 2006 was 5.29%, as opposed to the 6.39% of the previous year. The reduction of the debt in Brazil, together with the drop in Brazilian interest rates and the IRS of variable to fixed rates as mentioned above, have served to considerably neutralise the rise in interest rates in the euro zone and has allowed for the total average cost of the same to decrease.

Focusing on Net Debt, which is to say deducting flow, cash equivalents and other short-term financial assets from the gross debt, the amount at the 2006 year end registered at € 216 million (€ 227 million in 2005).

Comparative graph of the Total Gross and Net Indebtedness for years 2006 and 2005:



Gross indebtedness includes short and long-term debt capital and the market evaluations of financial instruments.

In order to calculate the net value of indebtedness, cash and cash equivalents and other current financial assets are added to the gross value of indebtedness.

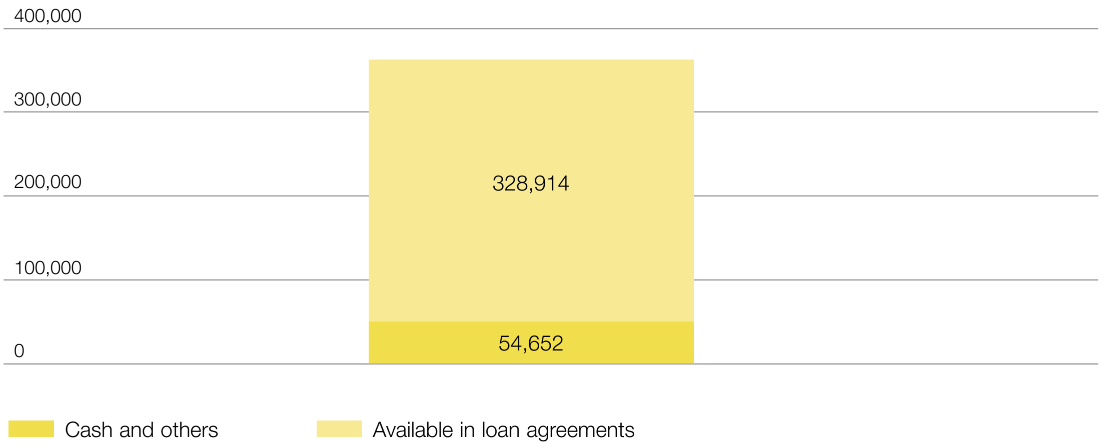
Liquidity

The Group's policy is to maintain significant cash reserves to ensure that it is able to respond fast and with maximum flexibility to short-term operations. This policy allows the Group to make any purchases arising in the security market quickly and efficiently, without needing to resort to specific financial transactions.

At 31 December 2006, the Group had immediately available cash of € 384 thousand million. This figure is due to the syndicated credit of € 200 thousand million, plus other lines of credit valued at € 129 thousand million contracted on a short-term basis (maturing at or before one year) spread over a diversified pool of banks including the leading institutions in all of the countries where the Group operates, to current account balances, short-term cash investments, cash and cash equivalents, and other financial assets.

This figure represents 23.4% of annual consolidated sales, which in addition to sufficiently ensuring the short-term financing necessities of the Group also consolidates the Group's policy on strategic acquisitions.

Cash and cash equivalents, other financial assets and avail. amount in loan agreements



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

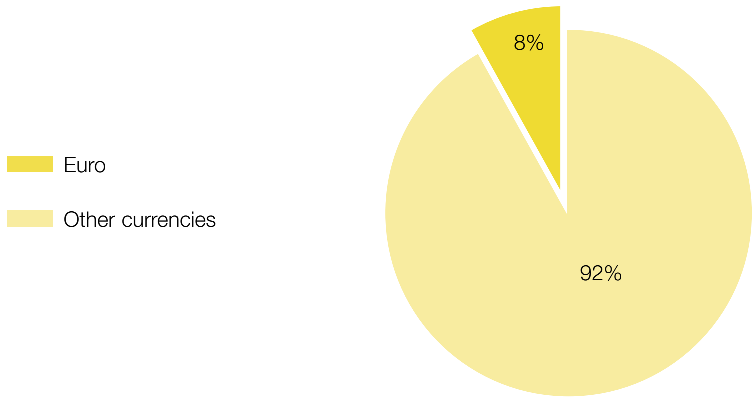
Exchange rate risk

Prosegur's policy is to fund business operations in local currencies in order to minimise its exposure to exchange rate risks. In general, capital investment needs in the sector are low, although they do vary depending on the area of business (cash transport involves higher funding requirements). This makes it possible to regulate the cadence of investments in each country depending on the cash flows generated.

As a result and although Prosegur is present in a large number of countries, the financial debt is basically denominated in two currencies: the Euro and the Brazilian Real. The debt in euros represents 92%. Last year the exposure of the dollar to debt risk was practically extinguished.

The structure of the financial debt by currencies presented by Prosegur at 2006 year end is distributed as follows:

Group Indebtedness



Hedging operations

The diversity of risks to which the Group is exposed has led to increasing activity in the derivatives market in order to limit said risk. The company has contracted hedging structures using a variety of derivative instruments which limit its exposure to interest rate fluctuations.

Therefore, during 2006 Prosegur contracted an IRS (interest rate swap) for the value of € 250 thousand million which has fixed the variable reference rate of the syndicated loan to 3.68% for the next five years. The operation was contracted with reductions in the theoretical value and therefore perfectly adjusts to the amortisation of the syndicated loan.

It has also entered into a Cross Currency SWAP on 47,000,000 BRL for the purchase of a financial asset from a Brazilian institution.

It also maintains hedging operations for exchange rates through a Cross Currency SWAP on 47 thousand million BRL which covers the risk in reals of Prosegur Cía. through the purchase of a financial asset (Term Note) in said currency from a Brazilian financial institution. This note in turn is the balancing item and provision for a loan of the same amount which said Brazilian institution has granted to Prosegur Brasil, S.A.

9. Own shares

At 31 December 2005, the company held 72,425 shares in treasury stock. These shares are to be handed over to certain company directors. During the 2006 financial year, 163,722 own shares have been acquired.

At 31 December 2006, the company holds a total of 236,147 shares in treasury stock, which represent 0.383% of the share capital, valued at € 3,853 thousand.

10. Environment issues

During the 2006 financial year, the company invested in armour-plated vehicles which comply with the Euro III standard for particle emissions. This investment was registered increasing the value of the fixed asset and totalled € 1,661 thousand (2005: € 3,180 thousand) and generated corporate income tax benefits of € 70 thousand (2005: € 111 thousand).

Likewise, at the 2006 year end, the company had no environmental contingencies, it is not involved in any court actions in this regard and has no generated any income or incurred expenses in this area.

11. Research and development

Of special importance are the two projects carried out during 2006 which were financed by PROFIT (Programme for the Promotion of Technical Research) within the National Plan of Scientific Research, Development and Technological Innovation (2004-2007):

- Comprehensive Logistics (Exp. FIT-350100-2006-354). The general objective of the same is to develop a new logistical process for the transportation of funds and to improve the technology of cash collection and delivery processes, permitting optimum route planning (operations) and adapting to continual contingences through a new and real-time control system.
- New management model for the cash supply chain (Exp. FIT-350100-2006-298). The general objective of the same is to design and develop a new management process for the cash value of financial institutions which allows for the comprehensive management of both ATMs and cash desks at bank branches.

12. Subsequent events

On 19 February 2007, an agreement was reached for the purchase of a majority shareholding in the company Thomas Greg & Sons Transportadora de Valores (TG&S), one of the main companies for the transportation of securities and cash management in Columbia. TG&S has an important national presence with 17 branch offices and over 1,400 employees. In 2006 its revenues exceeded € 35,000 thousand. This agreement has meant an investment of € 20,500 thousand by Prosegur.

The Board of Directors of Prosegur Compañía de Seguridad, S.A., in the meeting held on 29 March 2007, submitted its Consolidated Annual Accounts of the Company and Subsidiaries (comprised of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in the equity, consolidated statement of cash flows and notes to the consolidated annual accounts) and Directors' Report, corresponding to the corporate year closing 31 December 2006.

Madrid, 29 March 2007.

Signed: Ms. Helena Irene Revoredo Delvecchio (President)
Signed: Mr. Eduardo Paraja Quirós (Managing Director)
Signed: Ms. Mirta María Giesso Cazenave
Signed: Ms. Chantal Gut Revoredo
Signed: Mr. Christian Gut Revoredo
Signed: Mr. Isidro Fernández Barreiro
Signed: Mr. José Luis Martínez Candial (In representation of Ibercaja)
Signed: Mr. Pedro Guerrero Guerrero
Signed: Mr. Eugenio Ruiz-Galvez Priego
Signed: Mr. Fernando Vives Ruiz (Secretary, not member)

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 the International Financial Reporting Standards of the European Union.

The directors are responsible for the integrity and objectivity of the annual accounts, including the estimates and judgemental matters reflected therein. The directors discharge this responsibility basically 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 procedures are in place to safeguard the Group's assets and that transactions are performed under the authorisation of and in accordance with the regulations established by management. They also ensure that the accounting ledgers used as the basis for the preparation of the annual accounts are reliable. Automatic correction and control mechanisms are a significant part of the Group's control environment, to the extent that corrective action is required where weaknesses are observed. Regardless of the perfection of its design, however, any internal control system is subject to certain inherent limitations, including the possibility that controls may be overridden or cancelled. Accordingly, even an effective system can only provide reasonable assurance for the purposes of preparing the accounts and safeguarding assets. In any event, the effectiveness of internal control systems may vary over time due to changing conditions.

The institution has assessed its internal control system up to 31 December 2006. On the basis of this evaluation, the directors consider that the internal accounting controls used provide reasonable assurance that procedures are in place to safeguard assets, transactions are executed with due authorisation by management, and the accounting ledgers are reliable for the purposes of preparing the annual accounts.

The external auditor is appointed annually by the Shareholders at their Annual General Meeting to examine the annual accounts in accordance with generally accepted auditing standards. The auditor's report, which expresses an unqualified opinion, is included in this annual report as a separate document. The work of the external auditor and the procedures undertaken by the Group's own internal audit office includes reviewing internal accounting controls and selective tests of transactions. Senior officers of the institution meet with the external and internal auditors on a regular basis 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 Officer


PROSEGUR

CORPORATE GOOD GOVERNANCE REPORT

Issuer's identification data:

Company name: PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.
C.I.F.: A-28430882. Registered address: Calle Pajaritos, 24, 28007 Madrid - Spain

A Ownership Structure

A.1. Company's share capital:

Last modified on	Share capital (euros)	Number of shares
19-11-2001	37,027,478.40	61,712,464

Different classes of shares:

Class	Number of shares	Unitary par value
N/A	N/A	N/A

A.2. Direct and indirect holders of significant shareholdings in the Company at the end of the financial year, excluding Board members:

FIN or FIC	Shareholder's name or trade name	Number of shares held directly	Number of shares held indirectly (*)	Total % share capital
B78510492	Gubel, S.L.	30,902,693	21,340 (1)	50.110
A78535309	As Inversiones, S.A.	3,274,100	0	5.305
A28060903	Corporación Financiera Alba, S.A.	0	3,089,673 (2)	5.007

(*) Through:

FIN or FIC	Direct Shareholder's name or trade name	Number of shares held directly	Total % of share capital
A79334074	(1) Prorevosa, S.A.	21.340	0.035
A28363125	(2) Alba Participaciones, S.A.	3,089,673	5.007
	Total	**3,110,013**	**5.042**

Movements in the Company's shareholding structure during the financial year:

Shareholder's name or trade name	Date of transaction	Description of transaction
N/A	N/A	N/A

A.3. Members of the Company's Board of Directors who own shares in the Company:

FIN or FIC	Board member's name or trade name	Date of appointment	Date of last appointment	Number of shares held directly	Number of shares held indirectly (*)	Total % of share capital
33507989W	Ms. Helena Revoredo Delvecchio	30-06-1997	14-07-2004	0	30,924,033 (1)	50.110
5277128P	Ms. Mirta Giesso Cazenave	09-05-2000	18-04-2002	189,832	3,274,100 (2)	5.613
G50000652	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
15108241R	Mr. Ángel Vizcaíno Ocáriz	23-03-2004	23-03-2004	12,897	170 (3)	0.021
50282577T	Mr. Pedro Guerrero Guerrero	29-03-2005	29-03-2005	100	32,000 (4)	0.052

Note: Mr. Ángel Vizcaíno Ocáriz resignation as Member of the Board of the company became effective from the beginning of January 2007. Moreover, Corporación Financiera Alba, S.A., shareholder represented by or who has nominated Mr. Isidro Fernández Barreiro to be a Member of the Board, holds 3,089,673 shares which represent 5.007%.

(*) Through:

FIN or FIC	Direct Shareholder's name or trade name	Number of shares held directly
B78510492	(1) Gubel, S.L.	30,902,693
A79334074	(1) Prorevosa, S.A.	21,340
A78535309	(2) As Inversiones, S.A.	3,274,100
549958M	(3) Ana María Ochoa (cónyuge)	170
A83255323	(4) Valores del Darro, SICAV, S.A.	32,000
	Total	**34,230,303**

Total % of share capital held	**55,467**

Note: The aforementioned percentage would be 60.91% if we take into account the extra shares held by Corporación Financiera Alba, S.A., shareholder represented by or who has nominate Mr. Isidro Fernández Barrero to be a Member of the Board.

Members of the Company's Board of Directors who hold options on the Company's shares:

Board member's name or trade name	Number of direct share options	Number of indirect share options	Number of equivalent shares	Total % of share capital
N/A	N/A	N/A	N/A	N/A

A.4. Family, trading, contractual and corporate relationships among the holders of significant shareholdings of which the Company is aware:

Associated name or trade name	Type of relationship	Brief description
N/A	N/A	N/A

A.5. Trading, contractual and corporate relationships among the holders of significant shareholdings known by the Company:

FIN or FIC	Associated name or trade names listed	Type of relationship	Brief description
B83456889	Ms. Helena Revoredo Delvecchio (through Proactinmo, S.L., affiliate of building at an Gubel, S.L.) and Prosegur Compañía de Seguridad, S.A.	Commercial	Lease by Proactinmo, S.L. to Prosegur of an office building at an annual rent of 787 thousand euros and initial term of five years taking effect from 2006.

A.6. Para-social agreements entered into between shareholders of which the Company has been informed:

Shareholders para-social agreements	% of share capital affected	Brief description of agreement
N/A	N/A	N/A

Prosegur Compañía de Seguridad, S.A (Prosegur) has not received any communication regarding the existence of para-social agreements between shareholders.

Existing concerted actions among the Company's shareholders that the Company is aware of:

Shareholders in concerted actions	% of share capital affected	Brief description of concerted action
N/A	N/A	N/A

Prosegur has not received any communication regarding the existence of concerted actions amongst its shareholders.

A.7. Natural or corporate persons who exercise, or may exercise a controlling interest in the company pursuant to section 4 of the Spanish Securities Market Act.

Name or trade name
Ms. Helena Revoredo Delvecchio

Remarks
Through the company Gubel, S.L.

A.8. Treasury stock:

At the end of the financial year:

Number of shares held directly	Number of shares held indirectly (*)	(*) Total % of share capital
236,147	–	0.383

(*): Through:

FIN or FIC	Direct shareholder's name or trade name	Number of shares held directly
N/A	N/A	N/A

Significant changes that occurred during the financial year pursuant to the provisions of Royal Decree 377/1991

Date	Number of shares held directly	Number of shares held indirectly	Total percentage of share capital
N/A	N/A	N/A	N/A

Financial year's profits or loss resulting from treasury stock transactions (in thousands of euros) 13.3

A.9. Conditions and time limits of the mandate granted to the Board of Directors by the General Meeting to carry out acquisitions or transmissions of the treasury stock described in section A.8.

The Ordinary General Meeting of shareholders of Prosegur held on June 29, 2006 passed, amongst other resolutions, the one transcribed below:

"1.– To authorise, in accordance with section 75 and subsequent sections, and the first additional provision, paragraph 2 of the current Company's Act, at any time, and as many times as is considered appropriate, the derivative acquisition by Prosegur Compañía de Seguridad, S.A. -either directly, or through any subsidiary company in which this company has a controlling interest- of treasury shares, completely paid up, by means of sale/purchase or any other type of valuable consideration.

The price or consideration for minimum purchase shall be equivalent to the par value of the treasury shares purchased, and the price or consideration for maximum purchase shall be equivalent to the listed value of the treasury shares acquired in a secondary official market at the moment of purchase, increased by 10%.

Said authorisation is granted for a period of 18 months from the date on which the present General Meeting is held, and is expressly subject to the limitation that at no time will the par value of the treasury shares purchased through this authorisation, added to those which Prosegur Compañía de Seguridad, S.A. and its subsidiary companies already hold, exceed 5 percent of the share capital of this company at the time of purchase. It is expressly placed on the record that the present authorisation may be partially or entirely used for the purchase of treasury shares to be delivered or transmitted to directors or employees of the company or companies of the group, either directly or as a consequence of the exercise on the part of these individuals of share options, all of the above within the framework of the remuneration systems referenced to the listed price of Prosegur Compañía de Seguridad, S.A shares.

2.- To empower the Board of Directors, in the most far-reaching terms, to exercise the authorisation which is the subject of this agreement and to carry out the rest of the provisions contained in this agreement, it being possible for the Board of Directors to delegate these powers to the Executive Committee, to the Chairman of the Board of Directors, to the Managing Director or to any other person whom the Board of Directors authorises for said purpose.

3.- To leave without effect, in the unused part, the authorisation granted under point VII of the Order of the Day of the General Meeting of shareholders of the company held on June 27, 2005."

A.10. Legal and statutory constraints concerning voting rights, as well as legal limits to the acquisition or transmission of shareholdings in the company's share capital:

A.10.1. Legal and statutory constraints concerning voting rights.

There are no legal and statutory constraints concerning voting rights.

Without prejudice to the above, let it be entered into the record that article 17 of the articles of association establish the following with regard to attendance and voting rights:

"All shareholders who hold at least 1/1000 of the share capital may attend and vote at General Meeting of Shareholders provided that their shares are registered in the share register of the corresponding account, at least five days before the date on which the General Meeting is to be held. The shareholders who individually do not hold the minimum number of shares required to attend and vote at the General Meeting may pool their shares and delegate their representation at the Meeting to a person who must have the condition of shareholder. The decision to exercise this right to pool shares, and the identity of their representative must be communicated to the Board of Directors of the company with at least five (5) days advance notification prior to the date on which the General Meeting is to be held or it will not be considered valid."

A.10.2. Legal constraints to the acquisition or transmission of shareholdings in the company's share capital.

There are no legal constraints to the acquisition or transmission of shareholdings in the share capital of Prosegur Compañía de Seguridad, S.A.

B. Management structure of the Company

B.1. Board of Directors

B.1.1. Maximum and minimum number of Board members foreseen in the articles of association:

Maximum number of Board members	15
Minimum number of Board members	3

B.1.2. Members of the Board of Directors:

FIN or FIC	Director's or trade name	Rep.	Office	Initially appointed	Last appointed	Election procedure
33507989W	Mrs. Helena Revoredo Delvecchio		Chairman	30-06-1997	18-04-2002	Shareholders General Meeting
10829836X	Mr. Eduardo Paraja Quirós		Chief Executive Officer	26-04-2004	26-04-2004	Shareholders General Meeting
50523795V	Mr. Isidro Fernández Barreiro		Director	19-06-2002	27-06-2002	Shareholders General Meeting
5277128P	Mrs. Mirta Giesso Cazenave		Director	09-05-2000	18-04-2002	Shareholders General Meeting
52989266A	Mrs. Chantal Gut Revoredo		Director	30-06-1997	18-04-2002	Shareholders General Meeting
52367985K	Mr. Christian Gut Revoredo		Director	30-06-1997	18-04-2002	Shareholders General Meeting
G50000652	IBERCAJA (Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y La Rioja)	Mr. José Luís Martínez Candial	Director	25-10-1993	18-04-2002	Shareholders General Meeting
50282577T	Mr. Pedro Guerrero Guerrero		Director	29-03-2005	27-06-2005	Shareholders General Meeting
117784R	Mr. Eugenio Ruiz-Gálvez Priego		Director	27-06-2005	27-06-2005	Shareholders General Meeting
15108241R	Mr. Ángel Vizcaíno Ocáriz		Director	23-03-2004	26-04-2004	Shareholders General Meeting

Total Number of Board Members 10

Board members who have left office during the period:

In connection with Board members who have left office before the end of financial year 2006, Mr. Angel Vizcaino Ocariz presented his resignation as Member of the Board of the Company effective January 1, 2007. This was communicated to the CNMV on January 24, 2007 pursuant to section 82 of Act 23/1988, July 28, the Stock Market Act, and in accordance with other applicable legal requirements.

B.1.3 Members of the Board:

EXECUTIVE BOARD MEMBERS

FIN or FIC	Board member's name or trade name	Committee that put forward appointment	Office
33507989W	Mrs. Helena Revoredo Delvecchio	Appointment and Remuneration Committee	Chairman
10829836X	Mr. Eduardo Paraja Quirós	Appointment and Remuneration Committee	Chief Executive Officer
52367985K	Mr. Christian Gut Revoredo	Appointment and Remuneration Committee	Managing Director Corporate Security - Spain
15108241R	Mr. Ángel Vizcaíno Ocáriz	Appointment and Remuneration Committee	Director

EXTERNAL BOARD MEMBERS REPRESENTING SHAREHOLDERS

FIN or FIC	Board member's name or trade name	Committee that put forward appointment	Name or trade name of significant shareholder represented or who has put forward his appointment	Shareholder's FIN or FIC
50523795V	Mr. Isidro Fernández Barreiro	Appointment and Remuneration Committee	Corporación Financiera Alba, S.A.	A28060903
5277128P	Mrs. Mirta Giesso Cazenave	Appointment and Remuneration Committee	As Inversiones, S.A.	A78535309
52989266A	Mrs. Chantal Gut Revoredo	Appointment and Remuneration Committee	Gubel, S.L.	B78510492

INDEPENDENT EXTERNAL BOARD MEMBERS

FIN or FIC	Board member's name or trade name	Committee that put forward appointment	Profile
17232413	Mr. José Luís Martínez Candial, representing IBERCAJA	Appointment and Remuneration Committee	- Expert, professor and commercial manager. - Graduate in High Level Business Management at the Graduate School of Management (IESE) at the University of Navarra (1961-1962). - Chairman of the Chamber of Commerce and Industry. - Chairman of the Executive Committee of the National Official Fair for Exhibits from 1980 to 1991 at Zaragoza. - Chairman of the Board of Directors of IBERCAJA from 1987 to 1995. - Chairman of the IBERCAJA cultural board.

FIN or FIC	Board member's name or trade name	Committee that put forward appointment	Profile
50282577T	Mr. Pedro Guerrero Guerrero	Appointment and Remuneration Committee	- Law Degree from Universidad Complutense of Madrid. - Treasury Counsel, Stock Broker and Notary Public of Madrid (on extended leave of absence). - He was Chairman of the Stock Exchange Council of Madrid and of the Stockbroker Company. - Founding partner and Deputy Chairman of A.B. Asesores Bursatiles (Stock Exchange Advice) and Chairman of A.B. Gestión and A.B. Asesores Red. - He is Deputy Chairman of Bankinter, where he has been a Member of the Board of Directors since the year 2000. In addition, he is a member both of the Executive Committee as well as of the Bank's Appointment and Remuneration Committee as well as Chairman of the Audit Committee.
117784R	Mr. Eugenio Ruiz-Gálvez Priego	Appointment and Remuneration Committee	- Graduate in Civil Engineering from the ETS (Polytechnic University) of Madrid. - Master Business Administration (MBA). Stanford University. - He was Managing Director and Chairman of Grupo Uralita. - -He is Managing Director of Azucarera Ebro. - He is Member of the Board of Directors of Ebro Puleva and Puleva Biotech.

OTHER EXTERNAL BOARD MEMBERS

Board member's name or trade name	Committee that put forward appointment
N/A	N/A

Reasons why they cannot be considered independent or representative board members:

Not applicable.

Changes that may have occurred as regards the types of Board Members during the period:

Board member's name or trade name	Date of change	Former type	Current type
N/A	N/A	N/A	N/A

B.1.4. Correspondence of the characterisation of Board Members above with the distribution set forth in the Board's Regulations:

Article 8 of Prosegur's Board of Directors Regulations establishes the following with regard to the qualitative composition of the Board:

"1. The Board of Directors, in the exercise of its powers to make proposals to the General Meeting and of co-option for filling vacancies, shall seek to ensure that the composition of the Board is such that executive Board members do not form a majority over external Board members.

For this purpose, executive Board members are understood to be those who fulfil executive or managerial responsibilities within the company or in one of its partly owned subsidiaries, and, in all cases, include those who maintain a contractual, labour, commercial or other type of relationship with the company, apart

from their role as Board members. Likewise, those who have decision making capacity with respect to corporate good governance report some part of the company or group by means of delegation or stable authorisation granted by the Board of Directors or by the company, respectively, shall be considered executive directors.
2. The Board shall likewise seek to ensure that the group of external Board members includes both the holders or the representatives of the holders of major stable stakes in the capital of the Company (shareholder representative members) and professionals of acknowledged standing who do not have any ties with the management team or with major shareholders (independent Board members).
3. In order to establish a reasonable balance between Shareholder Representative Members and independent Board members, the Board of Directors shall abide by the ownership structure of the company in such a way that the relationship between one type of Board members and the other reflects the relationship between stable and floating capital."

Consequently, it is worth noting that the current structure of Prosegur´s Board of Directors respects the structure envisaged in the Board of Director's Regulations since the executive Board members do not represent a majority over external Board members, and within the group of external Board members, there are both representatives of the holders of major stable stakes in the capital of the Company (shareholder representative members) as well as professionals of acknowledged standing who do not have any ties with the management team or with major shareholders (independent Board members), thus reflecting the relationship between shareholder representative members and independent Board members as well as the relationship between stable and floating capital.

B.1.5 Powers delegated to the managing director(s):

FIN or FIC	Board member's name or trade name	Brief description
33507989W	Mrs. Helena Revoredo Delvecchio	Broad powers of administration and disposal granted permanently by means of power of attorney.
10829836X	Mr. Eduardo Paraja Quirós	Delegation of all powers of the Board of Directors except for those which by law or in accordance with the articles of association or not delegable (which includes those powers which are specifically attributed to the Executive Committee).
52367985K	Mr. Christian Gut Revoredo	Broad powers of administration and disposal granted permanently by means of a power of attorney.

B.1.6. Board members who are also directors or executives in other companies forming part of the listed Company's group:

Board member's name or trade name	Trade name of Group company	Office
Mr. Christian Gut Revoredo	Nordés Prosegur Tecnología, S.L.	Joint Administrator
Mr. Christian Gut Revoredo	Nordés Vigilancia, S.A.	Joint Administrator
Mr. Christian Gut Revoredo	ESC Servicios Generales, S.L.	Joint Administrator
Mr. Christian Gut Revoredo	Prosegur Transporte de Valores, S.A.	Joint Administrator

B.1.7 Board members that the Company has been informed about who are also board members of other listed companies' quoted in official Spanish stock exchanges not belonging to the company's group:

FIN or FIC	Name or trade name of Board member	Listed	Position
50523795V	Mr. Isidro Fernández Barreiro	Corporación Financiera Alba, S.A.	Deputy Chairman
50523795V	Mr. Isidro Fernández Barreiro	ACS Actividades de Construcción y Servicios, S.A.	Member of the Board of Directors
50282577T	Mr. Pedro Guerrero Guerrero	Bankinter, S.A.	Chairman
00117784R	Mr. Eugenio Ruiz-Gálvez Priego	Ebro Puleva, S.A.	Member of the Board of Directors
00117784R	Mr. Eugenio Ruiz-Gálvez Priego	Puleva Biotech, S.A.	Member of the Board of Directors
10829836X	Mr. Eduardo Paraja Quirós	Service Point Solutions, S.A.	Member of the Board of Directors

B.1.8 Board members' combined remuneration due during the financial year.

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

Remuneration item	Figure in thousand euros
Fixed remuneration	1,252
Variable remuneration	562
Per day allowances	624
Corporate fees	0
Share options and/or other financial instruments	0
Others	4
Total	**2,442**

Other Benefits	Figures in thousand euros
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	4
Security provided by the Company in favour of Board members	0

b) Duet to Board members belonging to the Board of Directors and/or senior management of other group companies:

Remuneration item	Figures in thousand euros
Fixed remuneration	0
Variable remuneration	0
Per day allowances	0
Corporate fees	0
Share options and/or other financial instruments	0
Others	0
Total	**0**

Other Benefits	Figures in thousand euros
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Undertakings	0
Life insurance premiums	0
Security provided by the Company in favour of Board members	0

c) Total remuneration by type of Board member:

Type of Board Member	By company	By group
Executive Board members	2,069	0
Executive Board members representing shareholders	217	0
Independent external Board members	156	0
Other external Board members	0	0
Total	**2,442**	**0**

d) Concerning the profit attributed to controlling Company:

Total remuneration of Board members (in thousands of euros)	2,442
Total remuneration of Board members/benefits attributed to controlling Company (expressed in %)	8.57

B.1.9. Members of senior management who are not Executive Board members and total remuneration due to them during the financial year.

FIN or FIC	Name or trade name	Position
1915180Q	Mr. Daniel Lozano Lozano	Chief Financial Officer
50281583H	Mr. José Ignacio Echegaray del Campo	Corporate Human Resources
1381241E	Mr. José Manuel García-Hermoso	Communications Manager
5400235L	Mr. Santiago García-Arenal López Dóriga	Managing Director of Prosegur France
18594781V	Mr. José Antonio Lasanta Lurí	Managing Director of Nordes Prosegur Tecnologia
X1646042R	Mr. Jorge Couto Leitao	Managing Director of Prosegur Portugal
40958901H	Mr. Javier Mirallas Sarabia	Institutional Relations Manager
22654797G	Mr. Juan José Calvo Sáez	Risk Management Manager
2175359L	Mr. Jaime Plá Velarde	Global Customers Manager
16042302D	Mr. Julio Arrieta Gisbert	Managing Director of Prosegur Alarmas
	Mr. Rodrigo Zulueta Galilea	Managing Director of Prosegur Latinoamérica

Total remuneration of Senior Management (in thousands of euros):	2,549

B.1.10 Safeguard or guarantee clauses for senior management – including executive board members – in the event of dismissal or changes in controlling interest in the Company or its Group:

Number of beneficiaries	3

	Board of Directors	General Meeting
Body that authorises clauses	X	

	YES	NO
Is the General Meeting informed about the clauses?		X

B.1.11 Procedure used to set Board members' remuneration packages and the clauses of the articles of association that are relevant in this respect.

In accordance with the provisions of article 22 of the Articles of Association of Prosegur, the position of Board member may be remunerated. Directors' remuneration shall consist of a fixed annual sum. The total amount paid to all Board members may not exceed the maximum amount set for that purpose by the General Meeting of shareholders. This maximum amount shall be in force until said General Meeting agrees to further modifications.

For its part, article 28 of the Board of Directors Regulations of Prosegur establishes that Board member shall have the right to obtain the remuneration set by the Board of Directors in accordance with what is set forth in the articles of association, and in accordance with the indications of the Appointment and Remuneration Committee. In any case, in accordance with paragraph 2 of the aforementioned article, the Board should link Board member's remuneration to market requirements, and in the event that it deems it appropriate, to Company performance.

In addition, in accordance with the provisions of article 5.3 of Prosegur's Board of Directors Regulations, it is within the competence of the Board, which is bound to act directly, to approve the remuneration system and the annual sum to be paid to the Board members, in aggregate form and, in any case, staying within the limits imposed by the articles of association. For these purposes, the quantity to be received by the Board members shall be fixed as such, without taking into account salaries and other forms of remuneration in kind received by Executive Board members, which will be evaluated by the Board of Directors on an individual basis.

Finally, and in accordance with paragraph 2.d) of article 17 of the Board of Directors' Regulations, it is the task of the Appointment and Remuneration Committee to propose the system and amount of annual remuneration to be paid to Board members. Likewise, it is also the task of this committee (paragraph 2 e of the aforementioned article 17) to periodically review the remuneration systems, evaluating their adaptation and performance.

B.1.12 Identity of those board members who are also board members or senior executives of companies holding significant shareholdings in the listed company and/or in companies belonging to its group:

FIN or FIC of Board member	Name or trade name of Board member	FIN or FIC of shareholder	Name or trade name of significant shareholder	Position
33507989W	Mrs. Helena Revoredo Delvecchio	B78510492	Gubel, S.L.	Chairman and Managing Director
52989266A	Mrs. Chantal Gut Revoredo	B78510492	Gubel, S.L.	Secretary of the Board
52367985K	Mr. Christian Gut Revoredo	B78510492	Gubel, S.L.	Member of the Board of Directors
50523795V	Mr. Isidro Fernández Barreiro	A28060903	Corporación Financiera Alba, S.A.	Managing Director
5277128P	Mrs. Mirta Giesso Cazenave	A78535309	As Inversiones, S.A.	Chairman and Managing Director

Significant relationships, other than the ones foreseen in the section above, linking board members to significant shareholders of the company and/or group companies:

FIN or FIC of Board member	Name or trade name of Board member	FIN or FIC of shareholder	Name or trade name of significant shareholder	Description of relationship
33507989W	Mrs. Helena Revoredo Delvecchio	B78510492	Gubel, S.L.	Member who individually has controlling interest in Gubel, S.L.
52367985K	Mr. Christian Gut Revoredo	B78510492	Gubel, S.L.	Member with a minority noncontrolling interest in Gubel, S.L.
52989266A	Mrs. Chantal Gut Revoredo	B78510492	Gubel, S.L.	Member with a minority noncontrolling interest in Gubel, S.L.
5277128P	Mrs. Mirta Giesso Cazenave	A78535309	As Inversiones, S.A.	Member who individually has controlling interest in As Inversiones, S.A.

B.1.13. Changes made to the Board's regulations during the financial year.

No modifications were made to the Board of Directors' Regulations during financial year 2006.

B.1.14 Procedures used to appoint, re-appoint, evaluate and dismiss Board members. Competent bodies, the steps to be followed and the criteria used in each of these procedures.

a) Appointment of Board members:

In accordance with the provisions of article 20 of Prosegur's Board of Directors' Regulations, the Board members shall be designated by the General Meeting or by the Board of Directors, in whichever case, in accordance with the provisions of the Public Limited Companies Act.

Proposals for appointments of Board members submitted by the Board of Directors for consideration to the General Meeting, and the appointment decisions adopted by said body pursuant to the powers of co-option legally vested in said General Meeting must be preceded by the corresponding proposal on the part of the Appointment and Remuneration Committee.

When the Board of Directors deviates from the recommendations of the Appointment and Remuneration Committee, it should provide reasons for this action, which it records in its minutes.

With regard to the appointments of external Board members, article 21 of the Board of Directors' Regulations stipulates that these Regulations and the Appointment and Remuneration Committee, within their areas of competence, should seek to ensure that the candidates chosen be those of recognized soundness, competence and experience, with the selection of independent Board members being based on rigorous criteria.

Finally, the Board of Directors may not propose or designate any individual who performs management related duties or has family, professional, or commercial ties with Executive Board members or the Company's senior management to occupy an independent Board member position.

b) Re-election of Board members:

In accordance with article 22 of the Board of Directors' Regulations, those proposals to re-elect Board members which the Board of Directors decides to submit to the General Meeting should be preceded by a report issued by the Appointment and Remuneration Committee in which the quality of the work and the dedication to the post of the proposed Board members during the previous term is evaluated.

c) Dismissal and removal of Board members:

The Board members shall leave office when the term for which they were appointed has elapsed, and when the General Meeting or the Board of Directors so decides in the use of the powers conferred upon them either legally or by the articles of association.

Additionally, in connection with the issues mentioned above, article 25 of the Board of Director's Regulations establishes that the Board members affected by the proposals for appointments, re-election or dismissal shall abstain from participating in the deliberations and casting of votes regarding these items, and that these polls shall be public, unless one of the Board members requests a secret ballot.

B.1.15. Conditions under which Board members must resign.

Article 24 of the Board of Director's Regulation establishes that Board members must place their office at the disposition of the Board of Directors and, when the Board considers it appropriate, execute their corresponding resignation in the following cases:

- Whenever they cease to hold executive offices with which their appointments as Board members were linked.
- When they fall under any of the conditions of incompatibility or prohibition legally envisaged.
- When they are prosecuted for presumptive criminal acts or are subject to disciplinary action for serious or very serious misconduct opened by supervisory authorities.
- When they are severely reprimanded by the Audit Committee for having infringed their obligations as Board members.

- When their remaining on the Board of Directors could jeopardise the interest of the Company or where the reasons of appointment may cease to apply. For example, if a Director representing controlling shareholders sells his/her participation in the Company).

B.1.16 Does the position of the Company's senior executive coincide with the position of Chairman of the Board? Measures taken to limit the accumulation of responsibilities in a single person.

YES		NO	X

Measures to limit risks	N/A

B.1.17. Are qualified majorities required other than the ones required by law for any kind of resolutions?

YES		NO	X

Approval of resolutions by the Board of Directors, minimum quorum required and the kind of majorities needed to adopt them.

Description of the resolution	Quorum	Type of majority
All	The Board of Directors is validly convened if half plus one of its members are in attendance or represented.	Absolute majority of Board members in attendance, except legal conditions. In the case of a tie vote, the vote cast will be decided by the Chairman.

B.1.18. Are their specific requirements, other than those relative to the Board members, that must be met in order to be appointed Chairman?

YES		NO	X

Description of requirements	N/A

B.1.19. Is the Chairman empowered with a casting vote?

YES	X	NO	

Issues with regard to which a casting vote exists	In the case of a tie vote, the Chairman will have a casting vote

B.1.20. Do the Articles of Association or Board regulations provide for any age limits for Board members?

YES	NO	X

Age limit for Chairman	N/A
Age limit for Managing Director	N/A
Age limit for Board member	N/A

B.1.21. Do the Articles of Association or Board regulations provide for a time limit for independent Board members' term of office:

YES	NO	X

Maximum number of years for term of office	N/A

B.1.22. Do any formal vote delegation procedures exist for the Board of Directors?

Article 23.5 of the Articles of Association of Prosegur provide that the Board members, in case of absence, may be represented by proxy at Board Meetings by other Board members by means of delegation in writing.

For its part, article 19.1 of the Board Regulations provides that upon granting agency, Board members must ensure that the representative belongs to the same group as the represented party, and pertinent instructions must be included.

B.1.23 Number of Board of Directors' meetings held during the financial year, and the number of times the Board has held meetings without the presence of the chairman.

Number of Board meetings	5
Number of Board meetings held without the Chairman's presence	0

Number of meetings held by the board's various committees during the financial year:

Number of meeting s held by the Executive or Delegate Committee	12
Number of meeting held by the Audit Committee	7
Number of meetings held by the Appointment and Remuneration Committee	3
Number of meetings held by the Strategy and Investment Committee	N/A

B.1.24. Have the Company's individual annual and consolidated accounts submitted to the Board for approval been previously certified?

YES	X	NO	

Persons who have certified the Company's individual annual and consolidated accounts, for their formulation by the Board of Directors.

Name	Position
Mr. Daniel Lozano Lozano	Chief Financial Officer

B.1.25. Mechanisms which have been established to prevent individual and consolidated accounts, formulated by the Board of Directors, from being submitted to the General Meeting, containing audit report qualifications.

The Company's Financial Department exerts rigorous control so that the individual and consolidated accounts are in accordance with generally accepted accounting principles in Spain and with IFRS, with all companies being audited by a single auditor: PricewaterhouseCoopers.

Likewise, the Audit Committee, amongst other duties, maintains the relationship with external auditors and, as part of said duty, ensures that the opinion expressed by the audit report regarding the annual accounts does not contain qualifications; the audit committee maintains the necessary communication with the aforementioned external auditors at the moment in which the annual accounts are formulated.

Finally, article 44 of the Board of Directors' Regulations provides that the Board of Directors must always seek to formulate the definitive accounts in such a way that leaves no room for auditor qualifications. Nevertheless, when the Board considers that it should maintain its criteria, it shall publicly explain the content and scope of the discrepancy.

B.1.26. Measures adopted to ensure that any disclosures made to the stock markets are distributed in an equitable and evenly manner.

All of the information publicly distributed by the Company is communicated first to the Spanish market regulator (Comision Nacional del Mercado de valores [or CNMV]) and, once confirmation of the reception of this information is received, the information is then provided to the media, and to analysts and investors who have shown an interest in receiving the information.

Additionally, the Board of Directors' Regulations contain a specific provision with regard to relationships with the markets (article 43) in which it is established that the Board of Directors must inform the public immediately with regard to:

- Relevant facts which could exert a noticeable influence on stock market prices.
- Changes in the ownership structure of the Company, such as variations in significant shareholdings, voting agreements and arrangements or other sorts of coalitions, of which it has knowledge.
- Substantial modifications of the Company's rules of governance.

B.1.27. Is the Secretary of the Board of Directors a Board member?

YES	NO	X

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

The Audit Committee safeguards the external auditor's independence, requesting, when appropriate, the presence of said external auditors during its sessions.

In this respect, article 44 of the Board of Directors' Regulations provides that the Board of Directors shall abstain from contracting those auditing companies whose fees, for all work done, are more than 5% of their total revenue during the previous financial year, and said Board of Directors must publish the global fees paid by the Company to the auditing company for services apart form the audit.

With regard to financial analysts and investment banks, at this time there are no established procedures for guaranteeing the independence of these persons and entities; however, the Company has always acted transparently in its dealing with them, and its criteria has always been based on principles of professionalism, sound ethics, and independence with regard to its assessments.

With respect to rating agencies, this is not applicable because the company does not maintain a relationship with any of them.

B.1.29. Does the auditing firm perform any other work for the company and/or its group other than auditing work?

YES	NO	X

	Company	Group	Total
Amount of non-auditing work (thousand of euros)	N/A	N/A	N/A
Amount of non-auditing work / Total amount invoiced by auditing firm (%)	N/A	N/A	N/A

B.1.30 The number of years the current auditing firm has uninterruptedly audited the Company's and/or its group's annual accounts, and the percentage represented by the number of years the current firm has audited the accounts with regard to the total number of years the Company's accounts have been audited.

	Company	Group
Number of uninterrupted years	18	18
Number of years accounts audited by current firm / Number of years Company has been audited (%)	100%	100%

B.1.31. Shareholdings held by the Company's Board members in the share capital of companies that have the same, analogous or complementary corporate purpose as the Company and/or its Group about which the Company has been informed.

Board member's name or trade name	Trade name of company in question	% shareholding	Position or function
N/A	N/A	N/A	N/A

B.1.32. Does a procedure exists to enable Board members to have access to external advice?

YES	X	NO

Details of the procedure

The procedure is explained in article 27 of the Board of Directors' Regulations.

Non-executive Directors can request that legal adviser, accountants and financial or other experts be taken on at the Company's expense. Such assignments must necessarily concern specific problems of a certain degree of importance and complexity that have arisen while the Director is performing his duties.

The decision to hire experts must be communicated to the Chairman and is subject to veto by the Board of Directors if it confirms that:

- It is not necessary for the proper fulfilment of the functions entrusted to the non-executive Directors.
- its cost is unreasonable in view of the importance of the problem and the Company's assets and income.
- the technical assistance sought can be adequately obtained from experts and technicians within the Company.

B.1.33 Does a procedure exist to enable Board members to have access to the information they need to prepare for meetings of the Company's corporate governing bodies in due time?

YES	X	NO

In accordance with the provisions of article 18.2 of the Board of Directors Regulations, the notice of meetings of the Board of Directors, except under special circumstances to be evaluated by the Chairman, must be given at least three days prior to said meeting, and said notice must include the Order of the Day for the session, and must be accompanied by pertinent information, duly summarised and prepared.

Additionally, article 12 of the Board of Directors' Regulations expressly provides that the Secretary must provide the Board members with the counsel and information required to ensure the smooth functioning of the Board meeting.

Finally, in accordance with the provisions of article 26 of the Board of Directors' Regulations, the Board members have the broadest powers to obtain information regarding any area of the Company, to examine the books, registers, documents and other records pertaining to company transactions, as well as to inspect its installations, with this right of information being extended to affiliates, both Spanish and foreign.

B.1.34. Has liability insurance been taken out in favour of the Company's Board members?

YES	X	NO

B.2. Committees of the Board of Directors

B.2.1 The company's governing bodies:

Name of body	Number of members	Functions
Board of Directors	10	Art. 24 of the articles of association

B.2.2. Board of Director's committees and their members:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position
Mrs. Helena Revoredo Delvecchio	Chairman
Mr. Isidro Fernández Barreiro	Member of the Board of Directors
Mr. Pedro Guerrero Guerrero	Member of the Board of Directors
Mrs. Chantal Gut Revoredo	Member of the Board of Directors
Mr. Christian Gut Revoredo	Member of the Board of Directors
Mr. Eduardo Paraja Quirós	Member of the Board of Directors
Mr. Eugenio Ruiz-Gálvez Priego	Member of the Board of Directors

AUDIT COMMITTEE

Name	Position
Mr. Isidro Fernández Barreiro	Chairman
Mrs. Chantal Gut Revoredo	Member of the Board of Directors
Mr. Christian Gut Revoredo	Member of the Board of Directors
Mr. Eugenio Ruiz-Gálvez Priego	Member of the Board of Directors

Appointment and Remuneration Committee

Name	Position
Mr. Pedro Guerrero Guerrero	Chairman
Mr. Isidro Fernández Barreiro	Member of the Board of Directors
Dña. Chantal Gut Revoredo	Member of the Board of Directors
IBERCAJA (representada por Mr. José Luís Martínez Candial)	Member of the Board of Directors - Secretary
Mrs. Helena Revoredo Delvecchio	Member of the Board of Directors

STRATEGY AND INVESTMENT COMMITTEE

Name	Position
N/A	N/A

B.2.3. Organisational rules, functioning and responsibilities assigned to each of the Board's committees.

EXECUTIVE COMMITTEE

a) Regulation

Article 25 of the articles of association and article 15 of the Board of Directors Regulations.

b) Composition

The Executive Committee shall be composed of a minimum of three and a maximum of seven members of the Board of Directors.

The Executive Committee shall be presided over by the Chairman of the Board of Directors.

In any case, the approval of appointment resolutions regarding Executive Committee members shall require the favourable vote of at least two-thirds of the members of the Board of Directors.

The position of Secretary of the Executive Committee shall go to the Secretary of the Board of Directors.

c) Functioning

The Executive Committee shall meet after the convening of the meeting by the Chairperson. In the case of a lack of specific rules, those established to govern the Board of Directors, shall be applied, provided that they are compatible with the Commitee's mission and nature.

In any case, the Executive Committee shall hold a minimum of seven ordinary sessions per year.

In those cases in which, in the opinion of the Chairperson or of three members of the Executive Committee, the importance of the matter at hand so merits, the resolutions approved shall be submitted to the full meeting of the Board of Directors for ratification. Other resolutions shall be applied in relation with those matters which the Board submits to the Executive Committee for study, with the board reserving the final decision regarding these matters to itself. In all other cases, the resolutions approved by the Executive Committee shall be valid and binding without the necessity of prior ratification by the full meeting of the Board of Directors.

d) Responsibilities

The Executive Committee is vested with the broadest powers of representation, administration, management, and disposal, and, in general, with all powers which correspond to the Board of Directors, except for those which may not be delegated according to law or articles o association.

Without prejudice to the foregoing, the following powers, having been delegated to the Executive Committee by the Board of Directors, correspond specifically to the Executive Committee, and may not be vested in any other body:

- The approval of all significant investments and disinvestments to be performed by the Company.
- Supervision and follow-up with regard to decisions and acts of the Managing Director.

AUDIT COMMITTEE

a) Regulation:

Articles 27 of the Articles of Association and 16 of the Board of Directors Regulations.

b) Composition

The Audit Committee shall be composed of a minimum of three and a maximum of five members of the Board of Directors.

In any case, the Audit Committee must have a majority of non-executive Directors appointed by the Board of Directors, based on the proposal of the Appointment and Remuneration Committee.

The Board of Directors shall designate, from amongst the non-executive directors, the person who is to preside over the Audit Committee who will undertake his duties as Chairman of the Audit Committee; said chairman must be replaced every four years, and may offer himself for re-election after one year has elapsed since the expiry of his former office as chairman of the Audit Committee.

The Audit Committee shall appoint a Secretary who will draw up the minutes of the resolutions of said Committee. The office of Secretary shall fall to the person designated by the Committee, and said person need not be a Director or a Committee member.

c) Functioning

The Audit Committee may regulate its own functioning, applying the rules of functioning established by the Board of Directors in the absence of specific rules, provided that the rules so established are compatible with the nature and functioning of the Committee.

The Audit Committee must hold a minimum of four ordinary sessions a year. Extraordinarily, the Audit Committee will meet whenever the Board of Directors or the Chairman of said board requests the issuance of a report or the adoption of proposals and, in any case, whenever said meeting serves to promote the carrying out of the committee's functions.

Any member of the management team or any employee of the Company shall, if so required, be obliged to attend meetings of the Committee, and he shall collaborate with it and provide access to the information that he has available. The Committee may also require the accounts auditors to attend it meetings.

d) Responsibilities

The responsibilities of the Audit Committee include the following duties:

- To inform the General Meeting of Shareholders regarding issues raised by the Shareholders therein, which fall within the scope of its authority.
- To propose the designation of the auditor, the conditions of his hiring, the scope of his professional appointment and, when called for, his termination or continuance.
- To review the Company's accounts, ensure compliance with legal requirements and the correct application of generally accepted accounting principles, as well as to communicate the proposals for the modification of accounting principles and criteria suggested by management.
- To serve as a communication channel between the Board of Directors and auditors, evaluate the results of each audit and the management team's response to their recommendations and mediate in cases of discrepancies between auditors and the Board in connection with principles and criteria applicable to the preparation of balance sheets.
- To verify the integrity and adaptation of internal financial control systems, and review the designation and replacement of those in charge.
- To supervise the performance of the audit contract, so that the opinion regarding the annual accounts and the main contents of the audit report are drawn up as precisely and clearly as possible.
- To review the pamphlets to be issued and the financial information which the Board of Directors must provide to markets and supervisory bodies.
- To verify compliance with Stock Market Internal Codes of Conduct, with the present Board regulations, and, in general, with the Company's rules of governance; make any proposals needed to improve compliance. Specifically, it is the Audit Committee's responsibility to receive information and, when appropriate, issue reports regarding disciplinary measures to members of the Company's senior management team.

APPOINTMENT AND REMUNERATION COMMITTEE

a) Regulation:

Article 26 of the Articles of association and article 17 of the Board of Directors Regulations.

b) Composition

The Appointment and Remuneration Committee shall be composed of a minimum of three and a maximum of five members of the Board of Directors.

The Appointment and Remuneration Committee shall be presided over by the Chairman of the Board of Directors and shall appoint a Secretary who shall draw up the minutes of the resolutions of said Committee. The office of Secretary shall fall to the person designated by the Committee, and said person need not be a Director or a Committee member.

c) Functioning

The Appointment and Remuneration Committee may regulate its own functioning, applying the rules of functioning established by the Board of Directors in the absence of specific rules, provided that the rules so established are compatible with the nature and functioning of the Committee.

The Appointment and Remuneration Committee will meet whenever the Board of Directors or the Chairman of said board requests the issuance of a report or the adoption of proposals and, in any case, whenever said meeting serves to promote the proper performance of the committee's tasks.

In any case, this committee shall meet once a year in order to prepare information regarding the remuneration of Directors which the Board of Directors must approve and include within the annual published documentation.

d) Responsibilities

The Appointment and Remuneration Committee has the following basic responsibilities:

- To formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates.
- To report on proposals for the Appointment of the Directors, to the Board of Directors, so that the Board can proceed directly to their appointment, (co-option) when appropriate, or otherwise for the Board to take on its proposals and pass them on for the decision of the General Meeting of Shareholders.
- To propose the members who are to form part of each Committee to the Board of Directors.
- To propose the annual remuneration system and amount for administrators.
- To approve the contracting of senior management personnel - whether as salaried personnel or as external personnel whose business services have been contracted – their remuneration and their possible inclusion in Stock Compensation Plans approved by the General Meeting of Shareholders.
- To periodically review remuneration programs in order to assess their suitability and performance.
- To ensure the transparency of remuneration.
- To provide information regarding transactions which imply or could imply conflict of interests.

B.2.4. Powers to advice and consult as well as any powers delegated to each of the committees

Name of Committee	Brief description
Executive Committee	Committee with general decision making powers. The Executive Committee is vested with the broadest powers of representation, administration, management, and disposal, and, in general, with all powers which correspond to the Board of Directors, except for those which may not be delegated according to law or articles o association.
Appointment and Remuneration Committee	Committee with advisory and control powers. For specifics regarding the powers of this Committee, see paragraph B.2.3 above.
Audit Committee	Committee with advisory and control powers. For specifics regarding the powers of this Committee, see paragraph B.2.3 above.

B.2.5. Board Committee Regulations, where they may be consulted and any changes made to them during the financial year. Have any annual reports been drafted on a voluntary basis with regard to the activities of each Committee?

The Board's Committees are regulated by the provisions of the Company's Articles of Association and by the Board of Directors regulations; there are no specific regulations for any of these Committees.

The Board's Committees have not drawn up any annual reports regarding their activities during financial year 2006.

B.2.6 Powers delegated to the Executive Committee and degree of independence it possesses to perform its functions and approving resolutions concerning the Company's administration and management.

The Executive Committee, in collegial form, has the broadest powers of representation, administration, management and disposal and, in general, holds all other powers which correspond to the Board of Directors by law or in accordance with the articles of association, with the exception of those powers which are not delegable.

B.2.7. Does the composition of the Executive Committee reflect the participation of Directors on the Board based on their condition?

YES	NO	X

Composition of the Executive Committee
The Board of Directors is compose of four executive members, three Shareholder Representative members and three independent Board members. The Executive Committee is composed of three Executive Members, two Shareholder Representative members and one independent Board member.

B.2.8 Are all members of the Nomination Committee external Board members?

YES	NO	X

C Related transactions

C.1. Relevant transactions that have led to a transfer of resources or bonds between the Company or Group companies and significant shareholders of the Company:

FIN or FIC	Significant shareholders name or trade name	Name or Name or trade name of company or group company	Nature of relationship	Type of transact.	Amount (thousands of euros)
B83456889	Proactinmo, S.L. (affiliate of Gubel, S.L.)	Prosegur	Lease during the year 2006 of an office building to Prosegur.	Trade	787 thousand euros per year.
A28060903	Corporación Financiera Alba, S.A.	Prosegur	Loan and syndicated loan agreements granted by Banca March, S.A. (1)	Trade	9,130 thousand euro limit granted of which 3,960 thousand euros has been disposed of.

(1) Given the links between Corporacion Financiera Alba, S.A. and Banca March, S.A. the inclusion of the Credit lines granted by Banca March, S.A. in favour of Prosegur, whose principal information appears in the following table, has been deemed necessary:

	Limit granted (*)	Available (*)
Loan agreement	2	0
Syndicated loan	7.13	3.96
Total	**9.13**	**3.96**

(*) in millions of euros

C.2. Relevant transactions that have led to a transfer of resources or bonds between the Company or Group companies and the Company's administrators and directors:

FIN or FIC	Name or trade name of significant shareholder	Name or trade name of Company or Group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
N/A	N/A	N/A	N/A	N/A	N/A

C.3. Relevant transactions performed by the Company with other companies belonging to the same group, as long as these are not eliminated when the consolidated financial statements are put together and do not form part of he company's normal business activities with regard to its corporate purpose and conditions.

Trade name of group company	Brief description of transaction	Amount (thousands of euros)
N/A	N/A	N/A

C.4. Conflicts of interest that may arise among board members pursuant to Article 127 of the Public Limited Companies Act (Ley de Sociedades Anonimas).

The Company is not aware of any conflicts of interest with respect to any Board members.

C.5. Mechanisms set up to detect, identify and resolve possible conflicts of interest between the Company and/or its Group and its Board members, executives and significant shareholders.

Prosegur's Internal Code of Conduct with regard to Securities Market transactions (R.I.C.) sets forth that affected persons must at all times act with independent criteria, guided by loyalty to Prosegur and its shareholders, independently of their own or other interests, and said persons must abstain from intervening or influencing any decision making process which could affect persons or entities with which there is a conflict of interest and from accessing confidential information which could affect said conflict.

To this effect, Prosegur's Internal Code of Conduct provides that the affected persons must inform the Regulatory Compliance Department of those conflicts of interest to which said persons are subject due to activities outside of Prosegur, due to their personal estate, or to any other reason when said conflicts involve the following entities:

a) Dealers who transact with Prosegur.

b) Professional investors such as UCITS managers, pension fund managers, etc…

c) Significant providers, including those who render legal or auditing services.

d) Important Clients.

e) Entities who engage in the same type of business or are competitors.

In accordance with the Internal Code of Conduct, potential conflicts of interest are considered to exist when the affected persons display some of the following conditions with respect to the entities referred to in the previous paragraph:

- Membership on its Board of Directors.
- Significant shareholdings in its share capital.
- The rendering of services or the performance of some remunerated activity or the existence of relevant, direct or indirect contractual ties.

The power to provide information regarding transactions which imply or could imply conflict of interests with the Company is granted, by the articles of association, to the Appointment and Remuneration Committee.

For its part, the Board of Directors Regulations establish that Board members must abstain from attending and intervening in deliberations which could affect matters in which they have a personal interest, nor can they pursue, either for their own benefit or for that of a relative, a Company business opportunity unless it is first offered to the Company which then ends its involvement, and the Board of directors expressly authorises the Board member's pursuit of this opportunity after a report has been issued by the Appointment and Remuneration Committee.

Additionally, article 38 of the Board of Directors Regulations provides that the Board member must inform the Company regarding any Company shares he holds, either directly or indirectly, and must provide information regarding any positions held or activities performed in other companies or entities, and, in general, with regard to any fact or situation which could prove relevant to his performance as a Company administrator.

D. Risk control systems

D.1. Overall description of the Company's and/or its group's risk control policy, listing and assessing the risks covered by the system, along with a justification of the suitability of said systems for each kind of risk.

The main risks covered by the system are of an operational, financial and reputational nature.

The means implemented by the Company to cover these risks vary greatly in response to the diverse nature of these risks. To reduce financial risks, we have entrusted the audit to a top international auditing firm and have introduced a range of hedges against exchange rate and interest rate fluctuations.

With respect to operational risks, in addition to the corresponding insurance policies, with coverage far above that required by applicable law for the type of business activity undertaken, detailed periodic inspections in all three business areas are carried out by the Company's inspection department in the different branches of the Company.

Lastly, reputational risk is reduced by means of diligence and transparency in the ordinary management of the Company.

Additionally, ordinary management takes place under the supervision of the Audit Committee.

D.2. Control systems set up to assess, mitigate and reduce the main risks faced by the Company and its Group.

The Board of Directors, by means of the Audit Committee, supervises accounting policy and internal control systems and procedures which reasonably guarantee the reliability and consistency of economic-financial data as well as the formulation of the annual accounts.

In addition to the above, Prosegur's internal department, the Risk Management Area, reviews elements identified as having priority in the company's risk map, performing review by means of its own resources and by means of external contracting. These means are continuously present in the fiscal, accounting, and computing areas, as well as in the area of insurable risk, which permits the aforementioned corporate area to focus most of its attention on the development of business operations.

The activity of the Risk Management Area covers all of the areas of activity of Grupo Prosegur, that is to say, the departments of Surveillance, Active Protection and Value Logistics and Cash Management. The departmental areas of the Company are also subject to controls and internal audits. In this sense, the Risk Management Area performs audits of the different structural support and service areas of the business units. The aforementioned department thus performs quality audits based on ISO standard 9001 in all the national transport and surveillance branches of the Company. The work of control and internal auditing undertaken by the Risk Management Area is performed, likewise, in the national branches devoted to alarms, with many of the controls and internal audits taking place in the technical area. Given that Prosegur is a multinational present in eleven countries, the internal audit work performed by the Risk Management Area is also undertaken in Prosegur's international affiliates, and including in its business divisions and departmental areas.

D.3. If any of the risks affecting the Company and/or its group have actually occurred indicate the circumstances which caused them and whether the control systems set up have worked.

No significant risk was reported during financial year 2006.

D.4. Committee or other governing body in charge of establishing and supervising these control systems and list of their tasks.

Since the creation of the Audit Committee in 2003, this has been the entity charged with overseeing control mechanisms. The tasks delegated to this committee for these purposes are, amongst others, as follows:

- To be knowledgeable with regard to the financial information process and with regard to the Company's Internal Control systems.
- To cultivate relationships with the Company's external auditors in order to receive information regarding those matters which could jeopardise the independence of these auditors, and any other matters related to the financial audit; the committee must maintain that communication described in financial audit legislation and in the technical standards for audits.

D.5. Identification and description of the processes used to ensure that the regulations affecting the Company and/or its group are duly complied with.

In order to ensure compliance with applicable standards, the Company is suitably organised, with the essential components being the Financial Department and an external legal consultancy which ensure that current standards (both external and internal) are adhered to in their respective areas of competence.

Likewise, the Board of Directors Regulations themselves expressly establish that the Secretary shall ensure the formal and material legality of all acts performed by the Board of Directors, and shall also ensure that the procedures and rules of governance are followed and reviewed regularly.

In addition, one of the Audit Committee's duties is to ensure the adaptation and integrity of an efficient, internal process used to ensure that the Company complies with the laws and regulations to which its activity is subject, as well as to verify that procedures required to ensure that the management team and employees comply with internal rules are in place.

E. The General Meeting of Shareholders

E.1. The quorum required to convene the General Meeting as laid down in the articles of association. Differences with regard to minimum requirements set forth in the Public Limited Companies Act (Ley de Sociedades Anonimas).

The rules and regulations regarding the quorums required to convene General Meetings and attendance at General Meetings as described in article 18 of the Articles of Association do not deviate from what has been set forth in sections 102 and 103 of the Public Limited Companies Act.

E.2. The procedure used to adopt corporate resolutions. Deviations from the procedure set forth in the Public Limited Companies Act.

Article 19 of the articles of association establishes that shareholders meeting at a duly called General Meeting, shall decide on matters falling within the jurisdiction of said Meeting based on a majority vote.

When the shareholders present represent less than 50% of the subscribed capital with a right to vote, resolutions with respect to the issuance of bonds, increases or decreases in share capital, the transformation, merger or split-off of the Company and, in general, any modification of the articles of association, may only be validly passed with the favourable vote of two-thirds of the capital present, either directly or by proxy, at the General Meeting.

This is identical to the procedure for passage of resolutions established in sections 93 and the following sections of the current Public Limited Companies Act.

E.3. Shareholders' rights concerning Shareholders Meeting that may be different from the ones set forth in the Public Limited Companies Act.

Up to date, there are no differences between the shareholders' rights concerning general shareholders meeting and those set forth in the Public Limited Companies Act.

E.4. Measures adopted to promote shareholder participation at shareholders meetings.

General Meeting Regulations include a series of measures intended to promote the participation of shareholders at the Meeting, consisting principally of providing the shareholders with sufficient notice, with access to all of the information regarding the matters appearing in the Order of the Day, not only by means of the physical delivery of the documents relevant to these matters, but also through a company web site. Information will also be provided with regard to the means and procedures for granting agency at the Meeting, and a name card for attendance and delegation will also be provided to all shareholders with a right to attend the Meeting who so request one day after the publication of the call for a meeting.

E.5. Does the position of Chairman of the Shareholders' Meeting coincide with the post of Chairman of the Board? Measures adopted to ensure the independence and smooth functioning of the General Shareholders Meeting.

YES	X	NO

List of measures
In accordance with the provisions of the General Meeting Regulations:
1. It is the responsibility of the Chairman of the General Meeting to:
a) Direct the meeting so that deliberations take place in accordance with the Order of the Day.
b) Establish the order of deliberations and interventions.
c) Decide the form in which the resolutions will be voted on in accordance with the provisions of the present Regulations.
d) Resolve doubts, make clarifications and handle complaints which arise in relation with the Order of the day, the attendance list, the holding of shares, the delegations and proxies, the requirements for the valid constitution and passage of resolutions by the General Meeting, and with regard to limits on the right to vote established in the articles of association.
e) Cede the floor to those shareholders who so request, withdrawing the right to speak or not granting said right when reasons exist for this course of action, and ending debates when he considers that the subject matter of the debate has been sufficiently covered, all of this in accordance with the present Regulations.
f) Indicate when the resolutions are to be voted on and announce the results of said vote.
g) In general, exercise all of the powers necessary for the best organisation of the meeting, including the interpretation of the provisions of the Regulations.

E.6. Changes made to the General Shareholders' Meeting Regulations during the financial year.

During financial year 2006, no changes were made to the Prosegur Shareholders' Meeting Regulations approved by said General Meeting on April 26, 2004.

E.7. Attendance figures at the General Meetings held during financial year 2006.

Attendance data

Date of General Meeting	% present(*)	% represented(*)	% distance votes	Total%
29-06-2006	61.03 %	15.48 %	N/A	76.51 %
(*) % of total share				

E.8. Resolutions passed at the General Meetings held during financial year 2006 and the percentage of votes with which each resolution was passed.

The General Meeting of shareholders on June 29, 2006:

Point of Order of the Day	Summary of resolution	% of votes in favour in the form of capital present directly or by proxy	Result of the vote
1	Approval of the annual accounts, of the management report and of the proposed distribution of earnings, both of Prosegur and of its corresponding consolidated group corresponding to financial year 2005, as well as the approval of the management of the governing body during financial year 2005	99.84%	Passed
2	Approval of the dividend distribution charged to financial year 2005 earnings	99.84%	Passed
3	Approval of the merger by way of the takeover of Nordes Vigilancia, S.A.U by Prosegur	99.84%	Passed
4	Approval of the merger by way of take over of Prosegur Seguridad, S.A. by Prosegur	99.84%	Passed
5	Dismissal, re-election, ratification and appointment, when appropriate, of Directors	No proposal was put forth nor was any resolution passed	No proposal was put forth nor was any resolution passed
6	Authorisation for the derivative acquisition of treasury shares	99.84%	Passed
7	Re-election of the financial auditor	99.84%	Passed
8	Setting of the maximum annual remuneration for Directors	99.84%	Passed

E.9. The number of shares needed to take part in a General Shareholders Meeting, along with any restrictions in this regard set forth in the Articles of Association.

In order to attend the General Meeting, a shareholder must hold one-thousandth of the share capital, which, upon consideration of the current figure for share capital, stands at 61,712 shares.

E.10. Policies with regard to proxy voting at the General Meeting.

The Company does not follow a specific policy with regard to proxy voting.

E.11. Is the Company aware of institutional investors' policies on whether or not to play a part in the Company's decisions?

YES	NO X

E.12. Website address and how to access corporate governance contents on the Company's website.

Addressn: www.prosegur.com

Form of access: Main page / Shareholders and Investors / Corporate Governance

F. Level of fulfilment of the Corporate Governance recommendations

On May 22, 2006, the National Stock Market Commission Board approved a single document with Corporate Governance recommendations, for the purposes of the provisions of paragraph one f) of Order ECO/3722/2003, on December 26. Nevertheless, the aforementioned resolution indicates that listed companies should use the Unified Code when they present the Annual Corporate Governance Report relative to financial year 2007, during the first semester of 2008. Consequently, for the purposes of completion of the present paragraph of this Report, the recommendations of the Olivencia Report, completed or modified by the Aldama report, are used as a reference.

Recommendation 1: *"That the Board of Directors' purpose expressly involves the general task of supervision, and the non-delegable exercise of responsibilities resulting from and established by a formal catalogue of materials of which only the Board of Directors has knowledge".*

The policy of Prosegur's Board of Directors is to delegate the ordinary management of the Company to executive bodies and management teams, while devoting itself principally to the general task of supervision, directly taking on and fulfilling, without delegating, the responsibilities which this task involves.

Recommendation 2: *"That a reasonable number of independent directors of great professional prestige, and not connected to the executive team or to significant shareholders, form part of the Board of Directors".*

The number of independent directors on the Board of Directors of the Company stands at three out of a total of ten, and they are persons of great prestige, with no connection to the executive team or to significant shareholders.

Recommendation 3: *"That on the Board of Directors, the external Board members (shareholder representative members and independent members) constitute a large majority over the executive members, and that the proportion between shareholder representative members and independent members is established taking into account the relationship which exist between capital composed of significant stock holdings and other capital".* This recommendation has been updated by the Aldama Report in the sense that an ample majority of external Board members exists, and, amongst these, there are a significant number of independent Board members, taking into account the capital structure of the Company and the capital represented on the Board.

The external Board members (of which there are a total of six) represent a majority over the Executive Board members (of which there are a total of four).

Recommendation 4: *"That the Board of Directors adapt its size in order to perform more efficiently and with greater participation. Initially, a suitable size is between five and fifteen members"*. The Aldama report does not recommend a maximum or minimum number of Board members, and only indicates that the Board must have a reasonable number of members in order to ensure operativeness as well as the work of each Board member.

The articles of association establish in article 20 that the Company's Board of Directors shall be made up of a minimum of three and a maximum of fifteen Board members.

Currently, the number of Board members in the Company stands at ten.

Recommendation 5: *"That in the event that the Board chooses to combine the office of Chairman and managing director in a single person, that precautionary measures be adopted to reduce the risk of concentration of power in one single person"*.

At the present time, the Company has chosen to separate the office of managing director of Prosegur (which is occupied by Mr. Eduardo Paraja Quiros) from the office of Chairperson of the Board of Directors (which is occupied by Ms. Helena Revoredo Delvecchio), in such a way that their is no concentration of tasks.

Recommendation 6: *"That the position of Secretary of the Board of Directors be given greater importance, reinforcing his independence and stability, while emphasising his task of ensuring the formal and material legality of acts of the Board of Directors"*.

The Secretary of the Board of Directors aids the Chairman in the performance of his duties, and ensures the smooth functioning of the Board, paying special attention to providing the Board members with the necessary advising and information, conserving corporate documentation, drawing up the minutes in which the resolutions passed are recorded as well as certifying said resolutions.

In every case, the Secretary ensures the formal and material legality of the acts of the Board of Directors, and guarantees that its procedures and rules of government are respected and regularly reviewed. The Secretary of the Board is also the Secretary of the Executive Committee.

Currently, the position of Secretary of the Board of Directors is occupied by a person external to the Company, who is a renowned expert in the area of Business Law.

Recommendation 7: *"That the composition of the Executive Committee, when it exists, reflect the same balance "maintained on the Board between the different types of Board members, and that the relationships between both entities is based on the principle of transparency, so that the Board has complete knowledge of the matters dealt with and of the decisions made by the Committee"*.

The Executive Committee is composed of six members of the Board of Directors, three of whom are executive Board members, two of whom are Shareholder Representative Board members and one of whom is an independent Board member. The Board of Directors, as has been explained, is composed of a total of ten Board members, of whom four are executives, three are shareholder representative members and three are independent.

The Executive Committee regularly informs the Board of Directors with regard to important decisions made in its sessions.

Recommendation 8: *"That the Board of Directors within itself creates delegate control committees composed exclusively of external Board members, in the areas of information and accounting control (Auditing), selection of Board members and Senior Management (Appointments), the determination and review of remuneration policies (Remuneration), and the evaluation of the system of governance (Compliance)"*.

The Board of Directors of Prosegur has created the Audit Committee with an executive Board member and two shareholder representative board members, and the Appointment and Remuneration Committee with one executive Board member, two shareholder representative members and two independent Board members.

Recommendation 9: *"That appropriate measures are adopted, so that Board members, sufficiently in advance, possess sufficient information which has been specifically drawn up and is oriented towards the preparation of sessions of the Board of Directors, in which case, except under exceptional circumstances, the importance and privileged nature of the information does not exempt it from application"*.

The calling of the Board of Directors and the Agenda to be debated is sent by the Secretary at least three days in advance, and Board members are provided, sufficiently in advance, with information which shall be presented at the meeting of the Board.

A pre-established annual calendar of sessions exists which facilitates the work of the Board members.

During and/or after the meeting, Board members are provided with however much information and clarifications they deem necessary in connection with the points included in the Order of the Day.

In addition, all of the Board members have a right to gather and obtain the necessary information.

Recommendation 10: *"That, in order to ensure the adequate functioning of the Board, its meeting are held frequently enough to fulfil its mission; the Chairperson smoothes the way for all Board members to address the floor and express their opinions; special care is taken in the drawing up of the minutes, and the quality and efficiency of work done is evaluated at least annually"*.

During financial year 2006, the Board of Directors held a total of five sessions.

The conduct of the Chairperson during the course of the sessions is oriented towards promoting the participation of all members; points to be debated are presented clearly and precisely, and the opinions of Board members, who participate as often as they wish in the development of these opinions, are faithfully recorded.

Recommendation 11: *"That the intervention of the Board of Directors in the selection and re-election of its members conform to a formal and transparent procedure, based on a reasonable proposal by the "Appointment Committee"*.

As is indicated in the Board of Directors Regulations, the proposals for appointment, re-election and ratification of the Board members submitted by the Board of Directors to the General Meeting and the appointment decisions adopted by the Board of Directors itself shall be preceded by the corresponding proposal to the Appointment and Remuneration Committee.

Recommendation 12: *"That companies incorporate into their rules that Board members must resign in the event that their continuance could negatively affect the performance of the Board of Directors, or the credit and good will of the company"*.

The Board of Directors Regulations set forth that Board members must place their positions at the disposal of the Board of Directors and formalise their resignation, if the Board, after reception of a report from the Appointment and Remuneration Committee, deems it appropriate, in those cases which could negatively affect the performance of the Board of Directors or the credit and reputation of the Company and, in particular, when the Board member is subject to one of the legally established conditions of incompatibility or prohibition.

Recommendation 13: *"That an upper age limit for occupying the position of Board member be established; this age limit could range from sixty five to seventy for executive Board members and the Chairman, while being somewhat more flexible for other board members"*. On this point, the Aldama Report has revised the criteria of the Olivencia Report, and does not establish an age cut-off; it merely indicates that any company which establishes a policy with regard to this point should set it forth clearly in their internal regulations.

Neither the articles of association nor the Board of Directors Regulations establish an age limit, as a result of which Board members may continue in their positions as long as they fully conserve the faculties, capacities and availability which resulted in their election.

Recommendation 14: *"That the right of all Board members to gather and obtain information and advising necessary for the completion of their supervisory tasks be formally recognized, and that the appropriate channels for the exercise of this right, including meeting with outside experts in special circumstances, be established"*.

Article 26 of the Board of Directors Regulations expressly recognises that Board members are vested with the broadest powers to inform themselves with regard to any aspect of the Company, to examine its books and registers, documents and other records of corporate transactions, and to examine all of the installations (a provision equally applicable to affiliates, both national and foreign), and the Regulations determine the procedure for exercising this right.

For its part, article 27 of the Board of Directors Regulations recognises the right of external Board members to request that the Company, on its account, contract legal consultants, accountants, financiers and other experts, provided that the hiring is needed to resolve specific problems of a certain degree of importance and complexity which arise during the performance of his job.

Recommendation 15: *"That the Board members' remuneration policy, whose proposal, evaluation and review lies within the jurisdiction of the Remuneration Committee be adapted to the company's performance, that it depend on detailed and individualised information, and that it remain in keeping with a philosophy of moderation"*.

The remuneration of Board members, given their condition as such, shall be in keeping with the principle of moderation and shall be tied to the Company's development and circumstances. In this respect, in accordance with the provisions of article 22 of Prosegur's articles of association, the remuneration of the administrators shall consist of a fixed, annual allocation. The total amount paid to all of the board members cannot exceed the maximum amount set for this purpose by the General Meeting of shareholders; this limit shall remain in effect until said General Meeting agrees to modify it.

The Board of Directors Regulations establish that the Board member shall have a right to receive the remuneration set by the Board of Directors in accordance with the provisions of the articles of association, after a proposal has been presented by the Appointment and Remuneration Committee. The Board of Directors shall strive to set a level of remuneration for Board members which is consonant with their level of demonstrated dedication and moderated by market requirements.

Comprehensive information regarding the remuneration of Board members is provided in the present Corporate good governance report.

Recommendation 16: *"That the internal rules of the company list the obligations which stem from the general expectations of diligence and loyalty on the part of Members of the Board of Directors, with particular attention paid to possible conflicts of interest, confidentiality, the exploitation of business opportunities and the use of corporate assets"*.

Capital IX of the Board of Directors Regulations regulate the duties of the Board of Directors with regard to diligence and loyalty, with particular attention being paid to the obligation to abstain in the event of conflicts of interest.

Concretely, what follows are some of the obligations worth mentioning, which are found in the Board of Directors regulations, to which Board members are subject:

- The Obligation of loyalty and diligent administration.
- Obligation of confidentiality.
- Obligation to not engage in competition.
- Obligation to abstain and information in the event of conflict of interest.
- The obligation to not use corporate assets or confidential information.
- The obligation to not use business opportunities for personal gain.

In addition, Board members are subject to the Internal Code of Conduct with regard to matters related to the Stock Market.

Recommendation 17: *"That the Board of Directors promote the adoption of appropriate measures in order to extend the duty of loyalty to significant shareholders, with the establishment of special precautions with regard to transactions involving said shareholders and the company"*.

The Board of Directors Regulations provide that the Board shall be informed of any direct or indirect transaction between the Company and a significant shareholder, and that in no case will it authorise the transaction if a report has not previously been issued by the Appointment and Remuneration Committee, evaluating the transaction from the point of view equal treatment of shareholders as well as of market conditions.

Recommendation 18: *"That measures intended to enhance the transparency of voting by proxy and to promote communication between the company and its shareholders, particularly with institutional investors, be introduced"*.

The Board of Directors Regulations stipulate that public requests for proxy voting made by the Board of Directors or by any of its members should expressly indicate how the agent is going to vote in the event that the shareholder does not give instructions, and when appropriate, should indicate the presence of conflicts of interest.

With regard to the right to information of all shareholders, it is set forth that all information required by law, in addition to that which, although not legally required, may prove to be useful and may reasonable be supplied, should be made available to said shareholders at the General Meeting, in response to requests for information formulated by shareholders prior to the General meeting, as well as in response to questions which the shareholders pose to the Board of Directors at the time in which the General Meeting takes place.

With regard to institutional investors, the Board of Directors Regulations dictate the necessity of establishing suitable mechanisms for the regular exchange of information, while at the same time ensuring that said institutional investors do not acquire privileged information which would place them in an advantaged and privileged position with respect to the rest of the shareholders.

Recommendation 19: *"That the Board of Directors, above and beyond requirements imposed by current regulations, follow a policy of providing markets with rapid, precise and reliable information, particularly with regard to capital structure, substantial modifications in the rules of corporate governance, related operations of special significance or with regard to treasury stock"*.

The Board has been providing information to the markets in accordance with the requirements of current legislation.

The Board of Directors Regulations stipulate that the Board of Directors must immediately inform the public regarding the following:

a) Significant events capable of exerting a noticeable influence on the Company's stock market share prices.

b) Changes in the ownership structure of the Company, such as variations in significant shareholdings, voting agreements and other forms of coalition which have come to its attention.

c) Substantial modifications of corporate governance regulations.

d) Particularly important treasury stock operations.

Recommendation 20: *"That all periodically published financial information, in addition to annual information, which is supplied to markets be drawn up in accordance with the same principles and professional practices which are used in the issuance of the annual accounts, and that this information be verified by the Audit Committee prior to dissemination"*.

All information made available to markets is issued in accordance with the same principles, criteria and professional standards which are brought to bear in the formulation of the annual accounts and are just as reliable. To this effect, said information is reviewed and verified by the Audit Committee prior to dissemination.

Recommendation 21: *"That the Board of Directors and the Audit Committee monitor those situations which could place the independence of the company's external auditors at risk and that they specifically verify the percentage represented by the fees paid to said auditors for all of their services over the auditing firm's total revenue, and tha Information is published with regard to the provision of professional services different from that of auditing"*.

Relations with the Company's financial auditor are conducted through the Audit Committee; different services which could jeopardise the independence of the audit may not be contracted without the prior authorisation and supervision of this Committee.

The Board of Directors Regulations establish that the maximum fees paid to auditing firms should not exceed 5% of the auditing firm's total income; firms whose fees exceed this limit may not be contracted.

During financial year 2006, the fees paid to PriceWaterhouseCoopers España and to the worldwide organisation, PriceWaterhouseCoopers stood at: 964 thousand euros for auditing work. 0 euros for specific consulting services.

The annual report lists all of the fees paid both to the principal auditor as well as to other auditing companies for services unrelated to auditing which were rendered.

Recommendation 22: *"That the Board of Directors make every attempt to ensure that the accounts formulated by said Board and presented to the General Meeting are free of qualifications and reservations in the audit report, and, when this is not possible, that both the Board of Directors and the auditors clearly explain the content and scope of these discrepancies to shareholders and markets alike"*.

The customary policy of the Company is that audit reports do not contain qualifications and reservations, with its financial statements adhering faithfully to generally accepted accounting principles in Spain.

In addition, the Board of Directors Regulations indicate that the Board of Directors must make every attempt to formulate the accounts in such a way that the Financial Auditor must issue an unqualified opinion. Nevertheless, when the Board considers that it must maintain its criteria, it shall publicly explain the content and scope of the discrepancy.

G. Other information of interest

PARAGRAPH B.1.8 d)

In the paragraph Total Board Member Remuneration, all of the remuneration items expressed in table B.1.8 are listed (including salaries derived from work relationships, remuneration paid for attendance at meeting of the governing body, etc.). The percentage of profit is calculated using consolidated profit for PROSEGUR COMPAÑÍA DE SEGURIDAD S.A corresponding to 2006.

PARAGRAPH B.1.10

Within the Board of Directors, the following distinction must be made regarding the entity which authorises protection clauses:

- The Board of Directors authorises the protection clauses of Board members.
- The Appointment and Remuneration Committee authorises those of senior management.

This Annual Corporate good governance report has been approved by Prosegur's Board of Directors at the meeting on March 29, 2007 with all members voting unanimously in favour.

INVESTOR RELATIONS

The annual report is submitted to the General Meeting of Shareholders. The report is also available for the Company's shareholders at the registered office, calle Pajaritos, 24, Madrid.

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