

Consolidated annual accounts and management report



02

ANNUAL REPORT

2010



PROSEGUR



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Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

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

We have audited the consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As mentioned in note 2 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of financial reporting legislation applicable to the Group, preparation of the Group's annual accounts is the responsibility of the Company's directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Prosegur Compañía de Seguridad, S.A. and subsidiaries at 31 December 2010 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other applicable financial reporting regulations.

On 25 February 2010 other auditors issued their unqualified audit report on the consolidated annual accounts for 2009.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of Prosegur Compañía de Seguridad, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2010. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Prosegur Compañía de Seguridad, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on original in Spanish.)

Bernardo Rücker-Embden
Partner

25 February 2011

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I. Consolidated income statement (function of expenses)

(In thousands of Euros)

	Notes	Year ended 31 December	
		2010	2009 (Restated)
Sales	3	2,560,344	2,187,032
Other operating income	3	6,196	1,014
Costs to sell	4 , 5	(1,914,048)	(1,631,009)
■ Gross Profit		652,492	557,037
Other operating expenses	4 , 5	(376,950)	(312,713)
Other net losses	6	(12,926)	(13,795)
■ Results from operating activities (EBIT)		262,616	230,529
Finance income		4,587	16,544
Finance expenses		(35,993)	(36,342)
Finance net costs	7	(31,406)	(19,798)
■ Profit before income tax		231,210	210,731
Income tax	28	(70,800)	(63,567)
■ Post-tax profit from continuing operations		160,410	147,164
Profit/(loss) for the year from discontinued operations		-	-
■ Consolidated profit for the year		160,410	147,164
Attributable to:			
Non-controlling interests		(375)	(653)
Owners of the parent company		160,785	147,817
■ Earnings per share from continuing operations attributable to owners of the parent company (Euros per share)			
· Basic	8	2.69	2.46
· Diluted		2.67	2.46
■ Earnings per share from discontinued operations attributable to owners of the parent company (Euros per share)			
· Basic		-	-
· Diluted		-	-

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

II. Consolidated statement of comprehensive income

(In thousands of Euros)

Year ended
31 December

	2010	2009 (Restated)
■ Profit for the year	160,410	147,165
Other comprehensive income:		
Cash flow hedges, net of tax	-	(23)
Translation differences for foreign operations	33,716	13,278
■ Total comprehensive income, net of taxes	194,126	160,420
Attributable to:		
· Owners of the parent company	194,441	161,194
· Non-controlling interests	(315)	(774)
	194,126	160,420

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

III. Consolidated balance sheet

ASSETS

(in thousands of Euros)

(in thousands of Euros)		Year ended 31 December	
	Note	2010	2009 (Restated)
ASSETS			
Property, plant and equipment	11	360,687	325,957
Goodwill	12	318,706	300,827
Intangible assets	13	147,949	158,290
Available-for-sale and other financial assets	14	33,331	38,129
Deferred tax assets	28	100,667	75,575
Non-current assets		961,340	898,778
Inventories	16	42,653	29,942
Trade and other receivables	17	672,743	594,782
Non-current assets held for sale		448	448
Derivative financial instruments	15	29	79
Other financial assets	18	128,988	552
Cash and cash equivalents	19	170,018	78,013
Current assets		1,014,879	703,816
Total assets		1,976,219	1,602,594

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

EQUITY AND LIABILITIES

(In thousands of Euros)

		Year ended 31 December	
	Note	2010	2009 (Restated)
EQUITY AND LIABILITIES			
Share capital	20	37,027	37,027
Share premium	20	25,472	25,472
Own shares	20	(40,731)	(40,227)
Other equity instruments	21	5,016	3,651
Accumulated translation differences	22	16,186	(17,470)
Retained earnings and other reserves	23	622,880	516,428
Non-controlling interests		718	468
Total equity		666,568	525,349
LIABILITIES			
Financial liabilities	25	188,944	195,481
Derivative financial instruments	15	3,114	1,814
Deferred tax liabilities	28	71,201	65,089
Non-current provisions	24	173,215	164,564
Non-current liabilities		436,474	426,948
Trade and other payables	26	432,201	375,153
Current tax liabilities	28	55,426	49,379
Financial liabilities	25	360,416	199,890
Derivative financial instruments	15	238	-
Other liabilities and expenses	27	24,896	25,875
Current liabilities		873,177	650,297
Total equity and liabilities		1,976,219	1,602,594

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

IV. Consolidated statement of changes in equity

(in thousands of Euros)

Year ended 31 December 2010

Attributable to owners of the parent company								
	Share capital (note 20)	Share premium (note 20)	Own shares (note 20)	Other equity instruments (note 21)	Accumulated translation differences (note 22)	Retained earnings and other reserves (note 23)	Non- controlling interests	Total equity
■ Balance at 1 January 2010	37,027	25,472	(40,227)	3,651	(17,302)	518,743	468	527,832
Net effect of reclassification of comparative figures for the prior year					(168)	(2,315)		(2,483)
■ Balance at 1 January 2010 (restated)	37,027	25,472	(40,227)	3,651	(17,470)	516,428	468	525,349
Total comprehensive income for year ended 31 December 2010	-	-	-	-	33,656	160,784	(316)	194,124
Changes in investments in subsidiaries	-	-	-	-	-	(460)	566	106
Accrued share incentive plan obligations	-	-	-	1,945	-	-	-	1,945
Share incentives exercised	-	-	420	(580)	-	211	-	51
Acquisition/Sale of own shares	-	-	(924)	-	-	917	-	(7)
2009 dividend	-	-	-	-	-	(55,000)	-	(55,000)
■ Balance at 31 December 2010	37,027	25,472	(40,731)	5,016	16,186	622,880	718	666,568

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

(In thousands of Euros)

Year ended 31 December 2009

Attributable to owners of the parent company

	Share capital (note 20)	Share premium (note 20)	Own shares (note 20)	Other equity instruments (note 21)	Revaluation reserve	Accumulated translation differences (note 22)	Retained earnings and other reserves (note 23)	Non-controlling interest	Total equity
■ Balance at 1 January 2009	37,027	25,472	(29,372)	1,855	23	(30,870)	419,451	1,008	424,594
Total comprehensive income for the year ended 31 December 2009	-	-	-	-	(23)	13,568	150,132	(774)	162,903
Changes in investments in subsidiaries	-	-	-	-	-	-	(840)	234	(606)
Accrued share plan obligations	-	-	-	1,796	-	-	-	-	1,796
Acquisition/Sale of own shares	-	-	(10,855)	-	-	-	-	-	(10,855)
2008 Dividend	-	-	-	-	-	-	(50,000)	-	(50,000)
■ Balance at 31 December 2009	37,027	25,472	(40,227)	3,651	-	(17,302)	518,743	468	527,832

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

V. Consolidated statement of cash flows

(In thousands of Euros)

Year ended
31 December

	2010	2009 (restated)
Cash flows from operating activities		
■ Profit for the year	160,410	147,165
Adjustments for:		
Amortisation and depreciation	83,251	64,376
Impairment losses on non-current assets	1,183	9
Impairment losses on trade receivables	14,327	15,525
Impairment losses on other financial assets	3,017	-
Exchange gains	(89)	(10,750)
Change in provisions	29,605	32,773
Share-based payments	1,945	1,796
Loss on financial assets at fair value through profit or loss	1,587	7,211
Finance income	(2,609)	(2,379)
Finance expenses	23,711	16,146
Loss on disposal and sale of property, plant and equipment	2,443	1,936
Income tax	70,800	63,567
	389,581	337,375
Changes in working capital, excluding the effect of acquisitions and translation differences		
Inventories	(11,320)	(4,990)
Trade and other receivables	(66,490)	(98,341)
Trade and other payables	32,459	24,708
Payments of provisions	(31,763)	(9,305)
Other current liabilities	(7,839)	(3,566)
■ Cash flows from operating activities	304,628	245,881
Interest paid	(16,143)	(16,094)
Income tax paid	(87,086)	(72,056)
■ Net cash from operating activities	201,399	157,731

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

(In thousands of Euros)

Year ended
31 December

	2010	2009 (restated)
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	5,700	6,074
Proceeds from sale of financial assets	59,027	147,950
Interest received	2,215	7,252
Acquisition of subsidiaries. net of cash and cash equivalents	(11,029)	(92,957)
Acquisition of property, plant and equipment	(70,583)	(62,868)
Acquisition of intangible assets	(10,921)	(9,620)
Acquisition of financial assets	(184,097)	(44,108)
Net cash used in investing activities	(209,688)	(48,277)
Cash flows from/(used in) financing activities		
Proceeds from the issue of own shares and own equity instruments	-	-
Proceeds from debt with financial institutions	236,394	8,003
Proceeds from other financial liabilities	6,844	-
Payments for the redemption of own shares and other own equity instruments	(7)	(10,855)
Payments for debt with financial institutions	(83,231)	(76,951)
Payments for other financial liabilities	(12,813)	(354)
Dividends paid	(52,500)	(47,000)
Net cash from/(used in) financing activities	94,687	(127,157)
Net increase/(decrease) in cash and cash equivalents	86,398	(17,703)
Cash and cash equivalents at beginning of year	78,013	92,653
Cash effect of translation differences	5,607	3,063
Cash and cash equivalents at year end	170,018	78,013

The notes on pages 106 to 190 form an integral part of the consolidated annual accounts.

VI. Notes To The Consolidated Financial Statements

1. General Information

Prosegur is a business group formed by Prosegur Compañía de Seguridad, S.A. (hereinafter the Company) and subsidiaries (together "Prosegur"), which provides private security services in the following countries: Spain, Portugal, France, Romania, Argentina, Brazil, Chile, Peru, Uruguay, Paraguay, Mexico and Colombia.

Prosegur is organised into two geographical areas:

- Europe
- Latin America (LatAm)

The services provided by the Group are distributed into two lines of business:

- **Corporate Security:**
Security solutions comprising services, products and organisational means applied in companies and corporations to minimise or neutralise any incidents that could pose a risk to their employees, facilities, visitors or information assets.
- **Residential Security:**
Services, products and security solutions for protecting domestic properties and small businesses and their contents from unexpected incidents, as well as personal security assistance and support services.

At the end of 2010, Prosegur comprises 94 companies: the parent company, Prosegur Compañía de Seguridad, S.A., and 93 subsidiaries. Prosegur also participates, along with other entities, in six business ventures and 27 temporary joint ventures.

The most significant changes to the consolidated group in 2010 are acquisitions of subsidiaries, details of which are provided in note 31.

The following mergers took place between subsidiaries in 2010:

- In Brazil on 31 January 2010, Centuria Sistemas de Segurança Ltda. merged with Prosegur Brasil S.A. Transportadora de Valores de Segurança.
- In Portugal on 25 June 2010, Prosegur Activa Portugal, U.L. and Escol, Serviços de Segurança, S.A. merged with Prosegur Companhia de Segurança, U.L.
- In Brazil on 2 December 2010, Norsegel Vigilância e Transporte de Valores SA merged with Prosegur Brasil S.A. Transportadora de Valores e Segurança.
- In Chile on 31 December 2010, Prosegur Equipos y Sistemas Automáticos de Protección Ltda. merged with Prosegur Tecnología Chile Ltda.

In addition, the following companies were incorporated in 2010:

- In Brazil, Prosegur Gestão de Efetivo Limitada y Prosegur Activa Alarmes Limitada.
- In Spain, Prosegur Gestión de Activos, S.L.U.
- In Romania, Rosegur Cash Services, S.A., Rosegur FIRE S.R.L. and Rosegur Training S.R.L.
- In China, Pitco Asia Pacific Limited.

Details of the 93 fully consolidated subsidiaries are provided in Appendix I.

Details of the 27 proportionately consolidated temporary joint ventures (TJVs) are provided in Appendix II.

Details of companies currently in receivership and in the process of being wound up are provided in Appendix III.

Details of proportionately consolidated joint ventures are provided in Appendix IV.

Details of the principles applied to prepare the Prosegur consolidated annual accounts and define the consolidated group are provided in note 37.2.

Prosegur subsidiaries hold interests of less than 20% of the share capital of other entities. They do not exercise significant influence over these entities.

Prosegur is controlled by Gubel S.L., which has its registered offices in Madrid and holds 50.075% of the share capital of Prosegur Compañía de Seguridad, S.A.

Prosegur Compañía de Seguridad, S.A., the parent company of the Prosegur group, is a limited liability company quoted on the Madrid and Barcelona Stock Exchanges. The Company was incorporated in Madrid on 14 May 1976. It is registered at the Companies Registry of Madrid and the Special Registry of Private Security Companies, part of the Spanish Ministry of Home Affairs.

The registered offices of Prosegur Compañía de Seguridad, S.A. are at Calle Pajaritos, 24, Madrid.

The statutory activity of Prosegur Compañía de Seguridad, S.A. is described in article 2 of its bylaws. The main services provided by the Company are as follows:

- Security patrol and protection of premises, goods and individuals.
- The transportation, storage, safekeeping, counting and classification of coins and banknotes, deeds, securities and other items that require special protection due to their economic value or associated risk.
- The installation and maintenance of security equipment, devices and systems.

The parent company of the Prosegur group currently operates solely in Spain.

These consolidated annual accounts were drawn up by the directors on 24 February 2011 and are pending approval by the shareholders at their general meeting. However, the directors consider that these consolidated annual accounts will be approved with no changes.

2. Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Prosegur Compañía de Seguridad, S.A. and consolidated subsidiaries. The consolidated annual accounts for 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS, hereinafter IFRS) and other applicable financial reporting regulations to present fairly the consolidated equity and consolidated financial position of Prosegur Compañía de Seguridad, S.A. and subsidiaries at 31 December 2010, as well as its consolidated financial performance and consolidated cash flows for the years then ended.

The policies set out in note 37 have been consistently applied throughout the reporting periods presented in these consolidated annual accounts.

These consolidated annual accounts have been prepared on a historical cost basis. However, on first-time adoption of IFRS the Pajaritos and Acacias buildings in Madrid and the Hospitalet building in Barcelona were recognised at market value, equivalent to deemed cost, and financial instruments, derivatives and available-for-sale financial assets were recognised at fair value.

The preparation of consolidated annual accounts in accordance with IFRS requires management to make certain critical accounting estimates. Judgement is also required when applying the Company's accounting policies. The areas requiring a greater degree of judgement or complexity, or where the assumptions

Certain amounts for 2009 have been reclassified in the current consolidated annual accounts for comparability with those for the current year. These reclassifications, which affect the values assigned to assets acquired in business combinations (note 31), are as follows:

Reclassification of comparative figures for the previous year

Thousands of Euros	Dr	Cr
Assets and Liabilities		
Property, plant and equipment – land and buildings	945	
Goodwill		62,457
Intangible assets – customer portfolios	55,964	
Intangible assets – trademarks	6,809	
Intangible assets – other assets	568	
Intangible assets – accumulated amortisation		3,475
Deferred tax assets	19,587	
Deferred tax liabilities		20,424
	83,873	86,356
Equity		
Accumulated translation differences	168	
Retained earnings	2,314	
	2,482	-
Income statement		
Amortisation and depreciation	3,475	
Income tax		1,160
	3,475	1,160

expenses format, whereas the consolidated income statement for 2009 was in the nature of expenses format. This change in format was made to adapt the consolidated income statement to the management information used by Proseur.

3. Sales and Revenues

Details of sales for the years ended 31 December 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	2010	2009
Services rendered	2,362,531	2,011,659
Goods sold	78,225	59,129
Operating leases	119,588	116,244
■ Total sales	2,560,344	2,187,032

Operating lease revenues are generated by alarm system rentals. As explained in note 37.18, when a customer rents a system, the Company receives an initial amount which is taken to the income statement over the average contract duration and a regular payment for the rental of the equipment and the service provided.

Details of other operating income in the consolidated income statement for the years ended 31 December 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	2010	2009
Changes in work in progress	1,184	(1,695)
Work carried out by the company for assets	3,481	515
Other income	1,531	2,194
■ Other operating income	6,196	1,014

4. Costs to Sell and Other Operating Expenses

The main costs to sell and other operating expenses in the consolidated income statement for the

years ended 31 December 2010 and 2009 are as follows:

Thousands of Euros

	2010	2009
Supplies	123,416	94,279
Employee benefits expense	1,503,049	1,308,521
Operating leases	35,704	28,160
Supplies and external services	129,693	106,338
Other expenses	122,186	93,711
■ Total costs to sell	1,914,048	1,631,009
Supplies	1,933	1,477
Employee benefits expense	155,643	135,499
Operating leases	20,085	15,841
Supplies and external services	72,222	59,216
Other expenses	43,816	36,304
Amortisation and depreciation	83,251	64,376
■ Total other operating expenses	376,950	312,713

Total supplies in the consolidated income statement for 2010 amount to Euros 125,349 thousand (Euros 95,756 thousands in 2009).

The total employee benefits expense in the consolidated income statement for 2010 is Euros 1,658,691 thousand (Euros 1,444,020 thousand in 2009).

5. Employee Benefits Expense

Details of the employee benefits expense for the years ended 31 December 2010 and 2009 are as follows:

Thousands of Euros

	2010	2009
Salaries and wages	1,249,024	1,093,484
Social Security	323,913	288,522
Other employee benefits expenses	56,175	42,737
Termination benefits	29,579	19,277
■ Total employee benefits expenses	1,658,691	1,444,020

As described in note 24, as a result of the Spanish High Court ruling on overtime costs, in 2010 the employee benefits expense has been increased by Euros 5,616 thousand (Euros 7,266 thousand in 2009), with a charge to non-current provisions, and

decreased by Euros 8,319 thousand reflecting the release of provisions recognised in prior years.

Salaries and wages include the expense accrued in relation to the 2011 long-term incentive plan for exe-

cutive directors and management (note 37.17), amounting to Euros 2,777 thousand (Euros 2,150 thousand in 2009).

6. Other Net Gains and Losses

The most significant other net gains and losses recognised in the consolidated income statement for the years ended 31 December 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	Note	2010	2009
Impairment losses on trade receivables	(Note 17)	(14,327)	(15,525)
Impairment losses on non-current assets	(Note 12 y 13)	(1,183)	(9)
Net losses on the disposal of property, plant and equipment		(2,443)	(1,937)
Other net gains		5,027	3,676
■ Total net losses		(12,926)	(13,795)

Other net gains/losses in the consolidated income statement for 2010 include a net gain of Euros 2,800 thousand arising from the adjustment of the provision for the lawsuit from the receiver responsible for Esabe Express, S.A. (note 24).

7. Net Finance Costs

Details of net finance costs at 31 December 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	2010	2009
Interest paid:		
· Loans from financial institutions	(7,822)	(10,524)
· Loans from other entities	(454)	(327)
· Securitisation programme	(3,082)	(4,127)
· Finance leases	(1,516)	(1,168)
	(12,874)	(16,146)
Interest received:		
· Cash equivalents	2,516	756
· Loans and other investments	93	1,623
	2,609	2,379
Net gains on foreign currency transactions	89	10,750
Losses on the fair value of derivative financial instruments	(1,587)	(7,211)
Other losses on transactions with derivative financial instruments	(2,038)	(9,035)
Impairment losses on investments in equity instruments	(3,017)	-
Other finance income	1,889	3,415
Other finance expenses	(16,477)	(3,950)
	(21,141)	(6,031)
■ Net finance costs	(31,406)	(19,798)
Total finance income	4,587	16,544
Total finance expenses	(35,993)	(36,342)
	(31,406)	(19,798)

Other finance expenses for 2010 include interest on the costs of the lawsuit from the receiver responsible for Esabe Express, S.A. amounting to Euros 10,837 thousand (note 24).

8. Earnings per Share

Basic

Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the year, excluding own shares acquired (note 20).

	2010	2009 (restated)
Profit for the year attributable to owners of the parent company (Euros)	160,784,090	147,816,544
Weighted average of ordinary shares outstanding	59,749,854	60,062,227
■ Basic earnings per share (Euros)	2.69	2.46

Diluted

Diluted earnings per share are calculated by adjusting the profit for the year attributable to the owners of the

parent company and the weighted average number of ordinary shares outstanding for all the inherent diluting effects of potential ordinary shares.

	2010	2009 (restated)
Profit for the year attributable to owners of the parent company (Euros)	160,784,090	147,816,544
(Diluted) weighted average of ordinary shares outstanding	60,124,854	60,062,227
■ Diluted earnings per share (Euros)	2.67	2.46

The adjustment to the weighted average number of ordinary shares outstanding reflects the possible 375,000 shares outstanding as a result of the 2011 Plan (note 37.17).

9. Dividends per Share

At the general meetings held on 28 June 2010 and 29 June 2009, the shareholders approved the distribution of dividends amounting to Euros 55,000 thousand (Euros 0.89 per share) and Euros 50,000 thousand (Euros 0.81 per share), respectively. A total dividend of Euros 60,500 thousand, equivalent to Euros 0.98 per share, will be proposed to the shareholders at their next general meeting. These consolidated annual accounts do not reflect this dividend.

10. Segment Reporting

The Executive Committee of the board of directors is ultimately responsible for taking decisions on Prosegur's operations, reviewing internal financial information to assess the group's performance and allocating resources.

Since 2009, the Executive Committee has analysed business at parent company level on two fronts: by geographical region and by activity. Two main segments are identified in geographical terms: Europe and Latin America (LatAm). Each of these contain two segments of activity: Corporate Security and Residential Security.

The following ratios are used in segment reporting:

- EBITDA: earnings before interest, taxes, depreciation and amortisation.
- EBIT: earnings before interest and taxes.

The Executive Committee uses EBIT to assess segment performance, considering that this indicator best reflects the results of the group's different activities.

Amortisation and depreciation are not included in gross profit.

Total assets allocated to segments do not include other current and non-current financial assets, derivative financial assets and cash and cash equivalents.

Total liabilities allocated to segments do not include derivative financial liabilities and debt with financial institutions except for finance lease payables.

Details of EBIT by segment are as follows:

Thousands of Euros

Year ended 31 December 2010

	Europe		LatAm		Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security	
Sales to external customers	1,200,882	97,338	1,215,612	46,512	2,560,344
Other net expenses	1,107,428	66,428	1,003,059	36,379	2,213,294
EBITDA	93,454	30,910	212,553	10,133	347,050
Amortisation and depreciation	27,146	4,697	37,484	13,924	83,251
Impairment losses on property, plant and equipment	-	-	1,183	-	1,183
EBIT	66,308	26,213	173,886	(3,791)	262,616

Thousands of Euros

Year ended 31 December 2009 (restated)

	Europe		LatAm		Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security	
Sales to external customers	1,161,829	98,169	890,999	36,035	2,187,032
Other net expenses	1,058,173	68,825	735,424	29,696	1,892,118
EBITDA	103,656	29,344	155,575	6,339	294,914
Amortisation and depreciation	25,385	5,641	27,538	5,812	64,376
Impairment losses on property, plant and equipment	-	-	-	9	9
EBIT	78,271	23,703	128,037	518	230,529

A reconciliation of EBIT allocated to segments with net profit for the year attributable to the owners of the parent company is as follows:

Thousands of Euros

	Total Prosegur	
	2010	2009 (restated)
EBIT allocated to segments	262,616	230,529
Net financial costs	31,406	19,798
Profit before tax	231,210	210,731
Income tax	(70,800)	(63,567)
Pre-tax profit from continuing operations	160,410	147,164
Non-controlling interest	(375)	(653)
Profit for the year attributable to owners of the parent company	160,785	147,817

Details of additions to intangible assets and property, plant and equipment by segment are as follows:

Thousands of Euros

Year ended 31 December 2010

	Europe		LatAm		Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security	
Investments in property, plant and equipment	22,602	1,192	45,474	1,315	70,583
Investments in intangible assets	6,820	211	557	3,333	10,921
	29,422	1,403	46,031	4,648	81,504

Thousands of Euros

Year ended 31 December 2009 (restated)

	Europe		LatAm		Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security	
Investments in property, plant and equipment	26,482	420	33,697	2,269	62,868
Investments in intangible assets	4,626	790	3,673	531	9,620
	31,108	1,210	37,370	2,800	72,488

Details of assets allocated to segments and a reconciliation with total assets are as follows:

Thousands of Euros

Year ended 31 December 2010

	Europe		LatAm		Not allocated to segments	Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security		
Assets allocated to segments	653,700	44,236	899,356	46,561	-	1,643,853
Other unallocated assets	-	-	-	-	332,366	332,366
· Other non-current financial assets	-	-	-	-	33,331	33,331
· Other current financial assets	-	-	-	-	128,988	128,988
· Cash and cash equivalents	-	-	-	-	170,018	170,018
· Derivative financial instruments	-	-	-	-	29	29
Total assets	653,700	44,236	899,356	46,561	332,366	1,976,219

Thousands of Euros

Year ended 31 December 2009 (restated)

	Europe		LatAm		Not allocated to segments	Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security		
Assets allocated to segments	653,919	40,875	734,813	56,215	-	1,485,822
Other unallocated assets	-	-	-	-	116,772	116,772
· Other non-current financial assets	-	-	-	-	38,128	38,128
· Other current financial assets	-	-	-	-	552	552
· Cash and cash equivalents	-	-	-	-	78,013	78,013
· Derivative financial instruments	-	-	-	-	79	79
Total assets	653,919	40,875	734,813	56,215	116,772	1,602,594

Details of liabilities allocated to segments and a reconciliation with total liabilities are as follows:

Thousands of Euros

Year ended 31 December 2010

	Europe		LatAm		Not allocated to segments	Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security		
Liabilities allocated to segments	437,860	37,610	352,404	24,762	-	852,636
Other unallocated liabilities	-	-	-	-	457,015	457,015
· Other debt with financial institutions	-	-	-	-	453,664	453,664
· Derivatives	-	-	-	-	3,351	3,351
Total liabilities	437,860	37,610	352,404	24,762	457,015	1,309,651

Thousands of Euros

Year ended 31 December 2009 (restated)

	Europe		LatAm		Not allocated to segments	Total Prosegur
	Corporate Security	Residential Security	Corporate Security	Residential Security		
Liabilities allocated to segments	412,557	40,774	304,611	24,010	-	781,952
Other unallocated liabilities	-	-	-	-	295,293	295,293
· Other debt with financial inst.	-	-	-	-	293,479	293,479
· Derivatives	-	-	-	-	1,814	1,814
Total liabilities	412,557	40,774	304,611	24,010	295,293	1,077,245

The geographical distribution of total sales and non-current assets is as follows:

Thousands of Euros

	31 December 2010		31 December 2009 (restated)	
	Sales	Non-current assets allocated to segments	Sales	Non-current assets allocated to segments
Parent company country	975,300	247,208	963,731	250,323
Brazil	605,252	226,443	437,031	205,059
Argentina	330,782	88,550	248,577	76,338
Other countries	649,010	265,589	537,693	253,802
Total	2,560,344	827,790	2,187,032	785,522

11. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2010 are as follows:

Thousands of Euros

Year ended 31 December 2010

	Land and buildings	Technical installations and machinery	Other installations and furniture	Other property, plant and equipment	Under construction and advances	Total
Opening carrying amount	106,771	24,675	87,490	77,527	29,494	325,957
Translation differences	2,909	2,369	2,534	5,900	1,711	15,423
Business combinations - cost		4,020	228	2,277	58	6,583
Business combinations accumulated - depreciation		(1,358)	(77)	(627)		(2,062)
Additions	3,956	6,222	13,762	11,519	35,124	70,583
Disposals - cost	(74)	(494)	(14,666)	(19,276)	(648)	(35,158)
Disposals - accumulated depreciation	55	494	9,022	18,675	-	28,246
Transfers	16,666	1,004	7,259	6,219	(31,148)	-
Depreciation charge recognised in profit and loss	(3,013)	(5,496)	(18,814)	(21,562)		(48,885)
Provision for impairment losses recognised in profit and loss	-	-	-	-	-	-
Closing carrying amount	127,270	31,436	86,738	80,652	34,591	360,687
Cost or valuation	163,317	79,565	208,410	238,508	34,591	724,391
Accumulated depreciation	(36,047)	(48,129)	(121,649)	(157,856)	-	(363,681)
Accumulated impairment losses	-	-	(23)	-	-	(23)
■ Carrying amount at 31 December 2010	127,270	31,436	86,738	80,652	34,591	360,687

Details of property, plant and equipment and movement during 2009 (restated) are as follows:

Thousands of Euros

Year ended 31 December 2009 (restated)

	Land and buildings	Technical installations and machinery	Other installations and furniture	Other property, plant and equipment	Under construction and advances	Total
Opening carrying amount	93,555	18,924	88,279	61,789	19,117	281,664
Translation differences	2,085	2,613	1,800	6,467	117	13,082
Business combinations - coste	8,661	2,255	8,402	22,731	6	42,055
Business combinations - depreciation	(1,885)	(1,834)	(6,614)	(13,592)	-	(23,925)
Additions	3,274	6,216	10,541	12,224	30,613	62,868
Disposals	(1,180)	(590)	(10,219)	(8,308)	(99)	(20,396)
Disposals - accumulated depreciation	190	590	6,070	7,663	-	14,513
Transfers	3,164	1,178	8,295	7,623	(20,260)	-
Depreciation charge recognised in profit and loss	(2,506)	(4,691)	(17,204)	(19,494)	-	(43,895)
Other movements	1,413	14	(1,851)	424	-	-
Provision for impairment losses recognised in profit and loss	-	-	(9)	-	-	(9)
■ Closing carrying amount	106,771	24,675	87,490	77,527	29,494	325,957
Cost or valuation	139,332	64,017	194,214	221,746	29,494	648,803
Accumulated depreciation	(32,561)	(39,342)	(106,701)	(144,219)	-	(322,823)
Accumulated impairment losses	-	-	(23)	-	-	(23)
■ Carrying amount at 31 December 2009 (restated)	106,771	24,675	87,490	77,527	29,494	325,957

Additions to property, plant and equipment recognised in 2010 amount to Euros 70,583 thousand (Euros 62,868 thousand in 2009) and mainly comprise fitting-out work in progress on bases and armoured vehicles intended for use in operating activities mainly in Spain, Argentina and Brazil.

On 22 January 2008 the Company acquired land on the Vicálvaro Industrial Estate (Madrid) for Euros 11,968 thousand. In 2009 the Company carried out work on this land, recognising additions of property, plant and equipment under construction amounting to Euros 7,997 thousand. In 2010 this construction work has been completed, at a total cost of Euros 11,411 thousand, and the Company has reclassified this

amount from property, plant and equipment under construction to land and buildings.

Commitments for the acquisition of property, plant and equipment are detailed in note 30.

Details of items of property, plant and equipment not used in ordinary activities at 31 December 2010 are as follows:

<i>Thousands of Euros</i>	Cost	Accumulated depreciation	Carrying amount
Land and buildings	21,200	(431)	20,769
Technical installations and machinery	2,058	(1,257)	801
	23,258	(1,688)	21,570

At 31 December 2009 the Company did not have any property, plant and equipment that were not used in ordinary activities.

Property, plant and equipment are measured at histori-

cal cost, with the exception of the Pajaritos and Acacias buildings in Madrid and the Hospitalet building in Barcelona, which were measured at market value on first-time adoption of IFRS and have since been revalued. The effect of this revaluation is as follows:

<i>Thousands of Euros</i>	2010	2009
Cost	39,324	39,324
Accumulated depreciation	(3,075)	(2,635)
■ Carrying amount	36,249	36,689

Other installations and furniture include items let by Prosegur to third parties under operating leases, details of which are as follows:

<i>Thousands of Euros</i>	2010	2009
Rental installations	79,881	85,044
Accumulated depreciation	(46,259)	(49,869)
■ Carrying amount	33,622	35,175

As stated in note 3, the income statement includes operating lease income of Euros 11,588 thousand (Euros 116,244 thousand in 2009). This amount reflects all business relating to the alarm system rental activity, the associated cost of which is taken to profit and loss.

Armoured vehicles compliant with the Euro III regulation on non-polluting emissions were put into operation in 2010, with a value of Euros 185 thousand (Euros 2,777 thousand in 2009). These assets were previously recognised as property, plant and equipment under construction. As a result of this investment, the parent company is entitled to an income tax credit of Euros 3 thousand (Euros 49 thousand in 2009).

Property, plant and equipment contracted by Prosegur under finance leases are as follows:

<i>Thousands of Euros</i>	2010	2009
Capitalised finance lease expenses (value of investment)	45,722	43,670
Accumulated depreciation	(23,031)	(18,375)
■ Carrying amount	22,691	25,295

No borrowing costs have been capitalised as property, plant and equipment during the year as the amount is insignificant.

12. Goodwill

Details of goodwill and movement during 2010 are as follows:

<i>Thousands of Euros</i>	Year ended 31 December 2010
	Goodwill
Opening carrying amount (restated)	300,827
Additions to the consolidated group	13,880
Additions	469
Disposals	(1,535)
Provision for impairment losses recognised in profit and loss	(1,183)
Translation differences	6,248
■ Carrying amount at 31 December 2010	318,706

Additions to goodwill were generated on the following business combinations in 2010:

	% Ownership	Thousands of Euros
Genper, S.A.- Sistemas Integrales de Control (Uruguay)	100%	471
Tellex, S.A. (Argentina)	100%	4,415
Teleemergencia S.A.C. (Peru)	100%	2,645
Martom Segurança Eletrônica Ltda. (Brazil)	100%	6,349
		13,880

Details of the estimated goodwill presented in the above table are provided in note 31.

Additions of Euros 469 thousand reflect an adjustment to the goodwill recognised on the acquisition of Equipos y Sistemas Automáticos de Protección, Ltda.

in 2009, as a result of changes in the fair value of the contingent consideration (note 31).

Disposals of Euro 1,535 thousand reflect an adjustment to the goodwill recognised on the acquisition of Valtis,

S.A. and subsidiaries in 2009, as a result of changes in the fair value of the contingent consideration (note 31).

Details of movement in goodwill in 2009 are as follows:

Thousands of Euros

Year ended 31 December 2009 (restated)

	Goodwill
Opening carrying amount	270,491
Additions to the consolidated group	34,203
Disposals	(3,480)
Translation differences	(387)
■ Carrying amount at 31 December 2009 (restated)	300,827

In 2009 goodwill was generated on the following business combinations:

	% Ownership	Thousands of Euros
Setha Indústria Eletrônica Ltda. (Brazil)	100%	2,359
Centuria Sist.Segurança, Ltda. y Centuria Com.e Serv., Ltda. (Brazil)	100%	1,330
General Industries Argentina, S.A. - GIASA (Argentina)	100%	2,475
Nautiland, S.A.- Punta Systems (Uruguay)	100%	1,859
Grupo Valtis (France)	100%	6,229
Orus, S.A. (Peru)	100%	4,007
Orus Seguridad Electrónica, S.A. (Peru)	100%	6,740
Equipos y Sistemas Automáticos de Protección, Ltda. (Chile)	100%	3,694
Norsergel Vigilância e Transporte de Valores S.A (Brazil)	100%	5,230
Blindados, S.R.L. (Uruguay)	100%	280
		34,203

Impairment testing of goodwill

For impairment testing purposes, goodwill has been allocated to the cash-generating units (CGUs) of Prosegur that are expected to benefit from the business combination that gave rise to the goodwill, in accordance with their respective business segment and the country of operation.

A summary of the CGUs to which goodwill has been allocated, by country and business segment, is as follows:

Thousands of Euros

Year ended 31 December 2010

	Corporate Security	Residential Security	Total
Spain CGU	84,843	4,816	89,659
France CGU	21,137	-	21,137
Portugal CGU	13,404	-	13,404
■ Total Europe	119,384	4,816	124,200
Brazil CGU	46,922	-	46,922
Chile CGU	40,575	-	40,575
Peru CGU	25,588	10,641	36,229
Argentina CGU	26,129	11,365	37,494
Colombia CGU	21,123	-	21,123
Rest of LatAm CGU	10,177	1,986	12,163
■ Total LatAm	170,514	23,992	194,506
■ Total Prosegur	289,898	28,808	318,706

Thousands of Euros

Year ended 31 December 2009

	Corporate Security	Residential Security	Total
Spain CGU	84,843	4,816	89,659
France CGU	22,672	-	22,672
Portugal CGU	13,404	-	13,404
■ Total Europa	120,919	4,816	125,735
Brazil CGU	39,280	-	39,280
Chile CGU	39,377	-	39,377
Peru CGU	25,447	6,883	32,330
Argentina CGU	21,722	11,365	33,087
Colombia CGU	18,344	-	18,344
Rest of LatAm CGU	10,725	1,949	12,674
■ Total LatAm	154,895	20,197	175,092
■ Total Prosegur	275,814	25,013	300,827

Prosegur performs annual impairment tests on goodwill at the end of each reporting period, or earlier if there are indications of impairment, in accordance with the accounting policy described in note 37.7.

The recoverable amount of a CGU is determined based on its value in use. These calculations are based on cash

flow projections from the financial budgets approved by management over a period of five years. After five years, cash flows are extrapolated using the estimated growth rates indicated below. The flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions used to calculate value in use are as follows:

	2010		2009	
	Europe	LatAm	Europe	LatAm
Growth rate ¹	1,58	4,08	1,74	3,99
Discount rate ²	7,43	11,09	8,16	12,39

¹ Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.

² Weighted average discount rate before tax applied to cash flow projections.

Management has determined the budgeted gross margin based on past experience and the market outlook. The discount rates used are after tax and reflect specific risks related to the country of operation and business segment.

Details of the key assumptions relating to the most significant CGUs for 2010 and 2009 are as follows:

	Spain	Rest of Europe	Brazil	Argentina	Rest of LatAm
2010:					
Discount rate	1.56%	1.67%	4.14%	3.00%	4.71%
Discount rate	7.22%	8.22%	9.69%	15.97%	9.50%
2009:					
Growth rate	1.72%	1.82%	4.50%	5.00%	2.91%
Discount rate	8.20%	7.99%	10.20%	18.00%	11.34%

These assumptions have been used to analyse each CGU within the business segment and country of operation.

In 2010 Prosegur has recognised an impairment loss of Euros 1,183 thousand on the goodwill attributed to the "Rest of LatAm" CGU in the business security segment. The discount rate used to make this estimate at 31 December 2010 is 9.51% (12.60% in 2009). Except for goodwill, no other type of asset has incurred impairment losses. No impairment losses were recognised on goodwill in 2009.

In addition to impairment testing, Prosegur has performed the following sensitivity analysis on goodwill:

- If the EBITDA estimated by management at 31 December 2010 had been 10% lower, Prosegur would not have had to reduce the carrying amount of the goodwill allocated to the CGUs at that date.
- If the revised pre-tax rate used to discount cash flows had been 10% higher than estimated by Prosegur management, with all other key assumptions remaining constant, it would not

have been necessary to reduce the carrying amount of goodwill allocated to the CGUs at 31 December 2010.

13. Intangible Assets

Details of intangible assets and movement during 2010 are as follows:

Thousands of Euros

Year ended 31 December 2010

	Computer software	Customer portfolios	Trademarks	Other intangible assets	Total
Opening carrying amount	21,446	128,477	7,234	1,133	158,290
Translation differences	909	12,325	643	167	14,044
Additions	10,129	-	-	792	10,921
Business combinations - cost		291			291
Disposals - cost	(4,000)	(8,305)	-	-	(12,305)
Disposals - amortisation	3,587	7,487	-	-	11,074
Amortisation charge recognised in profit and loss	(7,885)	(23,012)	(2,976)	(493)	(34,366)
■ Carrying amount at 31 December 2010	24,186	117,263	4,901	1,599	147,949
Cost or valuation	52,561	179,041	10,289	2,203	244,094
Accumulated amortisation	(28,375)	(61,778)	(5,388)	(604)	(96,145)
Accumulated impairment losses	-	-	-	-	-
■ Carrying amount at 31 December 2010	24,186	117,263	4,901	1,599	147,949

Additions to intangible assets were recognised in 2010 due to the allocation of fair value to the purchase price of the business combination resulting from the acquisition of Genper, S.A. for Euros 291 thousand (note 31).

Details of the main intangible assets and movement during 2009 are as follows:

Thousands of Euros

Year ended 31 December 2009 (restated)

	Computer software	Customer portfolios	Trademarks	Other intangible assets	Total
Opening carrying amount	18,659	56,419	807	-	75,885
Translation differences	1,230	14,324	623	87	16,264
Additions	8,711	506	-	403	9,620
Business combinations - cost	589	77,849	7,280	728	86,446
Business combinations - amortisation	(512)	(6,805)	-	-	(7,317)
Disposals	(1,581)	(1,854)	-	-	(3,435)
Disposals - amortisation	1,212	96	-	-	1,308
Amortisation charge recognised in profit and loss	(6,862)	(12,058)	(1,476)	(85)	(20,481)
■ Carrying amount at 31 December (restated)	21,446	128,477	7,234	1,133	158,290
Cost or valuation	44,627	171,283	9,144	1,218	226,272
Accumulated amortisation	(23,181)	(42,806)	(1,910)	(85)	(67,982)
Accumulated impairment losses	-	-	-	-	-
■ Carrying amount at 31 December 2009 (restated)	21,446	128,477	7,234	1,133	158,290

In 2009, additions to intangible assets were recognised due to the allocation of fair value to the purchase prices of the following business combinations:

Thousands of Euros

	Customer portfolios	Trademarks	Other intangible assets
Resguardo y Estrategias Especializadas, S.A. de C.V. (Mexico)	1,547	-	-
Setha Indústria Eletrônica Ltda. (Brazil)	2,434	956	209
Centuria Sist.Segurança, Ltda. y Centuria Com.e Serv., Ltda. (Brazil)	143	-	-
General Industries Argentina, S.A.- GIASA (Argentina)	1,485	-	-
Nautiland, S.A. - Punta Systems (Uruguay)	1,136	-	-
Valtis Group (France)	8,107	-	-
Equipos y Sistemas Automáticos de Protección, Ltda. (Chile)	426	-	-
V.P.Securité, S.A. y Maison de la Securité, S.A.S. (France)	3,503	-	-
Norsergel Vigilância e Transporte de Valores S.A (Brasil)	47,084	4,785	519
Orus, S.A. (Peru)	696	1,210	-
Orus Seguridad Electrónica, S.A. (Peru)	3,462	329	-
	70,023	7,280	728

In October 2008 Prosegur formed a business combination with Telefónica Asistencia y Seguridad, S.A. (Teleemergencia) in Chile, acquiring a portfolio of customers with monitored alarm systems and other business-related assets. In 2009 this business combination was allocated a fair value of Chilean Pesos 13,739 million (equivalent to Euros 15,511 thousand at the acquisition date) and a useful life of six years, based on the average annual customer churn rate at the acquisition date. During 2010 Prosegur updated the average customer churn rate, as a result of which the expected useful life of this portfolio should now be three years. The carrying amount of the customer portfolio at 31 December 2010 is Chilean Pesos 4,583 million (equivalent to Euros 6,780 thousand at 31 December 2010).

Useful lives have been defined for all reported intangible assets, which are amortised at rates of between 5.5% and 33% depending on their estimated useful lives.

No intangible assets are subject to restrictions on title or pledged as security for certain transactions.

Intangible assets are tested for impairment as described in note 37.6. No impairment losses have been recognised or reversed in 2010.

14. Non-Current financial Assets

Details of non-current financial assets are as follows:

Thousands of Euros

	2010	2009
Available-for-sale financial assets	32,675	34,935
Other non-current financial assets	656	3,194
Total	33,331	38,129

a) Available-for-sale financial assets

Details of available-for-sale financial assets are as follows:

Thousands of Euros

Balance at 1 January 2009	34,483
Additions	804
Disposals	(329)
Translation differences	(23)
Balance at 31 December 2009	34,935
Additions	1,205
Disposals	(495)
Fair value impairment losses	(3,017)
Translation differences	47
Closing carrying amount	32,675
At 31 December 2010	
Cost or valuation	35,763
Fair value impairment losses	(3,088)
Carrying amount at 31 December 2010	32,675

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

Thousands of Euros

At 31 December 2010

	Recoverable amount	% Ownership	Investment
Capitolotre, S.P.A.	28,647	19.0%	31,647
Euroforum Escorial, S.A.	1,370	8.1%	1,416
Keytech Sistemas Integrales	99	37.0%	112
Other investments	394		405
Guarantees and other assets	2,165		2,165
	32,675		35,745

Thousands of Euros

At 31 December 2009

	Recoverable amount	% Ownership	Investment
Capitolotre, S.P.A.	31,647	19.0%	31,647
Euroforum Escorial, S.A.	1,007	8.1%	1,053
Keytech Sistemas Integrales	99	37.0%	112
Other investments	373		385
Guarantees and other assets	1,809		1,808
	34,935		35,005

In December 2007 Prosegur acquired 19% of the shares in the investment vehicle Capitolotre, S.P.A. This 19% interest entitles Prosegur to 33% of profit-sharing rights. Capitolotre, S.P.A. has a 77% interest in IVRI Direzione, S.P.A., the leading company in the Italian security sector with activities including security patrol, transport of valuables, alarm system monitoring, response services and electronic systems. As a result, Prosegur has an indirect investment of 14.6% in the IVRI Group. Prosegur's investment in Capitolotre, S.P.A. remained unchanged between the acquisition date and 31 December 2010.

Based on the accounting policy regarding associates (note 37.2), Prosegur considers that it does not exercise significant influence over Capitolotre, S.P.A. and has classified this investment as an available-for-sale financial asset.

As explained in note 38.3, entities shall classify fair value measurements using a fair value hierarchy that prioritises the inputs used to measure fair value. If the fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is classified as level three. Prosegur has classified its investment in Capitolotre, S.P.A. as a level three fair value measurement.

The valuation techniques used by Prosegur to estimate the fair value of this investment were based on projections set out in the investee's financial budgets. The key assumptions used in this calculation were as follows:

- The financial budgets used for the calculation cover a period of six years.
- The weighted average growth rates used in these projections are consistent with the forecasts included in industry reports.

- Budgeted EBITDA (earnings before interest, taxes, depreciation and amortisation) is based on past experience and the market outlook.
- An annual discount rate of 8% has been applied to the projections.

At 31 December 2010, Prosegur has estimated the fair value of its investment in Capitolotre, S.P.A. based on the techniques described above, concluding that there is objective evidence that this investment is impaired by an estimated Euros 3,000 thousand.

If the EBITDA estimated by the entity were 10% lower at 31 December 2010, with all other key assumptions remaining constant, the additional impairment loss

would amount to Euros 2,500 thousand.

If the discount rate estimated by the entity at 31 December 2010 had been 10% higher, with the other key assumptions constant, the additional impairment loss would amount to Euros 600 thousand.

The rest of Prosegur's investments are recognised at the lower of cost and the carrying amount, as they cannot be measured reliably. Keytech Sistemas Integrales is currently being wound up.

Available-for-sale financial assets are denominated in the following currencies:

Thousands of Euros

	2010	2009
Euro	31,126	34,067
Argentinean Peso	1,020	496
Brazilian Real	130	108
Mexican Peso	225	174
Other currencies	174	90
	32,675	34,935

b) Other non-current financial assets

Movements in other non-current financial assets are as follows:

Thousands of Euros

■ Balance at 1 January 2009	-
Additions	3,165
Disposals	-
Exchange gains/losses	29
■ Balance at 31 December 2009	3,194
Additions	-
Disposals	(94)
Transfers	(2,500)
Exchange gains/losses	56
■ Balance at 31 December 2010	656

Details of other non-current financial assets at 31 December 2010 are as follows:

Thousands of Euros

Description	Issue date	Maturity date	Principal	Carrying amount
Fixed-term deposit	30/11/09	30/11/17	600	656
			600	656

15. Derivative financial instruments

Details of the fair value of derivative financial instruments at 31 December 2010 are as follows:

In 2010, Prosegur used derivative financial instruments to hedge interest rates and the price of diesel, as set out in the risk management policy described in note 38.

(Thousands of Euros)

	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate hedges	-	3,114	-	1,814
■ Total non-current	-	3,114	-	1,814
Interest rate hedges	-	238	-	-
Interest rate hedges	29	-	79	-
■ Total current	29	238	79	-

The total fair value of a derivative is recognised under non-current assets or liabilities if the notional amount matures in more than twelve months or under current assets or liabilities if the notional amount matures within twelve months.

ment as they are not considered to be accounting hedges.

Derivative assets

Details of derivative assets at 31 December 2010 and 2009 and their fair values are as follows:

Changes in the fair values of all of the financial instruments held by Prosegur are taken to the income sta-

Thousands of Euros

Characteristics	Fair value (31/12/2010)	Fair value (31/12/2009)
Diesel price collar	29	79
	29	79

Derivative liabilities

Details of derivative liabilities at 31 December 2010 and 2009, including fair values, notional amounts and maturities, are as follows:

Thousands of Euros

Characteristics	Fair value (31/12/2010)	Fair value (31/12/2009)	Maturity of notional amounts	
			2011	2014
Basis swap	238	594	62,500	-
Interest rate swap	3,114	1,220	-	100,000
	3,352	1,814		

As stated above, changes in the fair values of all financial instruments held by Prosegur are taken to the income statement as they are not considered perfect hedges. In 2010 a charge of Euros 1,587 thousand was recognised in profit and loss (Euros 7,211 thousand in 2009) reflecting changes in the fair value of derivative financial instruments (note 7).

The main features of derivative financial instruments in force at 31 December 2010 are as follows:

a) Interest rate derivatives

The Company has two interest rate derivatives (an interest rate swap and a basis swap) to cap the interest payable on part of Prosegur's financing, as well as to obtain greater flexibility in drawdown periods for the syndicated loan.

Every six months, on 25 July and 25 January, the interest rate swap (IRS) exchanges a payable interest rate of 2.71% for a receivable interest rate equivalent to the six-month Euribor on a nominal amount of Euros 100,000 thousand, which matures in April 2014.

The basis swap exchanges a payable interest rate equivalent to the six-month Euribor -0.325%, settled

every six months on 25 July and 25 January, for a receivable interest rate equivalent to the one-month Euribor, settled monthly, on the outstanding nominal amount of the syndicated loan contracted in 2006, which matures in July 2011.

b) Diesel price collar

Prosegur has contracted a derivative financial instrument on the price of diesel with the aim of maintaining fuel costs within a certain range.

If the diesel price exceeds Euros 532 per metric tonne, Prosegur receives an amount offsetting the increase in its fuel costs. If the diesel price falls below Euros 351 per metric tonne, Prosegur pays an amount offsetting the decrease in its fuel costs, thereby mitigating the effects of fuel price fluctuations on a notional amount of 5,064 metric tonnes. This financial instrument was cancelled in January 2011.

16. Inventories

Details of inventories at 31 December 2010 and 2009 are as follows:

Thousands of Euros

	2010	2009
Work in progress	13,249	10,682
Goods for resale, fuel and others	10,189	8,311
Operating materials	14,548	8,156
Uniforms	4,667	2,793
Total	42,653	29,942

No inventories have been pledged as collateral to secure loans.

Work in progress reflects the construction contracts executed by Prosegur and subsequently invoiced to customers. The corresponding accounting policy is set out in note 37.21. Using the stage of completion method, Prosegur has recognised net income of Euros 1,184 thousand in relation to these contracts (note 3). Total sales income in 2010 was Euros

115,350 thousand. Prosegur has also recognised a gross payable to customers of Euros 3,074 thousand because the partial amount invoiced to those customers exceeds the costs incurred plus recognised profit (note 27).

17. Trade and Other Receivables

Details of trade and other receivables at 31 December 2010 and 2009 are as follows:

Thousands of Euros

	2010	2009
Trade receivables	529,832	457,891
Less: Provision for impairment of receivables	(41,253)	(33,838)
Trade receivables - net	488,579	424,053
Other receivables	154,026	148,202
Prepayments	30,138	22,527
Total	672,743	594,782
Non-current	-	-
Current	672,743	594,782

Credit risk is not concentrated in terms of trade receivables because Prosegur works with a large number of customers in the different countries in which it operates (note 38).

In December 2007, Prosegur signed a five-year contract to securitise part of its customer portfolio, whereby receivables are sold without recourse up to a maximum of Euros 150,000 thousand (Euros 180,000 thousand in 2009). Based on the terms of the securi-

tisation contract, Prosegur has concluded that the risks and rewards inherent to the receivables sold have been transferred. The contract expressly indicates that the purchaser will not be entitled to recourse against the seller in the event of any default or delay in collection of a transferred receivable. In other words, the buyer assumes the credit and bad debt risk. The amount collected in relation to a transferred receivable is calculated by discounting net cash flows based on the date on which the receivable falls due. Even if

collection is actually made at a later date than initially established, the amount is not affected.

Past-due receivables are written off and the difference between their carrying amount and the amount actually received is recognised as a finance expense in the income statement (note 7). At 31 December 2010 receivables amounting to Euros 87,978 thousand have been written off (Euros 78,725 thousand in 2009). At 31 December 2010, total securitised receivables amount to Euros 117,413 thousand (Euros 113,479 thousand in 2009). This total includes amounts payable by Prosegur as they were collected on invoices that were sold (note 25).

Other receivables include various different recoverable tax balances amounting to Euros 63,932 thousand (Euros 61,467 thousand in 2009), of which Euros 43,007 thousand (Euros 38,015 thousand) reflects income tax payments on account and recoverable income tax. This balance also includes payments into court amounting to Euros 24,783 thousand (Euros 19,203 thousand in

2009) and advances to personnel totalling Euros 5,363 thousand (Euros 7,846 thousand in 2009).

In 2008, Prosegur enforced guarantees of Euros 9,469 thousand relating to funds retained on deposit by a customer in Brazil, which are recognised under other receivables. Prosegur is currently taking the necessary legal action for this amount to be released by the competent authorities, and no significant loss is expected. Furthermore, in July 2009 Prosegur began administrative proceedings to request that these funds be released. To date no first instance ruling has been issued on the funds in question.

As stated in note 24, Prosegur has recognised an asset of Euros 9,800 thousand as its best estimate at 31 December 2010 of the amount recoverable from the receiver responsible for Esabe Express, S.A.

Trade receivables are denominated in the following currencies:

Thousands of Euros

	2010	2009
Euro	278,982	261,861
Brazilian Real	96,955	88,226
Argentinean Peso	92,342	59,851
Chilean Peso	27,271	22,086
Others	34,282	25,867
	529,832	457,891

Details of trade receivables by due date, net of the corresponding provision, are as follows:

Thousands of Euros

At 31 December 2010

	0 to 3 months	3 to 6 months	Over 6 months
Net trade receivables	433,639	26,235	28,705
	433,639	26,235	28,705

Thousands of Euros

At 31 December 2009

	0 to 3 months	3 to 6 months	Over 6 months
Net trade receivables	389,911	19,540	14,602
	389,911	19,540	14,602

Movements in the provision for impairment of trade receivables during 2010 and 2009 are as follows:

Thousands of Euros

	2010	2009
Opening balance	(33,838)	(22,949)
Additions to the consolidated group		(1,355)
Provision for impairment of receivables	(13,389)	(10,369)
Applications and other	2,345	474
Reversal of unused amounts	3,629	361
■ Closing balance	(41,253)	(33,838)

As well as the provision, in 2010 Prosegur recognised impairment losses on trade receivables amounting to Euros 4,567 thousand (Euros 5,517 in 2009). The total impairment loss on trade receivables recognised in profit and loss amounts to Euros 14,327 thousand (Euros 15,525 thousand in 2009).

As a general rule, receivables for which provision is made are written off when Prosegur does not expect to recover any further amount.

No impairment losses have been incurred on the rest of trade receivables.

The carrying amounts of trade receivables do not differ significantly from their fair values.

Prosegur's maximum exposure to credit risk at the balance sheet date is the fair value of the receivables in each of the above-mentioned categories. Prosegur does not hold any collateral to secure receivables.

The procedures followed by Prosegur in relation to credit risk are described in note 38.1.

18. Other financial assets

Details of other financial assets and movement during 2010 and 2009 are as follows:

Thousands of Euros

Balance at 1 January 2009	114,405
Additions	40,470
Interest	1,623
Disposals	(157,749)
Exchange gains	1,803
Balance at 31 December 2009	552
Additions	183,330
Traspasos	2,500
Interest	1,633
Disposals	(59,027)
Balance at 31 December 2010	128,988

The composition, issue and maturity dates of financial assets are as follows:

Thousands of Euros

Description	Date of issue	Matures on	Principal	Balance at 31/12/2010
Fixed-term deposit	26/11/09	26/05/11	2,500	2,500
Fixed-term deposit	26/02/10	26/11/10	2,500	-
Fixed-term deposit	18/03/10	25/06/10	40,000	-
Fixed-term deposit	24/03/10	23/12/10	15,000	-
Fixed-term deposit	29/04/10	28/01/11	25,000	25,000
Fixed-term deposit	30/06/10	29/10/10	390	-
Fixed-term deposit	30/06/10	20/12/10	440	-
Fixed-term deposit	2/08/10	15/01/11	40,000	40,000
Fixed-term deposit	30/09/10	28/01/11	10,000	10,000
Fixed-term deposit	4/10/10	28/01/11	40,000	40,000
Fixed-term deposit	18/10/10	28/01/11	10,000	10,000
Other financial assets				476
Accrued interest				1,012
			185,830	128,988

Prosegur's maximum exposure to credit risk at the balance sheet date is the carrying amount of these financial assets. Fixed-term deposits are exposed to default risk by the counterparties which, in all cases, are financial institutions with guaranteed solvency and high credit ratings.

19. Cash and Cash Equivalents

Details of cash and cash equivalents at 31 December 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	2010	2009
Cash in hand and at banks	82,154	56,162
Current bank deposits	87,864	21,851
	170,018	78,013

The effective rate of interest on current bank deposits is 2.71% (4.18% in 2009) and the average term of deposits held in 2010 is 37 days (10 days in 2009).

20. Share Capital, Share Premium and Own Shares

Details of share capital, share premium and own shares and movement during 2010 and 2009 are as follows:

<i>Thousands of Euros</i>	Number of shares (thousands)	Share capital	Share premium	Own shares	Total
Balance at 1 January 2009	61,712	37,027	25,472	(29,372)	33,127
Purchase of own shares				(10,855)	(10,855)
Balance at 31 December 2009	61,712	37,027	25,472	(40,227)	22,272
Purchase of own shares				(2,202)	(2,202)
Sale of own shares				1,278	1,278
Share-based payments – 2011 Plan				420	420
Balance at 31 December 2010	61,712	37,027	25,472	(40,731)	21,768

Share capital

At 31 December 2010, the share capital of Prosegur Compañía de Seguridad, S.A. amounts to Euros

37,027 thousand, represented by 61,712,464 shares of Euros 0.6 par value each, subscribed and fully paid. These shares are quoted on the Madrid and Barcelona Stock Exchanges.

Details of the Company's shareholders are as follows:

Shareholders	Number of shares	
	31/12/10	31/12/09
Ms. Helena Revoredo Delvecchio ¹	30,924,033	30,924,033
Corporación Financiera Alba, S.A. ²	6,175,000	6,175,000
Ms. Mirta Giesso Cazanave ³	3,471,613	3,471,613
FMR LLC ⁴	3,123,185	-
BNP Paribas, S.A. ⁵	1,902,934	-
Other	16,115,699	21,141,818
Total	61,712,464	61,712,464

¹ Through Gubel, S.L. and Prorevosa, S.A.

² Through Alba Participaciones, S.A.

³ Direct investment and indirect through AS Inversiones, S.L.

⁴ Investment through Fidelity International Discovery Fund and other funds

⁵ As of 15 February 2011, BNP Paribas, S.A. ceased to be a major shareholder

At 31 December 2010, the members of the board of directors, either directly or through companies over which they exercise control, hold 34,449,249 shares (34,330,746 shares in 2009), representing 55.82% of the Company's share capital (55.81% in 2009).

Share premium

The share premium amounts to Euros 25,472 thousand, is freely distributable and has not changed in 2010 or 2009.

Own shares

At the general meeting held on 28 June 2010, the shareholders authorised the acquisition of own shares up to the legal maximum. All or part of these own shares may be granted or transferred to the directors of the Company or Prosegur employees, directly or as a result of a share option being exercised within remuneration schemes referenced to the quoted share price.

Details of movements in own shares in 2010 and 2009 are as follows:

	Number of shares	Thousands of Euros
Balance at 1 January 2009	1,434,743	29,372
Purchase of shares	539,403	10,855
Balance at 31 December 2009	1,974,146	40,227
Purchase of shares	61,824	2,202
Sale of shares	(61,824)	(1,278)
Share-based payments – 2011 Plan	(20,603)	(420)
Balance at 31 December 2010	1,953,543	40,731

Share-based incentives amounting to 20,603 own shares, measured at a weighted average cost of Euros 420 thousand, were granted in 2010 under Prosegur's 2011 Plan of long-term incentives for executive directors and management (note 37.17). This led to movements of Euros 580 thousand in other equity instruments recognised on the balance sheet (note 21).

21. Other equity instruments

Other equity instruments reflect the total obligation acquired by the Company in relation to share-based incentives established in the 2011 Plan (note 37.17). Details of movements in other equity instruments in 2010 and 2009 are as follows:

<i>Thousands of Euros</i>		Other equity instruments
Balance at 1 January 2009		1,855
Share-based incentive obligations accrued during the year		1,796
■ Balance at 31 December 2009		3,651
Share-based incentive obligations accrued during the year		1,945
Share options exercised		(580)
■ Balance at 31 December 2010		5,016

22. Accumulated translation differences

Details of this reserve and movements in 2010 and 2009 are as follows:

<i>Thousands of Euros</i>		Accumulated translation differences
Balance at 1 January 2009		(30,870)
Translation differences for foreign operations		13,400
■ Balance at 31 December 2009 (restated)		(17,470)
Translation differences for foreign operations		33,656
■ Balance at 31 December 2010		16,186

23. Retained earnings and other reserves

Retained earnings and other reserves, which amount to Euros 622,880 thousand at 31 December 2010 (Euros 516,428 in 2009 (restated)) include profit for the year of Euros 160,785 thousand (Euros 147,817 thou-

sand in 2009), freely distributable reserves of Euros 443,020 thousand (Euros 355,340 thousand in 2009 (restated)) and other non-distributable reserves amounting to Euros 19,076 thousand (Euros 13,271 thousand in 2009 (restated)).

Movements in non-distributable reserves in 2010 reflect the distribution of profit for 2009, which included the appropriation of Euros 5,805 thousand to the goodwill reserve.

The legal reserve, which amounts to Euros 7,405 thousand, has been appropriated in compliance with article 274 of the Revised Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. The legal reserve has been fully appropriated. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

The goodwill reserve, which amounts to Euros 11,610 thousand, is appropriated in compliance with article 273.4 of the Revised Spanish Companies Act, which

requires companies to transfer profits equivalent to 5% of goodwill (recognised by the parent company) to a non-distributable reserve until this reserve reaches an amount equal to goodwill (recognised by the parent company). In the absence of profit, or if profit is not sufficient, freely-distributable reserves should be appropriated to this reserve. The reserve shall be restricted for as long as goodwill remains on the balance sheet.

There are also restrictions on the distribution of the reserve for the redenomination of share capital to Euros, which totals Euros 61 thousand.

The proposed distribution of the parent company's profit for 2010, determined in accordance with prevailing legislation and standards for the preparation of individual annual accounts, to be submitted to the shareholders for approval at their annual general meeting, as well as the distribution of 2009 profit approved by the shareholders at their general meeting, are as follows:

Thousands of Euros

Basis of allocation

Profit for the year

	2010	2009
	95,384	74,168
	95,384	74,168
Distribution		
Goodwill reserve	5,602	5,805
Voluntary reserves	27,228	13,363
Other non-distributable reserves	2,054	-
Dividends	60,500	55,000
	95,384	74,168

24. Non-Current Provisions

Details of non-current provisions and movements during 2010 are as follows:

Thousands of Euros

	Overtime costs	Liabilities and charges	Deferred income	Accrued personnel obligations	Total
Balance at 1 January 2010	66,215	80,394	17,173	782	164,564
Provisions recognised in profit and loss	5,616	52,687	-	832	59,135
Reversals recognised in profit and loss	(8,319)	(10,374)	-	-	(18,693)
Additions to the consolidated group	-	535	-	-	535
Applications	(1,412)	(30,351)	-	-	(31,763)
Transfers to current provisions	-	-	(6,861)	-	(6,861)
Translation differences	-	6,298	-	-	6,298
Balance at 31 December 2010	62,100	99,189	10,312	1,614	173,215

Details of non-current provisions and movements during 2009 are as follows:

Thousands of Euros

	Overtime costs	Liabilities and charges	Deferred income	Accrued personnel obligations	Total
Balance at 1 January 2009	58,949	50,746	22,946	1,895	134,536
Provisions recognised in profit and loss	7,266	35,839	386	354	43,845
Reversals recognised in profit and loss	-	(11,072)	-	-	(11,072)
Additions to the consolidated group	-	7,347	-	-	7,347
Applications	-	(9,305)	-	-	(9,305)
Transfers to current provisions	-	-	(6,159)	(1,467)	(7,626)
Translation differences	-	6,839	-	-	6,839
Balance at 31 December 2009	66,215	80,394	17,173	782	164,564

a) Overtime costs

On 6 February 2006, the Social Chamber of the Spanish High Court dismissed the lawsuit filed by minor trade unions against articles of the security industry state collective bargaining agreement for

2005 to 2008 that set the overtime rates for security guards. The prevailing state collective bargaining agreement for security companies for 2009 to 2012 (inclusive) was signed by the employers' associations APROSER, FES, AMPES and ACAES and the trade unions UGT and USO in November 2010.

These trade unions appealed to the Social Chamber of the Spanish Supreme Court, which, on 21 February 2007, overturned the contested ruling and upheld in full the claim brought by the trade unions, declaring null and void “section 1. a) of article 42 of the State Collective Bargaining Agreement for security companies for 2005 to 2008 setting overtime rates for security guards”, article 42, section b) solely with regard to overtime for the other professional categories and article 42, point 2, which sets a basic hourly rate for the purpose of ensuring a minimum overtime rate that is below the legal stipulation.

On 21 January 2008, the Social Chamber of the Spanish High Court issued a ruling on case 111/2007 declaring that “the basic hourly rate used to calculate the overtime rate comprises a base salary and personal supplements, extras accrued in more than one month, allowances for residence in Ceuta and Melilla, if applicable, and any security work allowances to which the employee is entitled”. On 22 January 2008, the Social Chamber of the Spanish High Court issued a ruling on case 171/2007 that upheld the plea of procedural illegitimacy and declared that the legitimate procedure was to challenge the collective bargaining agreement. Motions were filed to quash these rulings on 29 January 2008 and 11 February 2008, respectively.

On 10 November 2009, the Social Chamber of the Spanish Supreme Court upheld the motions filed by some unions to quash the Social Chamber of the Spanish High Court’s ruling on case 111/2007 on 21 January 2008, and dismissed the claim submitted by the employers’ association APROSER. This ruling upholds the decision of 21 February 2007 on the formula to be applied to calculate overtime rates.

On 9 December 2009 the Social Chamber of the Spanish Supreme Court upheld the motion to quash the ruling passed by the Spanish High Court on 22 January 2008, on case 171/2007, which declared that the legitimate procedure was to challenge the collective bargaining agreement. It was agreed that the case would be sent back to the ori-

ginal court (Spanish High Court) for a new ruling to resolve the matter.

The affected Prosegur companies are, therefore, required to pay the employees who have presented claims compensation for the difference between their entitlement and overtime pay already received. After analysing the Supreme Court’s decision and based on the best possible estimates, Prosegur management has calculated the provision that would be required to cover any accrued liability that might be claimed by employees, and recognised this provision for the period between the date on which the collective bargaining agreement entered force (1 January 2005) and the close of accounts on 31 December 2009. This amount has been recognised as a non-current provision because the date on which compensation is payable by Prosegur depends on the outcome of each of the claims presented by employees.

In 2010 840 cases were closed, giving rise to a total payable of Euros 1,412 thousand.

In 2010 Prosegur has recognised a Euros 5,516 thousand increase in personnel expenses (Euros 7,266 thousand in 2009) with a charge to a non-current provision reflecting the liability accrued at 31 December 2010. In 2010 this provision has been released with a credit to personnel expenses amounting to Euros 8,319 thousand, reflecting amounts provided for in prior years that, based on information available at 31 December 2010, Prosegur considers will not be claimed. The accumulated provision at 31 December 2010 amounts to Euros 62,100 thousand (Euros 66,215 thousand in 2009).

b) Provisions for liabilities and charges

The provision for liabilities and charges in 2010 comprises the following:

- Legal risks: Euros 34,009 thousand. The provision for legal risks mainly relates to civil claims, which are analysed on a case-by-case basis.
- Labour-related risks: Euros 43,229 thousand. Provisions for labour-related risks are calculated on a case-by-case basis, considering Prosegur's historical experience. The provision for labour-related risks includes retirement bonuses payable to employees amounting to Euros 2,208 thousand (Euros 1,837 thousand in 2009). This amount has been calculated as described in note 37.17. This provision also includes Brazilian Reals 16,976 thousand (Euros 7,613 thousand) relating to the business combination formed with TRANSPEV in 2005 (note 25).
- Other risks: Euros 21,951 thousand. These provisions mainly reflect operations-related risks.

The main case of litigation currently underway is the following:

Claim filed by the receiver responsible for Esabe Express, S.A.

On 8 January 1996 Prosegur was notified of a court declaratory judgement on the claim for Euros 13,024 thousand plus interest filed by the receiver responsible for Esabe Express, S.A. The Danish company Alarmselskabet Dansikring A/S, part of the Swedish security group Securitas, was named as co-defendant.

In its ruling 515/2007 of 3 May 2007, upholding the Madrid regional court decision of 29 March 2000, the Spanish Supreme Court dismissed, for formal reasons, the claim against Prosegur from the receiver of Esabe Express, S.A., due to litispendence, when the legal claim was filed, with regard to the retrospective bankruptcy date of Esabe Express, S.A.

In effect, the retrospective bankruptcy date of Esabe Express, S.A. was not ultimately determined until 17

May 2005, the date on which the Supreme Court ruled as inadmissible the appeal filed against the Madrid regional court ruling of 28 June 2001, upholding the decision of 2 December 1998 by Madrid Magistrate's Court 34, which accepted 1 May 1991 as the retrospective bankruptcy date.

Once the retrospective bankruptcy date was set at an earlier date than the events that led to the claim against Prosegur, the formal barrier was removed for the court to consider the grounds for that claim.

On 5 September 2008 the receiver of Esabe Express, S.A. filed a new claim against Prosegur Compañía de Seguridad, S.A. and Alarmselskabet Dansikring A/S and Securitas A/B. The receiver petitioned the court to declare null and void the payment of Euros 13,024 thousand made to Prosegur by Esabe Express, S.A. through Alarmselskabet Dansikring A/S, on the grounds that this payment was made subsequent to the retrospective bankruptcy date (1 May 1991). Consequently, Prosegur was asked to return the above-mentioned amount plus interest to the bankruptcy estate of Esabe Express, S.A. Prosegur issued a response to the corresponding court (Magistrate's Court 34) contesting the claim, taking an opposing view to events to that set out by the plaintiff Esabe Express, S.A. and seeking dismissal of the claim.

On 5 May 2010 Madrid Magistrate's Court 34 upheld the claim and ordered Prosegur Compañía de Seguridad, S.A. to reimburse the bankruptcy estate of Esabe Express, S.A. for Euros 13,024 thousand plus interest accrued on the sum since 4 February, giving an estimated total of Euros 27,661 thousand at 31 December 2010 (including principal and interest). The aforementioned ruling dismissed the argument put forward by the receiver in its claim that the Company's credit was qualified as subordinated, deferring the qualification of the aforementioned credit until the corresponding bankruptcy proceedings. Depending on the recognition of the Company's credit in the bankruptcy proceedings, the Company may request inclusion in the proceedings with respect to its credit against Esabe Express, S.A., with the right to collect the

corresponding amount resulting from the aforementioned proceedings.

On 16 July 2010 an appeal was filed at the Madrid regional court against the aforementioned ruling by Madrid Magistrate's Court 34. In any case, and notwithstanding any other possible steps that may be taken, if the ruling against Prosegur Compañía de Seguridad, S.A. is upheld, the Company may request inclusion in the proceedings with respect to its credit against Esabe Express, S.A., with the right to collect the corresponding amount resulting from the aforementioned bankruptcy proceedings. According to the information available at 31 December 2010 on the assets and liabilities included in the bankruptcy estate, as well as the amount of the credit to be recognised with respect to the Company considering the pro rata proportion to be applied thereto, the estimated recoverable amount totals Euros 9,800 thousand. Of this total Euros 6,000 thousand are the principal and Euros 3,800 thousand are interest. The ruling also states that the third party Securitas A/B has reinforced the credit between the Company and Esabe Express, S.A. pursuant to agreements signed between the parties. This allows possible legal steps to be taken against the aforementioned entity to claim any amount not paid by Esabe Express, S.A.

The provision recognised by the Company with respect to this litigation at 31 December 2009 totalled Euros 9,824 thousand, and was increased to Euros 27,661 thousand at 31 December 2010 (the total amount claimed). Other receivables also

include an asset of Euros 9,800 thousand (note 17) reflecting the estimated recoverable amount from the Esabe Express, S.A. bankruptcy estate (as mentioned earlier). In this respect the consolidated income statement for 2010 includes a Euros 2,800 thousand decrease in operating expenses (note 6) and a Euros 10,837 thousand increase in finance expenses (note 7).

c) Accrued obligations to personnel

At 31 December 2010, Prosegur has recognised a provision of Euros 1,614 thousand (Euros 782 thousand in 2009) reflecting the total long-term commitment to pay cash incentives under the 2011 Plan of long-term incentives for executive directors and management (note 37.17). The total short-term commitment is recognised under accrued obligations to personnel (note 26).

d) Deferred income

This provision reflects deferred revenues from alarm system hire contracts that will be taken to income in the long term, amounting to Euros 10,312 thousand (Euros 17,173 thousand in 2009). Deferred revenues that will be taken to income in the short term are recognised under other liabilities and expenses (note 27).

25. Financial Liabilities

Details of financial liabilities are as follows:

Thousands of Euros

Non-current

Loans with financial institutions	17,920	19,214
Syndicated loan	146,875	142,412
Finance lease payables	9,575	11,527
Other payables	14,574	22,328
	188,944	195,481

Current

Credit facilities	54,942	47,797
Loans with financial institutions	1,401	22,656
Syndicated loan	232,530	61,399
Finance lease payables	6,795	5,750
Other payables	64,748	62,288
	360,416	199,890

■ **Total financial liabilities**

549,360 **395,371**

The annual weighted average interest rate applicable to financial liabilities (except for other payables) in 2010 is 2.39% (2.65% in 2009).

The carrying amounts of Prosegur's financial liabilities are denominated in the following currencies:

Thousands of Euros

Euro	468,760	307,252
Other currencies	80,600	88,119
	549,360	395,371

Details of loans with financial institutions by maturity date are as follows:

Thousands of Euros

At 31 December 2010

Total loans with financial institutions
Syndicated loan

At 31 December 2009

Total loans with financial institutions
Syndicated loan

Up to 12 months	One to five years	Total
1,401	17,920	19,321
232,530	146,875	379,405
22,656	19,214	41,870
61,399	142,412	203,811

At 31 December 2010, Euros 341,131 thousand (Euros 224,904 thousand in 2009) has not been drawn down

from loans held by Prosegur. Details of undrawn credit facilities are as follows:

<i>Thousands of Euros</i>	2010	2009
Maturing in less than one year	91,131	104,904
Maturing in more than one year	250,000	120,000
	341,131	224,904

Credit facilities are subject to various interest rate reviews in 2011.

Syndicated loan

In 2006, Prosegur contracted a syndicated loan, which matures on 25 July 2011. At 31 December 2010, drawdowns from tranche A amount to Euros 62,500 thousand (Euros 125,000 thousand in 2009) and drawdowns from tranche B total Euros 170,000 thousand (Euros 80,000 thousand in 2009).

The 2006 syndicated loan is subject to compliance with certain covenants, namely ratios relating to different balance sheet and income statement variables. Prosegur has complied with these covenants in 2010 and 2009. The interest rate applied to this loan in 2010 is Euribor plus 0.30% (Euribor plus 0.30% in 2009). The contract stipulates that Prosegur may settle interest on a monthly, quarterly or half-yearly basis. In 2010 interest was paid on a monthly basis.

In August 2010 Prosegur signed a new five-year syndicated loan contract amounting to Euros 400,000 thousand. Ten financial institutions participated in this transaction, co-ordinated by the Banco de Santander. The purpose of this loan is to meet the Prosegur group's general financing requirements, including, but not limited to, the repayment of the aforementioned 2006 syndicated loan on maturity.

The transaction was divided into two tranches: the first is structured as a Euros 150,000 thousand loan repayable in half-yearly instalments, and the second is structured as a Euros 250,000 thousand credit facility. This loan matures in August 2016 and is measured at amortised cost, applying the effective interest method.

The terms of this loan stipulate that the interest rate is referenced to the Euribor plus a spread that varies depending on the following ratio:

Net financial debt/EBITDA	Annual margin
2.75 or above	2.60%
Between 2 and 2.75	2.20%
Between 1.5 and 2	1.90%
Less than 1.5	1.70%

As Prosegur's net financial debt/EBITDA ratio is currently at the bottom of the scale, the interest rate is Euribor plus 1.70%. The contract stipulates that Prosegur may settle interest on a monthly, quarterly or half-yearly basis.

At 31 December 2010, Prosegur has drawn down 150,000 thousand from the loan tranche and the credit facility tranche is undrawn.

The contract states that the instalments of the loan tranche should be paid at the following dates:

Thousands of Euros

Repayment date	Amount	Principal outstanding
4 February 2013	25,000	125,000
4 August 2013	25,000	100,000
4 February 2014	25,000	75,000
4 August 2014	25,000	50,000
4 February 2015	25,000	25,000
4 August 2015	25,000	-

This loan is secured by collateral from Prosegur's main subsidiaries in Spain, France, Portugal, Argentina and Brazil.

The contract is also subject to compulsory covenants, namely ratios involving different balance sheet and income statement variables. In 2010 Prosegur complied with these covenants.

Finance lease payables

Details of minimum payments under finance leases are as follows:

Thousands of Euros

	2010	2009
Less than one year	6,795	5,750
Between one and five years	9,575	11,527
Total	16,370	17,277

The main assets contracted under finance leases are armoured vehicles and cash processing machines.

Other payables

Other payables mainly relate to business combinations formed in both the present year and prior years (note 31). Details of other payables are as follows:

Thousands of Euros

	2010	2009
Non-current		
Deferred payments relating to acquisitions	14,533	16,143
Investment agreements	-	2,780
Other	41	3,405
	14,574	22,328
Current		
Deferred payments relating to acquisitions	28,384	21,576
Securitisation programme payables	29,435	34,754
Other	6,929	5,958
	64,748	62,288

At 31 December 2010, the most significant deferred payments relating to acquisitions made in prior years are as follows:

- In relation to the business combination formed in Brazil in 2005 when Prosegur acquired assets from TRANSPEV, there is a current liability of Brazilian Reals 32,650 thousand (Euros 14,665 thousand) reflecting a deferred payment withheld to secure possible contingencies. Based on a better estimate of the risk presented by these contingencies, Prosegur has recognised a provision of Brazilian Reals 16,976 thousand (Euros 7,613 thousand), as stated in note 24.
- In relation to the acquisition of Norsergel Vigilancia e Transporte de Valores, S.A. in 2009, Prosegur has a non-current liability with a present value of Brazilian Reals 9,000 thousand (Euros 4,041 thousand) and a current liability of Brazilian Reals 3,000 thousand (Euros 1,347 thousand).
- In relation to the acquisition of SETHA Indústria Eletrônica Ltda. in 2009, Prosegur has a non-current liability with a present value of Brazilian Reals 9,750 thousand (Euros 4,379 thousand) and a current liability with a present value of Brazilian Reals 1,271 thousand (Euros 571 thousand).

- In relation to the acquisition of Equipos y Sistemas Automáticos de Protección, Ltda. (Segmatic) in 2009, Prosegur has a non-current liability with a present value of Chilean Pesos 803 million (Euros 1,283 thousand) and a current liability of Chilean Pesos 1,280 million (Euros 2,047 thousand).

At 31 December 2010, the other amounts recognised under deferred payments in relation to acquisitions mainly reflect the present value of deferred payments relating to business combinations formed in 2010, which are described in note 31. The most significant amount relates to the acquisition of Martom Segurança Eletrônica Ltda., which has given rise to a total liability of Brazilian Reals 6,177 thousand (Euros 2,774 thousand).

As explained in note 17, Prosegur has contracted a securitisation programme for part of its customer portfolio, whereby receivables are sold without recourse. Securitisation programme payables, which amount to Euros 29,435 thousand (Euros 34,754 thousand in 2009) include amounts payable because they were collected on invoices that were sold.

Details of other payables by maturity are as follows:

Thousands of Euros

	2010	2009
Less than one year	64,748	62,288
Between one and five years	14,575	22,328
Total	79,323	84,616

26. Trade and Other Payables

Details of trade and other payables are as follows:

<i>Thousands of Euros</i>	2010	2009
Trade payables	113,119	92,079
Accrued personnel costs	160,119	140,575
Social security and other taxes	110,492	96,454
Other payables	48,471	46,045
	432,201	375,153

Accrued personnel costs

Prosegur's remuneration policy for indirect personnel includes a variable component determined through specifically designed incentive programmes, which aim to recognise and reward Prosegur employees' contribution to its success by achieving or surpassing set targets and developing the necessary skills for excellence in their duties and responsibilities. The incentive programme directly links variable remuneration to the achievement of targets established by Prosegur management or the employee's direct superior over a given time.

The cost recognised under employee benefits expense in the income statement in relation to this policy amounts to Euros 31,434 thousand (Euros 30,549 thousand in 2009).

The employee benefits expense also includes salaries payable and accrued extra salary payments.

At 31 December 2009, this caption also included the total short-term obligation of Euros 1,467 thousand acquired by Prosegur in relation to cash incentives under its 2011 Plan of long-term incentives for executive directors and management (note 37.17). These incentives were settled in 2010 and no short-term obligation exists at 31 December 2010.

Information on Deferred Payments to Suppliers. Third Additional Provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

Trade payables to suppliers for which the legal maximum payment period has been exceeded amount to Euros 14,819 at 31 December 2010.

27. Other Liabilities and Expenses

Details of other liabilities and expenses are as follows:

<i>Thousands of Euros</i>	2010	2009
Income received in advance	23,604	21,061
Other expenses	1,292	4,814
	24,896	25,875

Income received in advance includes deferred alarm system rental revenues due to be taken to income in the short term, which amount to Euros 7,756 thousand. Amounts due to be taken to income in the long term are recognised under non-current provisions (note 24).

Income received in advance also reflects the gross amount of Euros 3,074 thousand payable to construction contract customers where the partial amount invoiced exceeds the costs plus recognised profit. Details of the receivable from customers recognised in cases where the costs incurred plus recognised profit exceed the partial amount invoiced are provided in note 16.

28. Taxation

Prosegur Compañía de Seguridad, S.A. is the parent company of a group that files consolidated income tax

returns in Spain. As well as Prosegur Compañía de Seguridad, S.A., this consolidated tax group comprises the Spanish subsidiaries that meet the requirements set out in regulations governing consolidated taxation.

Certain companies in France, all directly or indirectly owned by Prosegur, file consolidated tax returns under the "Intégration Fiscale" scheme under French law. Likewise, certain Brazilian companies also file consolidated tax returns in Brazil.

The rest of Prosegur's subsidiaries file tax returns in accordance with prevailing tax legislation in the countries in which they operate.

The calculation of the income tax expense, based on pre-tax profit for the year, is as follows:

<i>Thousands of Euros</i>	2010	2009 (restated)
Profit before income tax	231,209	210,732
Tax rate	30.0%	30.0%
Result of applying tax rate to profit	69,363	63,220
Permanent differences	7,275	3,081
Effect of application of different tax rates	6,578	2,638
Adjustment of deferred taxes from prior years	(7,579)	(831)
Adjustment to taxes from prior years	2,671	(1,002)
Previously unrecognised tax credits	2,930	3,977
Deductions	(2,274)	(2,090)
Differences due to investments in Spain	(5,667)	(6,000)
Recognition of unused tax loss carryforwards	(2,664)	-
Other	167	574
Income tax expense	70,800	63,567

The effective average tax rate in 2010 is 30.6% (30.2% in 2009 (restated)).

Details of the income tax expense, distinguishing between current tax and deferred tax, are as follows:

Thousands of Euros

	2010	2009 (restated)
Current income tax expense	81,735	58,099
Deferred income tax expense	(10,935)	5,468
■ Income tax expense	70,800	63,567

The main items making up the current tax expense are as follows:

Thousands of Euros

Current income tax	2010
Present year	78,407
Prior year adjustments	2,671
Previously unrecognised tax credits	2,931
Previously unrecognised tax deductions	(2,274)
	81,735

The main items making up the deferred tax expense are as follows:

Thousands of Euros

Deferred income tax	2010
Source and reversal of temporary differences	(5,667)
Previously unrecognised tax credits	(2,664)
Adjustment of deferred taxes from prior years	(2,604)
	(10,935)

The composition of deferred tax assets and liabilities at 2010 and 2009 year end and movements during the year are as follows:

Thousands of Euros

Deferred tax assets

	1 January 2009	Recognised in profit and loss	Business combina- tions	Recogni- sed in equity	Appli- cations	Translation diffe- rences	31 December 2009 (restated)	Recogni- sed in profit - and loss	Business combina- tions	Recogni- sed in equity	Appli- cations	Translation diffe- rences	31 December 2010
Amortisation and depreciation	604	(7)	3	-	-	26	626	530	-	-	-	40	1,196
Deferred alarm costs	4,661	(1,141)	-	-	-	(221)	3,299	(116)	-	-	-	42	3,225
For various provisiones	14,950	4,364	2,774	-	-	1,753	23,841	15,605	-	-	(311)	2,267	41,402
Tax losses	716	(891)	-	-	799	117	741	3,873	-	-	-	53	4,667
Overtime ruling	17,685	2,180	-	-	-	-	19,865	(1,280)	-	-	-	-	18,585
Goodwill for tax purposes	2,408	(372)	17,812	-	-	1,749	21,597	970	(74)	-	-	2,513	25,006
Other	6,914	(1,382)	188	-	(135)	24	5,609	976	-	-	-	1	6,586
	47,938	2,751	20,777	-	664	3,448	75,578	20,558	(74)	-	(311)	4,916	100,667

Thousands of Euros

Deferred tax liabilities

	1 January 2009	Recognised in profit and loss	Business combina- tions	Recogni- sed in equity	Appli- cations	Translation diffe- rences	31 December 2009 (restated)	Recogni- sed in profit - and loss	Business combina- tions	Recogni- sed in equity	Appli- cations	Translation diffe- rences	31 December 2010
Amortisation and depreciation	(1,910)	(5,639)	-	-	-	(35)	(7,584)	(7,553)	-	-	-	(314)	(15,451)
Goodwill for tax purposes	(18,272)	2,385	(25,186)	-	6,992	(1,688)	(35,769)	(1,255)	-	-	6,992	(3,060)	(33,092)
For investments	(2,780)	(2,804)	-	-	-	341	(5,243)	(1,046)	-	-	-	(93)	(6,382)
Deferred alarm revenues	(1,553)	549	-	-	-	190	(814)	707	-	-	-	(38)	(145)
Deferred gains on sale of assets	(639)	227	-	-	-	-	(412)	-	-	-	-	-	(412)
Revaluation of assets	(11,138)	132	-	-	-	-	(11,006)	132	-	-	-	-	(10,874)
Other	(662)	(3,070)	(200)	9	27	(365)	(4,261)	(610)	-	-	-	26	(4,845)
	(36,954)	(8,220)	(25,386)	9	7,019	(1,557)	(65,089)	(9,625)	-	-	6,992	(3,479)	(71,201)

No deferred tax liabilities have been recognised in respect of withholdings and other taxes payable on profits not transferred by subsidiaries abroad, with the exception of some Latin American subsidiaries as these amounts are continually reinvested and, in any case, Prosegur has control over these companies' dividend distribution policies.

The tax implications of the introduction of the new Spanish General Chart of Accounts in 2008 led the Spanish companies (mainly the parent company, Prosegur Compañía de Seguridad, S.A.) to recognise

deferred tax liabilities of Euros 25,017 thousand directly in equity. Pursuant to Spanish tax legislation, this deferred tax was reversed in 2010, so no such liability exists at year end.

Deferred tax assets in respect of tax loss carryforwards are recognised provided that it is probable that sufficient taxable income will be available against which to offset the asset.

Details of tax loss carryforwards and the years until which they can be offset are as follows:

Thousands of Euros

Year	Total	Not capitalised	Capitalised
2010	2,857		2,857
2011	3,084		3,084
2012	3,611		3,611
Subsequent year or no time limit	61,162	52,172	8,990
Total	70,714	52,172	18,542

Capitalised tax losses are those for which a deferred tax asset has been recognised.

These losses originated in Argentina, Chile, Portugal, Uruguay and France. The budgets approved by management in these countries foresee the generation of future taxable income against which to apply the deferred tax assets.

The main companies in the consolidated tax group in Spain are currently undergoing an inspection of all state taxes for 2005, 2006 and 2007. At the date of preparation of these consolidated annual accounts, the directors do not consider that any significant risk will arise from this inspection.

The other Prosegur companies are subject to the legal jurisdictions in the countries in which they operate. In the majority of these countries, the earliest year for which taxes are open for inspection is 2005.

29. Contingencies

Prosegur has contingent liabilities for bank and other guarantees related with its normal business operations that are not expected to give rise to any significant liabilities.

Guarantees provided by Prosegur to third parties are as follows:

Thousands of Euros

	2010	2009
Commercial guarantees	74,518	67,197
Financial guarantees	87,646	97,546
Total	162,164	164,743

Commercial guarantees are those given to customers. Financial guarantees were mainly extended in relation to litigation in process, and also include other amounts deposited to secure future payments by the business combinations formed during the year or in prior years, with a balance of Euros 1,283 thousand at the end of 2010 (Euros 2,783 thousand in 2009).

As explained in note 17, in 2008, Prosegur enforced guarantees of Euros 9,469 thousand relating to funds retained on deposit by a customer in Brazil, which are recognised under other receivables. Prosegur is currently taking the necessary legal steps for this amount to be released by the competent authorities, and no significant loss is expected. Furthermore, in July 2009 Prosegur began administrative proceedings to request that these funds be released. To date no first instance ruling has been issued on the funds in question.

In 2008, Madrid Magistrates' court no. 28 closed the criminal proceedings relating to the fire that took place on 12 February 2005 in the Windsor Building in Madrid, in which the Company provided security patrol services, as no evidence of crime was found. This ruling was upheld by the Madrid Provincial Court. Since then, various affected parties have filed five civil cases in 2008 (before Madrid Magistrates' Courts numbers 1, 18, 37, 44 and 46) and one in 2009 (before Madrid Magistrates' Court number 35) claiming compensation for damages suffered as a result of the fire, in which the Company is listed as a defendant. On 27 February 2009, it was agreed that the ordinary proceedings underway before Madrid Magistrates' courts numbers 37, 44 and 46 should be brought together in a joinder before Madrid Magistrates' Court number 18. On 2 November 2009 it was agreed that the proceedings underway before Madrid Magistrates' Courts

number 1 and 35 be brought together in a joinder before Court number 18. Subsequently, on 3 March 2010 a new claim against the Company and other defendants was admitted through a court order issued by Madrid Magistrates' Court number 38. This last procedure has also been included in the joinder before in court 18 through a court order issued by this court on 21 May 2010 and admitted by a court order from court number 28 on 15 June 2010. The preliminary hearing will take place on 11 March 2011. The Company does not expect any significant liabilities to arise from the claims filed.

See also comments relating to non-current provisions in note 24 and other liabilities and expenses in note 27.

Liquidation of subsidiaries in France

In April 2005 the accounts of Bac Sécurité, Force Gardiennage, and Sécurité Européenne de L'Espace Industriel (SEEI) were deposited with the Versailles Court of Commerce and since that date these companies have been in receivership. The liquidation of these companies was completed in 2008 and they are currently being wound up. The directors do not expect significant liabilities to arise from this process.

Companies currently undergoing liquidation are detailed in Appendix III.

30. Commitments

Purchase commitments for property, plant and equipment and intangible assets

Investments committed but not made at 31 December 2010 and 2009 are as follows:

Thousands of Euros

Property, plant and equipment
Intangible assets

	2010	2009
Property, plant and equipment	13,647	10,665
Intangible assets	722	242
	14,369	10,907

Property, plant and equipment includes commitments to purchase land, buildings and installations. At 31 December 2010 Prosegur has a major purchase commitment relating to civil works in Valencia, amounting to Euros 3,886 thousand (Euros 5,500 thousand in 2009). Intangible assets include various computer software currently under development.

Operating lease commitments

Prosegur rents various premises, offices, industrial bays, warehouses and vehicles under non-cancellable operating leases.

Total future minimum payments under non-cancellable operating leases are as follows:

Thousands of Euros

At 31 December 2010

Type	Less than one year	One to five years	Over five years
Buildings	10,409	33,358	11,614
Vehicles	11,241	15,183	-
Information technology equipment	1,132	-	-
Other assets	377	595	-
	23,159	49,136	11,614

At 31 December 2009

Type	Less than one year	One to five years	Over five years
Buildings	7,707	26,081	4,372
Vehicles	9,657	12,085	-
Information technology equipment	1,975	1,445	-
Other assets	335	1,384	-
	19,674	40,995	4,372

The main operating leases on properties are as follows:

- Lease contract between the parent company, Prosegur Compañía de Seguridad, S.A., and Proactinmo, S.L. for the building located at Calle Santa Sabina, 8, Madrid. The total expense for this lease in 2010 amounts to Euros 1,188 thousand (note 34).
- Operating leases held by Prosegur Brasil, S.A. for the use of operating bases in Rio de Janeiro and Sao Paulo. The total expense for this lease in 2010 amounts to Euros 1,009 thousand.
- Lease held by Prosegur Companhia de Segurança, Ltda. for the office building located at Avenida Berna, 54, Lisbon. The total expense for this lease in 2010 amounts to Euros 219.

Operating leases on vehicles have an average duration of four years.

The expense taken to the consolidated income statement for 2010 in relation to operating leases amounts to Euros 55,790 thousand (Euros 44,001 thousand in 2009). There are no contingent rents in relation to operating leases.

Prosegur also lets installations to other parties under cancellable operating leases as part of its alarm system hire activity. Customers may cancel these contracts by giving notice, which terminates the agreement with immediate effect. The uncertainty regarding these cancellation periods does not allow the total future collections from these operating leases to be reliably estimated.

Other commitments

Prosegur has assumed commitments with the company T-SYSTEM as a result of subcontracting operating services from its information technology department.

Total future minimum payments under this commitment at 31 December 2010 are as follows:

Thousands of Euros

2011	4,047
2012 and subsequent years	-
	4,047

These commitments will be financed using the cash generated by the outsourced operations.

tances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

31. Business Combinations

Details of changes in goodwill during 2010 are presented in note 12.

Details of the business combinations for which the valuation process was completed in 2010, with an adjustment to the figures for 2009, are as follows:

Goodwill generated in 2009 but finally valued in 2010

At 31 December 2009 it was only possible to value certain business combinations provisionally. Therefore, the identifiable net assets were initially recorded at their provisional amounts. In 2010, Prosegur has recognised the adjustments made over the valuation period as if they had been known at that date and adjusted the comparative figures for 2009 (note 2). In any event, adjustments to provisional amounts only reflect information obtained about facts and circum-

In Peru on 24 June 2009, Prosegur acquired 100% of the share capital of Orus, S.A. and its subsidiary Orus Selva, S.A., companies that specialise in providing security patrol services, by purchasing a direct 85.71% share in the share capital of Orus, S.A. and 100% of the share capital of Inversiones R.B., S.A., which holds a 14.29% interest in Orus, S.A. The cash payment made totalled US Dollars 8,806 thousand (equivalent to Euros 6,231 thousand at the acquisition date).

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

Thousands of Euros

	31/12/09	31/12/2009 (restated)
Cash payment	6,231	6,231
Direct acquisition-related costs	35	35
Deferred amount at fair value	-	-
Total purchase price	6,266	6,266
Fair value of identifiable net assets acquired	282	2,259
Goodwill	5,984	4,007

The assets and liabilities that arose from this acquisition are as follows:

<i>Thousands of Euros</i>	Carrying amount of the acquired entity	Provisional carrying amount 31/12/2009	Fair value 31/12/2009 (restated)
Cash and cash equivalents	865	865	865
Property, plant and equipment	749	749	1.667
Other non-current assets	6	6	6
Working capital	71	71	71
Financial debt	(1.409)	(1.409)	(1.409)
Intangible assets	-	-	1.906
Deferred tax liabilities	-	-	(847)
■ Identifiable net assets acquired	282	282	2.259

The goodwill on this acquisition was allocated to the LatAm business security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. The intangible assets acquired comprise relationships with customers (Euros 696 thousand) and trademarks (Euros

1,10 thousand), which are amortised over useful lives of six and four years, respectively.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

<i>Thousands of Euros</i>	31/12/09	31/12/2009 (restated)
Cash payment	6,231	6,231
Direct acquisition-related costs	35	35
Cash and cash equivalents of the subsidiary acquired	(865)	(865)
■ Cash outflow in the acquisition	5,401	5,401

In Peru on 24 June 2009, Prosegur acquired 100% of the share capital of Orus Seguridad Electrónica, S.A., which specialises in alarms, by purchasing a direct 85.71% share in the share capital of Orus Seguridad Electrónica, S.A. and 100% of the share capital of Inversiones R.B., S.A., which holds a 14.29% interest

in Orus Seguridad Electrónica, S.A. The cash payment made totalled US Dollars 14,110 thousand (equivalent to Euros 9,983 thousand at the acquisition date).

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

<i>Thousands of Euros</i>	31/12/09	31/12/2009 (restated)
Cash payment	9,983	9,983
Direct acquisition-related costs	35	35
Deferred amount at fair value	-	-
Total purchase price	10,018	10,018
Fair value of identifiable net assets acquired	624	3,278
■ Goodwill	9,394	6,740

The assets and liabilities that arose from this acquisition are as follows:

<i>Thousands of Euros</i>	Carrying amount of the acquired entity	Provisional carrying amount 31/12/2009	Fair value 31/12/2009 (restated)
Cash and cash equivalents	210	210	210
Property, plant and equipment	294	294	294
Other non-current assets	13	13	13
Working capital	1,005	1,005	1,005
Financial debt	(898)	(898)	(898)
Intangible assets	-	-	3,791
Deferred tax liabilities	-	-	(1,137)
■ Identifiable net assets acquired	624	624	3,278

The goodwill on this acquisition was allocated to the LatAm home security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. The intangible assets acquired comprise relationships with customers (Euros 3,462 thousand) and trademarks (Euros 329

thousand), which are amortised over useful lives of ten years and one year, respectively.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

<i>Thousands of Euros</i>	31/12/09	31/12/2009 (restated)
Cash payment	9,983	9,983
Direct acquisition-related costs	35	35
Cash and cash equivalents of the subsidiary acquired	(210)	(210)
■ Cash outflow in the acquisition	9,808	9,808

In Brazil on 1 July 2009, Prosegur acquired 100% of the share capital of Norsergel Vigilancia e Transporte de Valores, S.A., a company that provides security patrol services, securities logistics and cash management services. The total purchase price was Brazilian Reals 167,500 thousand (equivalent to Euros 60,724 thousand at the acquisition date), comprising a cash payment of Brazilian Reals 152,500 thousand (equivalent to Euros 55,286 thousand at the acquisition date) and a further Brazilian Reals 15,000 thousand (equiva-

lent to Euros 5,438 thousand at the acquisition date) deferred to secure any possible liabilities, as well as any interest accrued up to the payment dates agreed in the contract. The deferred amount is payable in five instalments of Brazilian Reals 3,000 thousand (equivalent to Euros 1,088 thousand at the acquisition date) between 2010 and 2013.

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

Thousands of Euros

	31/12/09	31/12/2009 (restated)
Cash payment	55,286	55,286
Direct acquisition-related costs	254	790
Deferred amount at fair value	5,438	5,438
Total purchase price	60,978	61,514
Fair value of identifiable net assets acquired	3,360	56,284
Goodwill	57,618	5,230

The assets and liabilities that arose from this acquisition are as follows:

Thousands of Euros

	Carrying amount of the acquired entity	Provisional carrying amount 31/12/2009	amount 31/12/2009 (restated)
Cash and cash equivalents	-	-	-
Property, plant and equipment	4,495	4,495	4,495
Intangible assets	1,021	1,021	53,409
Deferred tax assets	2,028	2,028	19,840
Deferred tax liabilities	-	-	(17,812)
Working capital	7,075	7,075	7,611
Non-current liabilities	(5,395)	(5,395)	(5,395)
Financial debt	(5,864)	(5,864)	(5,864)
Identifiable net assets acquired	3,360	3,360	56,284

The goodwill on this acquisition was allocated to the LatAm business security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. The intangible assets acquired comprise relationships with customers (Euros 47,084 thousand) with useful lives of between five and 16 years, trademarks (Euros

4,785 thousand), with a useful life of three years, and other assets (Euros 519 thousand) with useful lives of five years.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

Thousands of Euros

	31/12/09	31/12/2009 (restated)
Cash payment	55,286	55,286
Direct acquisition-related costs	254	790
Cash and cash equivalents of the subsidiary acquired	-	-
Cash outflow in the acquisition	55,540	56,076

Other business combinations

On 11 December 2009, Prosegur signed an agreement with V.P.Sécurité, S.A., Maison de la Sécurité, S.A.S. (MDLS) and the subsidiaries of the latter transferring the rights and obligations and purchasing the property, plant and equipment and intangible assets relating to a portfolio of contracts for the provision of security patrol services. The total price of this transfer and sale was Euros 2,503 thousand, comprising a cash payment of

Euros 2,503 thousand, of which Euros 300 thousand was withheld as a guarantee for possible contingencies, and a contingent consideration that falls due in 2011, with an estimated value of Euros 1,000 thousand at 31 December 2009. At 31 December 2010 the fair value of this contingent consideration was adjusted to zero.

Details of the net assets acquired are as follows:

<i>Thousands of Euros</i>	31/12/09	31/12/10
Cash payment	2,203	2,203
Deferred amount at fair value	1,300	300
Total purchase price	3,503	2,503
Fair value of identifiable net assets acquired	3,503	2,503
■ Goodwill	-	-

The assets and liabilities that arose from this acquisition are as follows:

<i>Thousands of Euros</i>	Provisional carrying amount 31/12/2009	Fair value 31/12/2010
Intangible assets	3,503	3,503
Working capital	-	(667)
Working capital	-	(333)
■ Identifiable net assets acquired	3,503	2,503

The intangible assets acquired comprise customer relationships and are amortised over a ten-year period.

Prosegur has not included these changes in the restated balances for 2009 as they are not significant.

Adjustments to goodwill generated in prior years

In 2010 Prosegur adjusted goodwill incorporated in prior years as a result of changes in the fair values of contingent consideration. Details of these adjustments are as follows:

In France on 17 February 2009, Prosegur acquired 100% of the share capital of Valtis, S.A. and its subsidiaries Valtis Alsace, S.A. and Valtis Rhone-Alpes, S.A. These companies specialise in securities logistics and cash management services. The total purchase price was Euros 14,500 thousand, which included contingent consideration with a fair value of Euros 4,250 thousand at the acquisition date. In 2010 this contingent consideration was settled, and its fair value adjusted by Euros 1,535 thousand as a result.

In Chile on 26 June 2009 Prosegur acquired 100% of the share capital of Equipos y Sistemas Automáticos de

Protección, Ltda. (Segmatic), a company engaged in the sale and development of protection systems, techniques and equipment. The total purchase price was Chilean Pesos 5,064 million (equivalent to Euros 6,756 thousand at the acquisition date), which included contingent consideration with an estimated fair value at the acquisition date of Chilean Pesos 565 million (equivalent to Euros 754 thousand at the acquisition date). In 2010 this contingent consideration was settled, and its fair value adjusted by Euros 468 thousand as a result.

Goodwill generated in 2010

The business combinations formed in 2010 are as follows:

In Uruguay on 28 April 2010, Prosegur acquired 100% of the share capital of Genper, S.A., a security services company that specialises in fire protection services, electronic security systems and centralised control systems. The total purchase price was Uruguayan Pesos 18,907 thousand (equivalent to Euros 741 thousand at the acquisition date), comprising a cash payment of Uruguayan Pesos 9,442 thousand (equivalent to Euros 371 thousand at the acquisition date) and three items of contingent consideration totalling Uruguayan Pesos 9,466 thousand (equivalent to Euros 370 thousand at the acquisition date) payable in 2011, 2012 and 2013. This contingent consideration is linked to future EBIT (earnings before interest and taxes) generated in 2011 and 2012.

The acquired business was added to the consolidated group on 30 April 2010. It contributed revenues of Euros 1,219 thousand and a loss for the year of Euros 35 thousand to the consolidated income statement for 2010. Had the business been acquired on 1 January 2010, consolidated revenues would have been Euros 326 thousand higher and consolidated profit for the year Euros 26 thousand higher.

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

Thousands of Euros

Cash payment	371
Deferred amount at fair value	370
Total purchase price	741
Fair value of identifiable net assets acquired	270
Goodwill at 31 December 2010	471

The assets and liabilities that arose from this acquisition are as follows:

	Importe en libros de la empresa adquirida	Valor razonable
Cash and cash equivalents	128	128
Property, plant and equipment	43	43
Working capital	(119)	(119)
Intangible assets	-	291
Intangible assets	-	(73)
Identifiable net assets acquired	52	270

The goodwill on this acquisition was allocated to the LatAm business security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. The intangible assets acquired comprise cus-

tomers relationships and are amortised over a five-year period.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

Thousands of Euros

Cash payment	371
Cash and cash equivalents of the subsidiary acquired	(128)

■ Cash outflow in the acquisition	243
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In Argentina on 12 August 2010, Prosegur acquired 100% of the share capital of Tellex,S.A, a company specialising in electronic security and fire protection systems, as well as the sale and maintenance of automated teller machines. The total purchase price was Argentinean Pesos 25,107 thousand (equivalent to Euros 4,916 thousand at the acquisition date), comprising a cash payment of Argentinean Pesos 10,369 thousand (equivalent to Euros 2,030 thousand at the acquisition date) and contingent consideration totalling Argentinean Pesos 14,738 thousand (equivalent to Euros 2,886 thousand at the acquisition date) payable in 2011, 2012 and 2013. The contingent consideration comprises a fixed payment linked to EBIT (earnings before interest and taxes) for 2009, and a

variable payment linked to future EBIT generated in 2011 and 2012.

The acquired business was added to the consolidated group on 12 August 2010. It contributed revenues of Euros 5,158 thousand and profit for the year of Euros 829 thousand to the consolidated income statement for 2010. Had the business been acquired on 1 January 2010, consolidated revenues would have been Euros 3,102 thousand higher and consolidated profit for the year Euros 295 thousand lower.

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

Thousands of Euros

Cash payment	2,030
Deferred amount at fair value	2,886
Total purchase price	4,916
Provisional carrying amount of the identifiable net assets acquired	501

■ Provisional goodwill at 31 December 2010	4,415
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The assets and liabilities that arose from this acquisition are as follows:

	Carrying amount of the acquired entity	Provisional carrying amount
Cash and cash equivalents	35	35
Property, plant and equipment	95	95
Working capital	1,543	1,543
Non-current liabilities	(433)	(433)
Financial debt	(739)	(739)
■ Identifiable net assets acquired	501	501

The goodwill on this acquisition was allocated to the LatAm business security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. At 31 December 2010 Prosegur has not yet completed the process of verifying the fair values allocated to this

business combination. The fair values presented are, therefore, to be considered provisional until this process has been completed.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

Thousands of Euros

Cash payment	2,030
Cash and cash equivalents of the subsidiary acquired	(35)

■ Cash outflow in the acquisition	1,995
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In Peru on 30 September 2010, Prosegur acquired 100% of the share capital of Telemergencia, S.A.C., a company that specialises in alarms. The total purchase price was Peruvian Sols 14,362 thousand (equivalent to Euros 3,772 thousand at the acquisition date), comprising a cash payment of Peruvian Sols 11,243 thousand (equivalent to Euros 2,953 thousand at the acquisition date) and contingent consideration of Peruvian Sols 3,119 thousand (equivalent to Euros 819 thousand at the acquisition date) payable in 2011. The contingent consideration is linked to the customer churn rate.

The acquired business was added to the consolidated group on 30 September 2010. It contributed revenues of Euros 506 thousand and profit for the year of Euros 9 thousand to the consolidated income statement for 2010. Had the business been acquired on 1 January 2010, consolidated revenues would have been Euros 1,518 thousand higher and consolidated profit for the year Euros 26 thousand higher.

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

Thousands of Euros

Cash payment	2,953
Deferred amount at fair value	819
Total purchase price	3,772
Provisional carrying amount of the identifiable net assets acquired	1,127

■ Provisional goodwill at 31 December 2010	2,645
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The assets and liabilities that arose from this acquisition are as follows:

	Carrying amount of the acquired entity	Provisional carrying amount
Cash and cash equivalents	-	-
Property, plant and equipment	1,055	1,055
Working capital	72	72
■ Identifiable net assets acquired	1,127	1,127

The goodwill on this acquisition was allocated to the LatAm home security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. At 31 December 2010 Prosegur has not yet completed the process of verifying the fair values allocated to this

business combination. The fair values presented are, therefore, to be considered provisional until this process has been completed.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

(Thousands of Euros)

Cash payment	2,953
Cash and cash equivalents of the subsidiary acquired	-

■ Cash outflow in the acquisition	2,953
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In Brazil on 1 December 2010, Prosegur acquired 100% of the share capital of Martom Segurança Eletrônica Ltda., a company engaged in bank branch monitoring services. The total purchase price was Brazilian Reals 20,500 thousand (equivalent to Euros 9,190 thousand at the acquisition date), comprising a cash payment of Brazilian Reals 14,323 thousand (equivalent to Euros 6,421 thousand at the acquisition date), contingent consideration of Brazilian Reals 4,727 thousand (equivalent to Euros 2,119 thousand at the acquisition date), which falls due in 2011, and a further Brazilian Reals 1,450 thousand (equivalent to Euros 650 thousand at the acquisition date) deferred to secure any possible liabilities, payable in five instalments between 2011 and 2015.

The contingent consideration consists of:

- an initial payment linked to certain target ratios for debt structure and working capital, up to a maximum

amount of Brazilian Reals 2,227 thousand (equivalent to Euros 998 thousand at the acquisition date).

- a second payment linked to EBIT (earnings before interest and tax) for 2011, up to a maximum amount of Brazilian Reals 2,500 thousand (equivalent to Euros 1,121 thousand at the acquisition date).

The acquired business was added to the consolidated group on 1 December 2010. It contributed revenues of Euros 1,012 thousand and profit for the year of Euros 252 thousand to the consolidated income statement for 2010. Had the business been acquired on 1 January 2010, consolidated revenues would have been Euros 6,872 thousand higher and consolidated profit for the year Euros 948 thousand higher.

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

Thousands of Euros

Cash payment	6,421
Deferred amount at fair value	2,769
Total purchase price	9,190
Provisional carrying amount of the identifiable net assets acquired	2,841

■ Provisional goodwill at 31 December 2010	6,349
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The assets and liabilities that arose from this acquisition are as follows:

	Carrying amount of the acquired entity	Provisional carrying amount
Cash and cash equivalents	583	583
Property, plant and equipment	3,328	3,328
Working capital	(280)	(280)
Non-current liabilities	(102)	(102)
Financial debt	(688)	(688)
■ Identifiable net assets acquired	2,841	2,841

The goodwill on this acquisition was allocated to the LatAm business security segment and mainly reflects the profitability of the business and major synergies expected to arise as a result of this acquisition. At 31 December 2010 Prosegur has not yet completed the process of verifying the fair values allocated to this busi-

ness combination. The fair values presented are, therefore, to be considered provisional until this process has been completed.

The cash outflow incurred to acquire this business, net of cash acquired, is as follows:

<i>Thousands of Euros</i>	
Cash payment	6,421
Cash and cash equivalents of the subsidiary acquired	(583)
■ Cash outflow in the acquisition	5,838

32. Joint Ventures

The Group holds a 50% interest in a joint venture with the GED venture capital fund, the purpose of which is to invest in security companies in south-eastern Europe.

The entities making up this joint venture are detailed in Appendix IV.

The amounts presented in the table below represent Prosegur's 50% share of the joint venture's assets, liabilities, sales and loss for the year. These amounts are included in the consolidated balance sheet and income statement.

Thousands of Euros

	2010	2009
Assets:		
Non-current assets	853	1,243
Current assets	2,671	3,432
	3,524	4,675
Liabilities:		
Non-current liabilities	2,107	3,426
Current liabilities	1,417	1,249
	3,524	4,675
Profit and loss:		
Income	9,446	8,860
Expenses	(9,470)	(9,147)
■ Loss for the year after tax	(24)	(287)

Prosegur has no contingent liabilities in relation to its interest in this joint venture and the joint venture itself has no contingent liabilities.

33. Temporary Joint Ventures

The temporary joint ventures in which Prosegur participates are listed in Appendix II to these annual accounts.

The amounts presented in the table below represent Prosegur's 50% share of the temporary joint ventures' assets, liabilities, sales and loss for the year. These amounts are included in the consolidated balance sheet and income statement.

Thousands of Euros

	2010	2009
Assets:		
Non-current assets	81	-
Current assets	8,025	3,950
	8,106	3,950
Liabilities:		
Non-current liabilities	-	20
Current liabilities	8,106	3,930
	8,106	3,950
Profit and loss:		
Income	37,989	11,015
Expenses	(38,075)	(11,030)
■ Loss for the year after tax	(86)	(15)

Prosegur has no contingent liabilities in relation to its participation in temporary joint ventures.

34. Related Party Transactions

Prosegur is controlled by Gubel S.L., which was incorporated in Madrid and holds 50.075% of the Company's share capital. The remaining 49.93% is held by various shareholders, including Corporación Financiera Alba, S.A., through Alba Participaciones, S.A., with 10.01%, and AS Inversiones, S.L., which holds 5.31% (note 20).

As, at the date of preparation of these annual accounts, BNP Paribas, S.A. did not hold a significant interest (3% or more) in the share capital of the parent company. This entity has not, therefore, been considered as a related party for the purposes of this note.

Details of transactions with related parties are as follows:

Financing and investments

Banca March, S.A. which exercises control over Corporación Financiera Alba, S.A., forms part of the syndicate of banks that granted the syndicated loan to the Company in 2006 (note 25). Banca March, S.A.'s position in this loan amounts to Euros 4,156 thousand (Euros 5,146 thousand in 2009), of which Euros 3,681 thousand (Euros 3,246 thousand in 2009) has been drawn down at 31 December 2010.

Furthermore, during the year Prosegur has placed a number of deposits with Banca March, S.A. totalling Euros 105,000 thousand, which have earned total interest of Euros 852 thousand. At 31 December 2010, two deposits, each totalling Euros 25,000 thousand, were pending maturity.

Goods and services

In October 2005 Prosegur and Proactinmo S.L. (controlled by Gubel, S.L.) signed a lease contract for the building located at Calle Santa Sabina, 8, which is adjacent to a building owned by Prosegur at Calle Pajaritos, 24. This contract has a duration of five years, can be extended for a further five and was arranged at arm's length. A total expense of Euros 1,188 thousand was incurred in relation to this contract in 2010 (Euros 1,278 thousand in 2009).

In 2010, the Company has provided business security services to Banca March for Euros 2,413 thousand (Euros 2,560 thousand in 2009).

Remuneration of members of the board of directors and key management personnel

1. Remuneration of members of the board of directors

The total remuneration accrued by members of the board of directors is as follows:

Thousands of Euros

	2010	2009
Fixed remuneration	1,560	1,539
Variable remuneration	400	400
Remuneration in kind	44	34
Allowances	851	840
Life insurance premiums	49	34
	2,904	2,847

2. Remuneration of senior management personnel:

Senior management personnel are understood to be Prosegur employees who hold, de facto or de jure, senior management positions reporting directly to the board of directors, executive committees or managing

directors of the board, including those with power of attorney that relates to the entity's statutory activity and not restricted to specific areas or matters.

The total remuneration accrued by senior management of Prosegur is as follows:

Thousands of Euros

	2010	2009
Fixed remuneration	2,426	2,172
Variable remuneration	955	878
Remuneration in kind	125	82
Life insurance premiums	5	7
	3,511	3,139

As well as the remuneration described in sections 1) and 2), under the 2011 long-term incentive plan for executive directors and management personnel (note 37.17), in 2010 Prosegur has paid cash incentives to executive directors and senior management personnel amounting to Euros 673 thousand, and transferred 20,603 shares (note 21).

Executive directors and senior management personnel represent Euros 3,917 thousand of the total commitment of Euros 5,016 thousand acquired by Prosegur in relation to share-based incentives at 31 December 2010 (note 21).

Executive directors and senior management represent Euros 938 thousand of the total commitment of Euros 1,614 thousand acquired by Prosegur in relation to cash incentives at 31 December 2010 (note 24).

Loans to related parties

At 31 December 2010 Prosegur has not granted any loans to related parties. Related party companies have

been transferred to joint ventures and are proportionately consolidated.

Investments and positions held in other companies by members of the board of directors of the parent company and parties related to them

Neither the members of the board of directors nor any parties related to them hold any investments or positions or conduct any activities in companies with identical, similar or complementary statutory activities to that of the Company.

35. Other Information

The average headcount of Prosegur is as follows:

	2010	2009
Operations personnel	97,198	89,269
Other	5,657	5,638
Total	102,855	94,907

The average headcount of operations personnel employed by proportionately consolidated subsidiaries in 2010 is 2,973 (3,329 in 2009).

The average headcount of personnel employed in Spain with a disability of 33% or more, by category, is as follows:

	2010
Operations personnel	132
Indirect personnel	29
	161

This distribution by gender of Prosegur employees at 31 December 2010 and 2009 is as follows:

	2010		2009	
	Male	Female	Male	Female
Operations personnel	84,856	13,730	84,018	13,334
Other	3,687	2,090	4,076	2,047
■ Total	88,543	15,820	88,094	15,381

The distribution by gender of the board of directors and senior management personnel of Prosegur is as follows:

	2010		2009	
	Male	Female	Male	Female
Board of directors	5	3	5	3
Senior management	16	1	13	1
	21	4	18	4

At the general meeting held on 28 June 2010, the shareholders appointed KPMG Auditores, S.L. as the auditors of Prosegur's consolidated annual accounts.

KPMG Auditores, S.L., the auditors of the annual accounts of Prosegur, have invoiced the Company the following fees and expenses for professional services during the year ended 31 December 2010:

	2010
<i>Thousands of Euros</i>	
KPMG Auditores, S.L. audit services	285
KPMG Auditores, S.L. other services	80
■ Total	365

Audit services detailed in the above table include the total fees for services rendered in 2010, irrespective of the date of invoice.

Other entities affiliated with KPMG International have invoiced Prosegur the following fees and expenses for professional services during the year ended 31 December 2010:

<i>Thousands of Euros</i>	2010
Audit services	595
Other assurance services	323
Tax advisory services	38
Other services	34
Total	990

PricewaterhouseCoopers Auditores, S.L. invoiced Prosegur the following fees and expenses for profes-

sional services during the year ended 31 December 2009:

<i>Thousands of Euros</i>	2009
PricewaterhouseCoopers Auditores, S.L., audit services	1,451
PricewaterhouseCoopers Auditores, S.L., other services	377
	1,828

36. Events after the Balance Sheet Date

No events have occurred since 31 December 2010 that could have a significant impact on these annual accounts.

37. Summary of the Main Accounting Principles

The main accounting principles used in the preparation of these consolidated annual accounts are described in this section. These principles have been applied on a consistent basis throughout the reporting periods presented.

37.1. Accounting principles

a) Standards effective from 1 January 2010 that could require changes to accounting policy and changes to presentation

The annual accounts for 2010 have been prepared using the same accounting principles as for 2009, except for the standards and amendments adopted by the European Union mentioned below, which are obligatory as of 1 January 2010:

- IFRS 3 Business Combinations (revised 2008) and amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in

Associates, IAS 31 Interests in Joint Ventures and IAS 21 The Effects of Changes in Foreign Exchange Rates. These standards apply prospectively to business combinations acquired during or after the first accounting period starting on or after 1 July 2009. The standards include the following amendments that will be relevant to Prosegur:

- The definition of business has been expanded, enabling more transactions to be classified as business combinations.
- Payments contingent on future events will be recognised at fair value, and subsequent changes will be recorded in the consolidated income statement (consolidated statement of comprehensive income).
- Transaction costs, other than the cost of issuing equity or debt, will be recognised as an expense when incurred.
- Any previously held interest in the acquiree will be measured at the acquisition-date fair value and any changes recorded in the consolidated income statement (consolidated statement of comprehensive income).
- Non-controlling interests will be measured on an individual transaction basis, either at fair value, determined separately, applying generally accepted measurement criteria, or at the amount of the direct equity interest in the fair value of the net assets acquired, excluding goodwill.
- Losses of the business in excess of the value of the investment will be allocated to non-controlling interests, and a debit balance recognised in equity.
- Subsequent acquisitions of interests in the business after control has been obtained and partial sales whereby control is not lost are recognised as transactions with shareholders under equity.
- Investments in the business in a transaction entailing loss of control are recognised at fair value, with any changes recorded in the consolidated income statement (consolidated statement of comprehensive income).

- Improvements to IFRSs issued in April 2009.

b) Standards issued but not effective on 1 January 2010, which the Group expects to adopt as of 1 January 2011 or later (none have been adopted early):

- Amendment to IAS 32 Classification of Rights Issues. Applies to years beginning on or after 1 February 2010. Not expected to affect the Group.
- IAS 24 Related-Party Disclosures. Applies to years beginning on or after 1 January 2011. Expected to affect the Group.
- IFRIC 14 Prepayments of a Minimum Funding Requirement. Applies to years beginning on or after 1 January 2011. Expected to affect the Group.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. Applies to years beginning on or after 1 July 2010. Expected to affect the Group.

The following are standards or interpretations pending adoption by the European Union, together with their possible impact on the Group's annual accounts:

- IFRS 9 Financial Instruments. Applies to years beginning on or after 1 January 2013. Impact on the Group.
- Improvements to IFRSs issued in May 2010.
- Conceptual Framework for Financial Reporting. The application of this framework once adopted by the European Union will not affect the Group.
- Amendments to IFRS 7 - Disclosure of Transfers of Financial Assets. Applies to years beginning on or after 1 July 2011. Impact on the Group.
- Amendments to IAS 12 - Recovery of underlying Assets Applies to years beginning on or after 1 January 2012. No expected impact on the Group.
- Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. Applies to years beginning on or after 1 July 2011. No expected impact on the Group.

37.2. Consolidation principles

Subsidiaries

Subsidiaries are all entities over which Prosegur has the power to govern the financial and operating policies, which generally comes with an interest of over

half of the voting rights. The effect of any potential voting rights that are currently exercisable or convertible, are considered when assessing whether Prosegur exercises control over an entity.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date on which Prosegur obtains control, until the date that control ceases.

Inter-company balances and transactions and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated provided that they provide evidence of an impairment loss.

Subsidiaries' accounting policies are changed where necessary for consistency with the principles adopted by Prosegur.

The annual accounts or financial statements of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the financial statements of the parent company.

Appendix I of these annual accounts provides details of the 93 subsidiaries included in the consolidated group.

Business Combinations

As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, Prosegur has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRS, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

Prosegur has applied IFRS 3 Business Combinations (revised 2008) to transactions completed since 1 January 2010.

Prosegur applies the purchase method for business combinations. The acquisition date is the date on which Prosegur obtains control of the acquiree.

The consideration given for the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued and any consideration contingent on future events or the fulfilment of certain conditions, in exchange for control of the acquiree.

The consideration given excludes any payment that does not form part of the amount exchanged to acquire the business. Transaction costs are recognised as an expense when incurred. In business combinations acquired prior to 31 December 2009, transaction costs were recognised as an integral part of the consideration given.

At the acquisition date, the assets acquired and liabilities assumed are recognised at fair value. The liabilities acquired include contingent liabilities provided that they represent present obligations arising from past events and their fair value can be measured reliably. Prosegur also recognises any compensation granted by the seller, following the measurement criteria applicable to the item for which compensation has been received, considering any bad debt risk or contractual limit on the compensation amount.

The assets acquired and liabilities assumed are classified and designated for subsequent measurement based on the contract terms, economic conditions, accounting and operating policies and any other circumstances that exist at the acquisition date, excluding lease and insurance contracts.

Any consideration given plus the value allocated to non-controlling interests in excess of the net of assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, following assessment of the consideration given, the values allocated to non-controlling interests and the identification and measurement of the net assets acquired, is recognised in the income statement.

If it is only possible to determine the business combination provisionally at the end of the reporting period, the identifiable net assets are initially recorded at their provisional amounts, recognising the adjustments made over the valuation period as if they had been known at that date and, where applicable, adjusting comparative figures for the prior period. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date (see note 31).

The potential benefits of the acquiree's income tax loss carryforwards and other deferred tax assets that are not recognised as they do not satisfy the criteria for recognition at the acquisition date are accounted for as income tax benefits, unless they are valuation period adjustments.

The contingent consideration is classified as a financial asset or liability, equity instrument or provision, depending on the underlying contract terms. Subsequent changes to the fair value of a financial asset or liability are taken to profit or loss or other comprehensive income, unless they are valuation period adjustments. If the contingent consideration is classified as an equity instrument, it is not subsequently revalued and the settlement is also recognised directly in equity. If the contingent consideration is classified as a provision, the corresponding measurement criteria apply to subsequent recognition.

For business combinations formed prior to 1 January 2010, the cost of the business combination includes contingent consideration if this is probable at the acquisition date and can be reliably measured. Subsequent contingent consideration or changes to existing consideration are recognised as a prospective adjustment to the cost of the business combination.

Transactions and non-controlling interests

Prosegur policy is to consider transactions with non-controlling interests as third-party transactions. Any gains or losses on disposal of non-controlling inte-

rests are recognised in the income statement. Goodwill arises on the acquisition of non-controlling interests, namely the difference between the price paid and the corresponding proportion of the carrying amount of the subsidiary's assets.

Joint ventures

Interests in joint ventures (specified as such in the contract) are proportionately consolidated. Prosegur combines, line by line, its share of assets, liabilities, income, expenses and cash flows of the jointly controlled entity, with similar items in its annual accounts.

Prosegur recognises its share in the profit or loss on the sale of Prosegur assets to jointly controlled entities along with the part corresponding to other venturers. Prosegur does not recognise its share in the profit or loss of the jointly controlled entity arising from the purchase of assets by Prosegur until the assets are sold on to an independent third party.

A loss is recognised immediately unless the transaction indicates a reduction in the net realisable value of the current assets or an impairment loss. Jointly controlled entities accounting policies are changed where necessary for consistency with the principles adopted by Prosegur.

Details of the six joint ventures proportionately consolidated are provided in Appendix IV.

Associates

Associates are companies over which Prosegur exercises significant influence but not control, generally holding between 20% and 50% of the voting rights. Any potential voting rights that are exercisable or convertible at the end of each reporting period are considered when assessing whether Prosegur has significant influence. It is assumed that significant influence is not exercised when Prosegur holds a share of less

than 20% in the voting rights, unless such influence can be clearly demonstrated. Evidence of significant influence usually comprises:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel or provision of essential technical information.

Investments in associates are accounted for using the equity method and initially recognised at cost. Prosegur's investment in associates includes goodwill (net of any accumulated impairment) identified in the acquisition.

Prosegur's share in the profit or loss of the associates from the date of acquisition is recognised in the income statement. The carrying amount of the investment is adjusted for any subsequent movements. When Prosegur's share in the losses of an associate is equal to or higher than its investment, including any doubtful receivables, Prosegur does not recognise any additional loss unless it has entered into commitments or made payments on behalf of the associate.

Unrealised gains on transactions between Prosegur and its associates are eliminated in line with Prosegur's percentage ownership of the associate. Unrealised losses are also eliminated unless they provide evidence of an impairment loss on the transferred asset.

Jointly controlled entities' accounting policies are changed when necessary for consistency with the principles adopted by Prosegur.

Temporary joint ventures

Temporary joint ventures are a scheme under which business owners collaborate for a limited or unlimited period to carry out a project, service or supply.

Prosegur consolidates its share of the temporary joint venture's balance sheet and income statement captions in line with its percentage interest.

Details of the 27 temporary joint ventures proportionately consolidated are provided in Appendix III.

37.3. Segment reporting

A business segment is a group of assets and transactions that is engaged in providing products or services and which is subject to risks and rewards that are different from those of other segments.

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and rewards that are different from those of segments operating in other economic environments.

Costs are directly allocated to each of the defined segments. Each geographical area has its own functional structure. Certain functional overheads are common to all activity segments and are distributed according to the time spent or extent of use.

37.4. Foreign currency transactions

Functional and presentation currency

The annual accounts of each Prosegur entity are presented in the currency of the main economic environment in which it operates ("functional currency"). The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros (unless stated otherwise), the parent company's functional and presentation currency.

Balances and transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign currency gains and losses arising on the settlement of these transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies at the closing exchange rate are recognised in profit or loss, unless they are recognised directly in equity as cash flow hedges.

Foreign exchange gains or losses relating to loans and cash and cash equivalents are recognised in the income statement under finance income or expenses.

Changes in the fair value of monetary assets denominated in foreign currencies, classified as available-for-sale, are analysed to distinguish between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences are recognised in profit and loss, and other changes to the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equity instruments at fair value through profit or loss, are recognised as changes in fair value.

Translation differences on non-monetary items such as equity instruments classified as available-for-sale financial assets recognised in the revaluation reserve in equity.

Subsidiaries

The profit and loss and financial position of all Prosegur subsidiaries (none of which operate in hyperinflationary economies) whose functional currencies differ from the presentation currency are translated to the presentation currency as follows:

- i. Assets and liabilities are translated at the closing rate at the balance sheet date;
- ii. Income and expenses are translated at exchange rates at the average monthly exchange rate;
- iii. All resulting exchange differences are recognised separately in equity.

In consolidation, exchange differences arising on the translation of a net investment in foreign operations, and of loans and other instruments in foreign currency designated as hedges of these investments, are recognised in the equity of the company holding the investment. When these investments are sold, the exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments derived from the acquisition of the foreign operation are treated as part of the assets and liabilities of the foreign operation and translated at the closing rate at the balance sheet date.

37.5. Property, plant and equipment

Land and buildings mainly comprise operating divisions. Property, plant and equipment are recognised at cost, less depreciation and any accumulated impairment losses, except in the case of land, which is presented net of impairment losses.

Historical cost includes costs that are directly attributable to the acquisition of the items.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, provided that it is probable that the future economic benefits associated with the items will flow to Prosegur and the cost of the item can be reliably measured. The carrying amount of the replaced item is derecognised. Other repairs and maintenance costs are taken to the income statement when incurred.

Land is not depreciated. Other assets are depreciated on a straight-line basis to allocate the cost or revalued amount to residual value over the following estimated useful lives:

	Years of useful life (%)
Buildings	2 and 3
Technical installations and machinery	10 to 25
Other installations and equipment	10 to 30
Furniture	10
Computer equipment	25
Motor vehicles	16
Other property, plant and equipment	10 to 25

Prosegur reviews the residual values and useful lives of assets, and adjusts them if necessary, at the end of each reporting period.

When the carrying amount of an asset exceeds its estimated recoverable amount, it is immediately written down to the latter (note 37.7).

Gains and losses on the sale of property, plant and equipment are calculated as the difference between the consideration received and the carrying amount of the asset and recognised in profit and loss.

37.6. Intangible assets

Goodwill

Goodwill is the amount by which the cost of acquisition exceeds the fair value of Prosegur's share of the acquired subsidiary/associate's identifiable net assets at the acquisition date. Goodwill arising on acquisitions of subsidiaries is recognised under goodwill in the balance sheet. Goodwill arising on acquisitions of associates is recognised under investments in associates. Goodwill is tested annually for impairment and recognised at cost less accumulated impairment losses. Gains and loss on the sale of an entity include the carrying amount of the goodwill allocated to the sold entity.

For impairment testing purposes, goodwill is allocated to cash-generating units (CGUs). Goodwill is alloca-

ted to the CGUs which are expected to benefit from the business combination from which the goodwill arose.

Goodwill acquired since 1 January 2004 is recognised at cost of acquisition, and goodwill acquired prior to that date is recognised at the carrying amount at 31 December 2003 in accordance with prevailing Spanish accounting legislation at that date.

As of 1 January 2004, goodwill is no longer amortised. At each end of reporting period, or more frequently if there are indications of impairment, Prosegur assesses whether the recoverable amount is affected by any impairment loss and recognises the necessary adjustment, as detailed in note 37.7.

Customer portfolios

The relationships with customers that Prosegur recognises under customer portfolios are separable and based on a contractual relationship, thus meeting the requirements set out in prevailing legislation for consideration as separate intangible assets from goodwill. In general, these are customer service contracts that have been acquired from third parties or recognised in the allocation of fair values in business combinations.

Portfolios of contracts with customers are recognised at fair value on the acquisition date less amortisation and accumulated impairment losses.

The fair value allocated to customer contract portfolios acquired from third parties is the acquisition price. To determine the fair value of intangible assets allocated to business combinations in the form of relationships with customers, Prosegur uses the income approach: discounting the cash flows generated by these relationships at the date of acquisition of the subsidiary. Cash flows are estimated based on sales projections, operating investments and EBITDA margins presented in the company's business plans.

Prosegur amortises customer portfolios on a straight-line basis over their estimated useful lives. The useful life is estimated based on indicators such as average length of relationship with customers or the average annual customer churn rate. The useful lives allocated to these intangible assets are reviewed at the end of each reporting period. Customer portfolios have useful lives of between three and 18 years.

Customer portfolios are allocated to cash-generating units (CGUs) in accordance with their respective business segment and the country of operation.

At the end of each reporting period, Prosegur assesses whether any the recoverable amount is affected by any impairment loss. The tests to determine whether there are indications of impairment of customer portfolios mainly consist of:

- Verifying whether events have taken place that could have a negative impact on estimated cash flows from the contracts making up the portfolio, total sales or margins (EBITDA).
- Updating the estimated customer churn rates to identify any changes to the periods for which customer portfolios are expected to generate revenues.

If there are indications of impairment, the recoverable amount of a customer portfolio is based on the present value of the re-estimated cash flows from the contracts over their useful lives.

If customer churn rates have risen, Prosegur re-estimates the useful lives of customer portfolios.

Trademarks and licences

Trademarks and licences are presented at historical cost. They have finite useful lives and are recognised at cost less amortisation and accumulated impairment losses. Trademarks and licences are amortised on a straight-line basis to allocate the cost over their estimate useful lives (two to four years).

Computer software

Computer software licences are capitalised at cost of acquisition or cost of preparation of the specific software for use. These expenses are amortised over the estimated useful lives of the assets (three to five years).

Computer software maintenance or development costs are charged as expenses when incurred.

37.7. Impairment losses

If an event or change in circumstances indicates that the carrying amount of assets subject to amortisation or depreciation may not be recoverable, Prosegur determines whether impairment losses have been incurred. An impairment loss is recognised as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. For impairment testing purposes, assets are grouped at the lowest level for which separate identifiable cash flows can be identified (cash-generating unit, CGU). Prosegur reviews impaired non-financial assets other than goodwill at the end of each reporting period to assess whether the loss has been reversed.

Impairment losses on goodwill

Goodwill has been allocated to Prosegur's cash-generating units (CGUs) in accordance with their respective business segment and the country of

operation. Goodwill is allocated to CGUs for impairment testing purposes. Goodwill is allocated to the CGUs that are expected to benefit from the business combination from which the goodwill arose.

The recoverable amount of a CGU is determined based on its value in use. This calculation requires the use of estimates (note 39) in which businesses acquired during the present year have not been considered.

The recoverable amount is the higher of market value less costs to sell and value in use, which is understood to be the present value of estimated future cash flows. To estimate value in use, Prosegur forecasts future pre-tax cash flows based on the most recent budgets approved by management. These budgets reflect the best available estimates of the income and expenses of cash-generating units (CGUs) based on past experience and future expectations. These budgets have been prepared for the next four years, and future cash flows have been calculated by applying non-increasing estimated growth rates that do not exceed the average long-term growth rate for the security business in which the CGU operates.

Management determined EBITDA (earnings before interest, tax, depreciation and amortisation) based on past returns and the foreseeable development of the market.

To calculate present value, cash flows are discounted at a rate that reflects the cost of capital of the business and the geographical region in which it operates. Prosegur considers the present value of money and risk premium calculations currently in general use among analysts for the geographical area.

If the recoverable amount is less than the carrying amount of the asset, the difference is recognised under impairment losses in the consolidated income statement (note 12).

Impairment of goodwill recognised may not be reversed.

Along with the analysis of impairment of goodwill, Prosegur also performs a sensitivity analysis (note 12) to verify the impact on the recoverable amount of a CGU of the following deviations in key assumptions:

- A 10% reduction in EBITDA estimated in the budgets approved by management.
- A 10% rise in the estimated pre-tax discount rate applied to cash flows.

37.8. Financial assets

Classification

Prosegur classifies its financial assets into the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. This classification depends on the purpose for which the assets were acquired. Management classifies investments on initial recognition and reviews this classification at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Prosegur provides money, goods or services directly to a recipient without the intention of trading the receivable. The assets are classified as current unless they mature in more than 12 months from the balance sheet date, in which case they are classified as non-current. Loans and receivables are recognised under trade and other receivables in the balance sheet (note 37.11)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments classed as available for sale or which do

not qualify for inclusion in the other categories. They are classified as non-current assets unless management intends to sell the investment within 12 months of the balance sheet date.

Assets are classified as held for sale provided that these are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the sale is highly probable. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell and are not depreciated.

Recognition and measurement

Acquisitions and disposals of financial assets are recognised on the trade date, i.e. the date on which Prosegur commits to acquire or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not recognised at fair value through profit or loss. Investments are derecognised when they expire or the contractual rights to the cash flows from the financial asset expire or have been transferred and Prosegur has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently recognised at fair value.

Loans and receivables are measured at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of non-monetary assets classified as available for sale are recognised in equity. When assets classified as available for sale are sold or incur irreversible impairment losses, the accumulated adjustments in fair value are included in the income statement as profit and loss on the assets.

Prosegur tests financial assets or groups of financial assets for impairment at the end of each reporting period. To determine whether available-for-sale investments

are impaired, Prosegur considers whether a significant or prolonged decline has reduced the fair value of the investment to below its cost.

If such evidence exists for available-for-sale financial assets, the cumulative loss, calculated as the difference between the acquisition cost and the present fair value less any impairment loss previously recognised, is reclassified from equity to profit or loss. Impairment losses recognised for equity instruments are not reversed through profit or loss.

37.9. Derivative financial instruments and hedges

Derivatives are initially recognised at fair value on the date on which the contract was signed and their fair value is subsequently adjusted. The recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the hedged item. Prosegur designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities (fair value hedges);
- hedges of highly probable transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation

Prosegur has not applied hedge accounting in 2010 or 2009.

Derivatives that do not qualify for hedge accounting

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

37.10. Inventories

Inventories are measured at the lower of cost and net realisable value, with the following exceptions:

- Inventories held in warehouses and uniforms are measured at weighted average cost.
- Work in progress is measured at the cost of the installation, which includes materials and spare parts used and the standard cost of the corresponding labour, which does not differ from the actual costs incurred during the year.

The net realisable value is the estimated sales price in the normal course of business less any variable costs to sell.

37.11. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment. A provision for impairment of trade receivables is recognised if there is objective evidence that Prosegur will not collect all the amounts due under the original contractual terms. Financial difficulties affecting the debtor, the likelihood that the debtor will enter insolvency proceedings or a financial restructuring process, or a default or delay in payments are considered to indicate that a receivable is impaired. The provision for impairment is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision is applied and the loss taken to the income statement. When a receivable is irrecoverable, it is written off against the provision for receivables.

37.12. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in financial institutions, other short-

term, highly liquid investments with a maturity of three months or less and bank overdrafts. Bank overdrafts are recognised in the balance sheet as current financial liabilities.

37.13. Share capital

Ordinary shares are classed as equity.

When any Prosegur entity acquires shares in the Company (own shares), the consideration paid, including any additional costs that are directly attributable to the acquisition (net of income tax), is subtracted from equity attributable to owners of the Company until cancellation or disposal. When these shares are sold, the consideration received, net of any additional costs that directly attributable to the sale and the corresponding income tax effect, is recognised in equity attributable to shareholders of the Company.

37.14. Provisions

Provisions for restructuring and litigation are recognised when:

- Prosegur has a present obligation (legal or tacit) as a result of a past event.
- It is more probable than not that an outflow of resources will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

When Prosegur has a number of similar obligations, the likelihood that an outflow of resources will be necessary to settle them is determined considering the obligations as a whole. A provision is recognised even if an outflow of resources is unlikely compared to any item included in the same class of obligations.

Restructuring provisions include lease cancellation penalties and employee termination benefits. No provision is made for future losses from operating activity.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increases in the provision due to the passage of time are recognised as an interest expense.

37.15. Financial liabilities

Financial liabilities are initially recognised at fair value less any transaction costs. They are subsequently measured at amortised cost. Any difference between the funds obtained (net of arrangement costs) and the consideration paid is recognised in the income statement over the term of the liability using the effective interest method.

Liabilities are classified as current unless Prosegur has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

Commissions paid for credit facilities are recognised as loan transaction costs provided that it is probable that Prosegur will draw down from one or all of the facilities. In this case, the commissions are deferred until funds are drawn. If there is no evidence that it is probable that Prosegur will draw down from the credit facility, the commission is capitalised as a prepayment for liquidity services and amortised over the term of the credit facility.

37.16. Current and deferred tax

The income tax expense for the year comprises current tax and deferred tax. Tax is taken to the income statement unless it is paid on items recognised directly in equity, in which case the tax is also recognised in equity.

The current tax expense is calculated in accordance with tax laws that have been enacted or substantially enacted at the balance sheet date in the

countries in which the subsidiaries and associates operate and generate taxable income. Management regularly assesses the judgements made in tax returns where situations are subject to different interpretation under tax laws, recognising, if necessary, the corresponding provisions based on the expected tax liability.

Deferred tax is calculated using the balance sheet method, based on temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, if deferred tax assets or liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit nor taxable income, they are not recognised.

Deferred tax assets or liabilities are measured using the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and are expected to be applicable when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised provided that it is likely that sufficient taxable income will be generated against which the temporary differences can be offset.

Deferred tax assets and liabilities are recognised in respect of the temporary differences that arise from investments in subsidiaries and associates, unless Prosegur is able to control the timing of the reversal of the temporary difference and it is unlikely that they will reverse in the foreseeable future.

37.17. Employee benefits

Share-based payments – 2011 Plan.

At the general meeting held on 27 June 2008, the shareholders approved the 2011 Plan of long-term incentives for executive directors and management of Prosegur. The 2011 Plan is generally linked to value creation during the 2008-2011 period and foresees the payment of share-based incentives to exe-

cutive directors, and Company shares and cash to Prosegur management. The maximum number of shares earmarked for the 2011 Plan is 375,000, representing 0.608% of the Company's share capital at the date of these annual accounts.

Under the 2011 Plan, recipients are entitled to a bonus over several years, 50% cash and 50% in parent company shares. A reference price of Euros 28.14 per share was determined at the beginning of the Plan. The receipt of this incentive depends on various performance and length-of-service requirements.

The 2011 Plan has a duration of four years, based on length of service and the achievement of targets, and includes an additional length-of-service bonus verified over the following two years. The plan measures target achievement from 1 January 2008 until 31 December, 2011 and length of service from 1 January 2008 until 1 January 2014. Entitlement to incentives is assessed on the following dates:

- Preliminary assessment date: 1 May 2010
- Final assessment date: 1 May 2012
- Length-of-service bonus date: 1 January 2014

A mixed accounting treatment is applied, comprising both a cash settlement and a share-based settlement.

The fair value of the services received from employees in exchange for these shares is recognised as an expense on an accruals basis over the Plan's length-of-service assessment period, with the corresponding increase in equity. The total expense recognised over the accrual period is determined based on the shares granted, measured at the reference price stipulated in the Plan. The total commitment acquired at 31 December 2010 amounts to Euros 5,016 thousand (Euros 7,651 thousand in 2009) as indicated in note 21. This commitment has been estimated under the assumption that the length-of-service requirement will be met.

With regard to the cash incentives, the total commitment acquired is recognised as an expense in the income statement with a credit to non-current provisions on an accruals basis over the Plan assessment period. The total liability at 31 December 2010

amounts to Euros 1,614 thousand (Euros 782 thousand in 2009) as indicated in note 24.

The employee benefits expense in the consolidated income statement for 2010 includes a total cost of Euros 2,777 thousand (Euros 2,150 thousand in 2009) reflecting commitments accrued during the year in relation to cash and share-based incentives.

Termination benefits

Termination benefits are paid to employees as a result of Prosegur's decision to terminate employment before the normal retirement age or when the employee accepts voluntary redundancy in exchange for these benefits. Prosegur recognises these benefits when it has demonstrably committed to terminating the employment of current employees, in accordance with a detailed formal plan with no possibility of withdrawal, or to granting termination benefits in an offer of voluntary redundancy. Benefits that will not be paid within twelve months of the balance sheet date are discounted at their present value.

Profit-sharing plans and bonuses

Prosegur calculates the liability and expense for bonuses and profit-sharing using a formula based on EBITDA (earnings before interest, tax, amortisation and depreciation).

Management remuneration

As well as profit-sharing plans, Prosegur has incentive plans for senior management linked to the achievement of certain targets set by the corresponding remuneration committees. At the end of the reporting period, provision has been made for these plans based on Prosegur management's best possible estimate of the extent to which targets will be met.

Employee benefits and associated liabilities

Pursuant to prevailing legislation in France, Prosegur companies domiciled in this country are required to make a provision for employee retirement bonuses. An actuarial study has been conducted to quantify the present value, using the following parameters:

- Annual inflation rate: 2%
- Annual discount rate: 4.5%
- Annual salary growth rate: 2%
- Turnover of employees under 50: between 2% and 12.5%
- Retirement age: 65

The above are considered as defined benefit obligations, as the benefit that the employee will receive on retirement depends on one or more factors, such as age, length of service and remuneration.

Defined benefit liabilities recognised in the balance sheet reflect the present value of obligations at the balance sheet date, adjusted for any unrecognised actuarial gains and losses and past service costs. This obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the obligation is determined by discounting estimated future cash outflows based on the aforementioned assumptions. The obligation acquired by Prosegur at 31 December 2010 in relation to defined benefits is Euros 2,208 thousand (Euros 1,837 thousand in 2009), recognised under non-current provisions (note 24).

Actuarial gains and losses arising from adjustments made as a result of experience and changes in actuarial assumptions are recognised in the income statement over the employees' expected remaining average working lives. Past service costs are expensed immediately.

37.18. Revenue recognition

Revenues include the fair value for the sale of goods and services, net of value added tax, discounts and returns and after eliminating intra-group sales.

Prosegur recognises revenues when the amount can be measured reliably, it is probable that the future economic benefits will flow to the entity and the specific terms are met for each of Prosegur's activities.

Revenue is recognised on an accruals basis applying the following criteria:

- a) Sales of goods, mainly security installations and home alarm systems, are recognised when the product has been delivered to, and accepted by, the customer. These revenues are measured at the fair value of the corresponding receivable.
- b) Sales of active security patrol, securities logistics and cash management services are recognised in the reporting period in which the services are rendered, without including taxes levied on these transactions, deducting any discounts included in the invoice as a reduction in the transaction amount.
- c) Revenues from the home alarm system activity are recognised in the reporting period in which the services are rendered, without including the taxes levied on these transactions, deducting any discounts included in the invoice as a reduction in the transaction amount. In some alarm monitoring contracts, the customer does not purchase the equipment installed. Under the general alarm system rental contract, Prosegur receives an initial amount when the contract is signed and a regular instalment for the rental of the installed equipment and the services rendered. Prosegur defers the revenue received in advance when the contract is signed, taking it to the income statement over the average contract term. The average contract term is estimated based on the average annual customer churn rate.
- d) Interest received is recognised over the period of the outstanding principal and considering the effective interest rate applicable. When a receivable is impaired, Prosegur writes down the carrying amount to the recoverable amount, discounting estimated future cash flows at the original effective interest rate of the instrument. The discounting continues to be recognised as a reduction in the interest received. Interest on

impaired loans is recognised using the effective interest method.

- e) Dividends received are recognised when the right to receive payment is established.

37.19. Leases

When a Prosegur entity is the lessee

Leases of property, plant and equipment in which Prosegur assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is divided into reductions in the payable and the finance expense, thereby maintaining a constant interest rate on the outstanding debt. The lease payable, net of the corresponding finance expense, is recognised under financial liabilities. The interest within the finance expense is taken to the income statement over the lease term in order to establish a regular interest rate on the outstanding debt in each period. Property, plant and equipment acquired under finance lease contracts are depreciated over the lower of the useful life of the asset and the lease term when there is no possibility of Prosegur assuming ownership; otherwise, they are depreciated over the estimated useful life of the asset.

Leases in which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease (net of any incentive received) are recognised as an expense on a straight-line basis over the lease term.

When a Prosegur entity is the lessor

Assets leased to third parties under operating lease contracts are recognised as property, plant and

equipment in the balance sheet. These assets are depreciated over their expected useful lives based on criteria in line with those applied to similar assets owned by Prosegur. Lease income is recognised on a straight-line basis over the expected useful life of the asset.

37.20. Interest cost

Prosegur recognises interest cost directly attributable to the purchase, construction or production of qualifying assets as an increase in the value of these assets. Qualifying assets are those which require a substantial period of time before they can be used or sold.

37.21. Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

When the outcome of a construction contract can be estimated reliably and the contract is likely to yield a profit, contract revenue is recognised over the duration of the contract. When the costs of the contract are likely to exceed the total revenue from it, the expected losses are recognised as an expense immediately.

Prosegur uses the stage of completion method to calculate the amount recognised in a certain period. The stage of completion is determined by calculating the percentage of estimated total contract costs represented by costs incurred at the reporting date. Costs incurred during the year in relation with future contract activity are excluded from the contract costs used to determine the stage of completion. These costs are recognised as inventories, prepayments or other assets, depending on their nature.

Prosegur recognises the gross receivable from customers in relation to work on all contracts in force when the costs incurred plus recognised profit (or less recognised losses) exceed the portion invoiced to date. The outstanding portion invoiced to date and retention payments are recognised under trade and other receivables.

Prosegur recognises the gross amount payable to customers in relation to work on all current contracts when the portion invoiced to date exceeds the costs incurred plus recognised profit (or less recognised losses).

37.22. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale when the carrying amount is principally recoverable through a sale, provided that the sale is considered highly probable. The assets are recognised at the lower of the carrying amount and the fair value less costs to sell, provided that their carrying amount is principally recoverable through a sales transaction instead of a continuing operation.

37.23. Distribution of dividends

Dividends distributed to the Company's shareholders are recognised as a liability in the consolidated annual accounts in the year in which the dividends are approved by the shareholders.

37.24. Environmental issues

The cost of armoured vehicles compliant with the Euro III standard on non-polluting emissions is recognised as an increase in the carrying amount of the asset, giving rise to an income tax credit. At 31 December 2011 the Company has no contingencies, legal claims or income and expenses relating to the environment.

38. Financial Risk Management

38.1. Financial risk factors

Prosegur's activities are exposed to currency risk, interest rate risk, price risk, credit risk and liquidity risk. Prosegur's global risk management programme aims to reduce these risks using a variety of methods, including financial instruments.

The Finance Department identifies, proposes and carries out the management of these risks along with other operating units of Prosegur in accordance with policies approved by the Executive Committee.

Currency risk

Prosegur operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the Argentinean Peso, Brazilian Real, Chilean Peso, Peruvian Sol and, to a lesser extent, the Colombian Peso, Mexican Peso, Uruguayan Peso and Paraguayan Guaraní. Currency risk arises when future commercial transactions, equity investments, results from operating activities and financial positions are presented in a foreign currency other than Prosegur's functional currency.

To control the risk arising in these operations, Prosegur's policy is to use appropriate instruments to balance and neutralise the risks associated with monetary in- and outflows, considering market expectations.

As Prosegur intends to remain in the foreign markets in which it is present in the long term, it does not hedge equity investments, assuming the risk relating to the translation to Euros of the assets and liabilities denominated in foreign currencies.

However, Prosegur does hedge, either through financial instruments or by using natural hedges, the profit and loss generated and the protection of cash surpluses in those currencies that contribute significantly to Prosegur's results from operating activities.

The value of the financial assets and liabilities attributable to the parent company, by type of currency, is as follows:

Thousands of Euros

At 31 December 2010

Currency	Assets	Liabilities
Euro	541,500	734,871
Brazilian Real	189,706	132,467
Argentinean Peso	169,528	69,708
Chilean Peso	28,370	31,073
Peruvian Sol	24,296	12,933
Other currencies	51,805	28,868
■ Total position	1,005,205	1,009,920

At 31 December 2009

Currency	Assets	Liabilities
Euro	346,641	525,347
Brazilian Real	168,062	154,498
Argentinean Peso	111,044	48,569
Chilean Peso	30,251	31,255
Peruvian Sol	17,608	14,040
Other currencies	37,948	24,607
■ Total position	711,554	798,316

Had the non-functional currencies weakened by 10% against the Euro, the impact on the Company's equity would total Euros 46,447 thousand.

At 31 December 2010, had the non-functional currencies weakened by 10% against the Euro, with the other variables remaining constant, post-tax profit would have been Euros 9,744 thousand lower, mainly as a result of losses and gains on translating the net financial position of cash and cash equivalents denominated in foreign currencies.

Credit risk

Prosegur is not significantly exposed to credit risk. Bad debts are not a significant factor in the sector in which it

operates. Independent credit ratings of customers are used if available. Otherwise, the Credit Control Department assesses each customer's credit rating, considering financial position, past experience and other factors. Individual credit limits are established based on internal and external ratings in accordance with the limits set by the Finance Department. Credit limits are regularly monitored.

Prosegur has formal procedures for detecting objective evidence of impairment of trade receivables. It identifies significant delays in payments and the methods to follow to estimate the impairment loss based on an individual analysis by business area. The provision for impairment of trade receivables at 31 December 2010 amounts to Euros 41,253 thousand (note 17). As the credit ratings relating to trade recei-

vables not included in this provision are sufficient, this provision is considered to cover the credit risk.

In Spain, the collections department manages an approximate volume of 8,000 customers with monthly average turnover of Euros 9,300 per customer. 80% of payments are made by bank transfer

and the remaining 20% in notes (cheques, promissory notes etc.).

Details of the percentage of total Prosegur turnover represented by the eight main customers in 2010 are as follows:

Counterparty	% turnover
Customer 1	4.49%
Customer 2	4.47%
Customer 3	3.60%
Customer 4	2.29%
Customer 5	1.89%
Customer 6	1.84%
Customer 7	1.73%
Customer 8	1.15%

As explained in note 17, in 2007 Prosegur contracted a securitisation programme for part of its customer portfolio whereby receivables are sold without recourse, transferring the associated credit risk.

Other current financial assets (note 18) mainly include fixed-term deposits which are exposed to risk of default by the counterparties which, in all cases, are financial institutions with guaranteed solvency and high credit ratings that are not sensitive to adverse changes in the economic climate.

Liquidity risk

A prudent policy to managing liquidity risk is based on having sufficient cash and marketable securities, as well as sufficient short-, medium- and long-term financing through credit facilities, to reach Prosegur's business targets safely, efficiently and on time. The group's Treasury Department aims to maintain liqui-

dity and sufficient availability to guarantee Prosegur's business operations.

Management monitors Prosegur's liquidity reserves, which comprise credit drawdowns (note 25) and available cash and cash equivalents (note 19), and are forecast based on expected cash flows.

Prosegur's liquidity position for 2011 is based on the following:

- At 31 December 2010, available cash and cash equivalents amount to Euros 170,018 thousand.
- At 31 December 2010, Euros 341,131 thousand is available from undrawn credit facilities.
- Cash flows from operating activities in 2010 amount to Euros 201,399 thousand (Euros 157,731 thousand in 2009). This demonstrates Prosegur's capacity for generating significant and recurrent operating cash flows.

The table below presents an analysis of the financial liabilities that will be settled for the net amount, grouped by maturities based on the period remaining

from the balance sheet date until contractual maturity dates. The amounts presented in this table reflect the cash flows stipulated in the contracts.

Thousands of Euros

At 31 December 2010

Bank loans

Credit facilities

Finance leases

At 31 December 2009

Bank loans

Credit facilities

Finance leases

Less than one year	One to two years	Two to five years	Total
233,931	15,333	149,462	398,726
54,942	-	-	54,942
6,795	5,103	4,472	16,370
84,055	145,835	15,791	245,681
47,797	-	-	47,797
5,750	5,793	5,734	17,277

Finally, systematic forecasts are prepared for cash generation and requirements, allowing Prosegur to determine and monitor its liquidity position on an ongoing basis.

The exposure of Prosegur's financial liabilities (excluding other payables) at the contract review dates are as follows:

Interest rate, cash flow and fair value risks

Prosegur is exposed to interest rate risk due to its monetary assets and liabilities.

Thousands of Euros

At 31 December 2010

■ **Total financial liabilities (excluding other payables)**

■ **Total interest**

Thousands of Euros

At 31 December 2009

■ **Total financial liabilities (excluding other payables)**

■ **Total interest**

Six months or less	6-12 months	One to five years	Total
418,463	24,080	27,495	470,038
3,489	761	6,684	10,934
Six months or less	6-12 months	One to five years	Total
243,164	36,852	30,741	310,757
957	1,553	4,476	6,986

Prosegur analyses its interest rate risk exposure dynamically. In 2010 the majority of Prosegur's financial liabilities at floating interest rates were denominated in Euros.

Management performs a simulation of various scenarios, considering refinancing, the renewal of current positions, alternative financing and hedges. Based on these scenarios, Prosegur calculates the effect of a

certain variation in interest rates on profit and loss. For each simulation, the same interest rate variation is used for all currencies. The scenarios are only analysed for the liabilities that represent the most significant positions in which a floating interest rate is paid.

Based on the different scenarios, Prosegur manages cash flow interest rate risks through fixed-to-variable and variable-to-fixed interest rate swaps.

In 2010, Prosegur has used interest rate swaps to provide a more flexible structure for drawing down funds (note 15).

Details of loans and borrowings at 31 December 2010 and 2009, indicating the portion considered to be hedged, either at a fixed rate or using derivatives, are as follows:

Thousands of Euros

Segment	Total Debt	Hedged Debt	Exposed Debt
At 31 December 2010			
Europe	427,930	100,000	327,930
LatAm	25,738	14,433	11,305
■ Total position	453,668	114,433	339,235
At 31 December 2009			
Europe	257,878	100,000	157,878
LatAm	35,600	12,355	23,245
■ Total position	293,478	112,355	181,123

Hedged debt at 31 December 2010, includes a fixed-interest bank loan of Euros 14,433 thousand and balances totalling Euros 10,000 thousand that are considered to be hedged by the combination of derivatives described in note 12.

At 31 December 2010, had interest rates on bank loans and borrowings been 100 basis points higher, with the other variables remaining constant, post-tax profit would have been Euros 2,549 thousand lower, mainly because of higher interest costs on variable-interest loans.

Price volatility risk

As Prosegur's main activity is a service business, which is heavily based on human capital, there are no

significant price volatility risks. In 2010 Prosegur has used collar structures to limit the impact of the cost of diesel used in its fleet of armoured vehicles.

38.2. Capital risk management

Prosegur's capital management is aimed at safeguarding the group's capacity to continue operating as a going concern, with the aim of providing shareholder remuneration and benefiting other equity holders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, Prosegur can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, Prosegur controls its capital structure on a leverage ratio basis. This ratio is calculated as net financial debt divided by total capital. Net financial debt is the sum of current and non-current financial liabilities (excluding other non-bank payables) plus/less net derivative financial instruments, less cash and cash equivalents, less other

current financial assets, as presented in the consolidated balance sheet. Total capital is the sum of equity plus net financial debt, as presented in the consolidated balance sheet.

The leverage ratio at 31 December 2010 and 2009 is as follows:

<i>Thousands of Euros</i>		2010	2009 (restated)
Financial liabilities (note 25)		549,360	395,371
Plus/less: derivative financial instruments (note 15)		3,323	1,735
Less: other non-bank debt (note 25)		(79,323)	(84,616)
Less: cash and cash equivalents (note 19)		(170,018)	(78,013)
Less: other current financial assets (note 18)		(128,988)	(552)
Net financial debt		174,354	233,925
Equity		666,568	525,349
■ Total share capital		840,922	759,274
■ Leverage ratio		0.21	0.31
■ Net financial debt/equity ratio		0.26	0.45

38.3. Estimating fair value

The fair value of financial instruments traded on an active market (such as derivatives quoted on stock exchanges and investments acquired for trading) is based on market prices at the balance sheet date. The market price used by Prosegur for financial assets is the current buying price. The appropriate market price for financial liabilities is the current asking price.

The fair value of financial instruments not traded on an active market is determined using valuation techniques. Prosegur uses various different measures and makes assumptions based on market conditions existing at each balance sheet date. Market prices for similar instruments are used to measure non-current payables. To determine the fair value of the remaining

financial instruments, Prosegur uses other techniques such as discounted estimated cash flows. The fair value of interest rate swaps is the present value of the estimated future cash flows. The fair value of forward exchange contract is determined using forward exchange rates on the market at the balance sheet date.

Prosegur classifies fair value using a fair value hierarchy that ranks the inputs used by importance. The levels of this fair value hierarchy are as follows:

- Level 1: (unadjusted) quoted prices on an active market for identical assets or liabilities.
- Level 2: inputs other than the quoted prices included in level 1 that can be observed for the asset or liability either directly (such as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs used for the asset or liability that are not supported by observable market data (unobservable inputs).

The level of fair value measurement within this hierarchy is based on the lowest level of inputs that is relevant to the measurement as a whole. For this purpose, the relevance of an input is assessed with regard to the entire measurement. If the fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is classified as level three. Assessing the relevance of a particular input to measure fair value as a whole requires judgement, considering the specific factors of the asset or liability.

The nominal amount of receivables and payables less estimated credit adjustments is considered to be similar to their fair values. For the purpose of presenting financial information the fair value of financial liabilities is estimated by discounting contractual future cash flows at the current market interest rate available to Prosegur for similar financial instruments.

39. Relevant accounting estimates and judgements

Estimates and judgements are evaluated constantly and based on historical experience and other factors, including expectations of future events that are considered reasonable given the circumstances.

Prosegur makes estimates and judgements regarding the future. The resulting accounting estimates, by definition, are rarely the same as actual results. The estimates and judgements that present significant risk of a material adjustment to the carrying amounts of assets and liabilities in the subsequent reporting period are as follows:

Estimated impairment of goodwill

Prosegur tests goodwill for impairment annually, in accordance with the accounting policy described in note 37.7. The recoverable amount of a cash-generating unit (CGU) is determined based on its value in use. This calculation requires the use of estimates.

The recoverable amount is the higher of market value less costs to sell and value in use, which is understood to be the present value of estimated future cash flows. To estimate value in use, Prosegur forecasts future pre-tax cash flows based on the most recent budgets approved by management. These budgets reflect the best available estimates of the cash-generating units (CGUs)'s income and expenses based on past experience and future expectations.

These budgets have been prepared for the next four years, and future cash flows have been calculated by applying reasonable non-increasing growth rates that do not exceed the growth rates of prior years. Prosegur prepares estimates for the next four years as it considers this to be the most suitable period for activities in the sector in which it operates.

Cash flows are discounted to present value at a rate that reflects the cost of capital of the business and the geographical region in which it operates. Prosegur considers the present value of money and risk premium calculations currently in general use among analysts for the geographical area.

If the recoverable amount is less than the carrying amount of the asset, the difference is recognised under impairment losses in the consolidated income statement.

Impairment of goodwill recognised may not be reversed.

Along with the analysis of impairment, Prosegur has also performed a sensitivity analysis on goodwill (note 12).

As well as testing for impairment, Prosegur performs a sensitivity analysis on goodwill (note 12) which consists of verifying the impact on the recoverable amount of a CGU of the following deviations in key assumptions:

- A 10% reduction in EBITDA estimated in the budgets approved by management.
- A 10% rise in the estimated pre-tax discount rate applied to cash flows.

Income tax

Prosegur is subject to income tax in various jurisdictions. A significant degree of judgement is required to determine the provision for income tax payable by the group. In many transactions and calculations during the ordinary course of business, the final tax amount is uncertain. Prosegur recognises tax contingencies that it expects to arise based on estimates when it considers that additional taxes will be payable. If the tax finally paid in these cases differs from the amounts initially recognised, these differences affect income tax and the provision for deferred taxes for the year in which they were calculated.

Based on the estimates made, management does not consider that any additional taxes will be required this year.

Fair value of derivatives or other financial instruments

The fair values of financial instruments not traded on an active market are measured using valuation techniques. Prosegur uses its judgement to select methods and make assumptions based mainly on market conditions existing at each balance sheet date.

Claims

Management estimates the provisions for future claims based on historical claims, as well as any recent trends indicating that past information on costs could differ from future claims. Management is assisted by external labour, legal and tax advisors to make the best estimates.

Employee benefits

The present value of employee benefits depends on a number of factors determined using various assumptions. The assumptions employed to calculate the net expense (income) include the discount rate. Any change in these assumptions will affect the carrying amount of employee benefits.

Prosegur determines the appropriate discount rate at the balance sheet date. This is the interest rate that should be used to determine the present value of the expected future cash outflows necessary to settle the obligation. To determine the appropriate discount rate, Prosegur considers the interest rates of corporate bonds of a currency and term consistent with the currency and term of the employee benefit obligations.

Other key assumptions used to measure these employee benefit obligations are partly based on present market conditions.

APPENDIX I. - Consolidated Subsidiaries

Information at 31 December 2010

Company	Registered offices	Carrying amount in thousands of Euro.	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Prosegur Gestión de Activos, S.L.U.	Pajaritos, 24 (MADRID)	50	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Servimax Servicios Generales, S.A.	Pajaritos, 24 (MADRID)	86	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Activa Holding, S.L.U.	Pajaritos, 24 (MADRID)	5,122	100.0	Prosegur Cia de Seguridad, S.A.	a	4	A
Prosegur Activa España S.L.U.	Pajaritos, 24 (MADRID)	4,615	100.0	Prosegur Activa Holding, S.A.	a	2	A
Prosegur Servicio Técnico, S.L.U.	Pajaritos, 24 (MADRID)	3	100.0	Prosegur Cia de Seguridad, S.A.	a	1	B
Formación Selección y Consultoría S.A.	Santa Sabina, 8 (MADRID)	120	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Transporte de Valores, S.A.	Pº de las Acacias, 51 (MADRID)	1,030	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Multiservicios S.A.	Pajaritos, 24 (MADRID)	150	100.0	Prosegur Activa España, S.A.	a	2	B
Prosegur Tecnología, S.L.U.	Avda. Primera, B-1 (A CORUÑA)	16,117	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
ESC Servicios Generales, S.L.U.	Avda. Primera, B-1 (A CORUÑA)	6	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur International Handels GMBH	Poststrabe, 33 (HAMBURG)	34,829	100.0	Malcoff Holding BV	a	4	B
Malcoff Holdings BV	Schouwburgplein, 30-34 (ROTTERDAM)	172,109	100.0	Prosegur Cia de Seguridad, S.A.	a	4	B
Reinsurance Bussiness Solutions Limited	80 Harcourt Street (DUBLIN)	635	100.0	Prosegur Cia de Seguridad, S.A.	a	5	A
Prosegur Distribuição e Serviços, Lda.	Av.Infante Dom Henrique, 326 (LISBOA)	3,277	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Companhia de Seguranca, Lda	Av.Infante Dom Henrique, 326 (LISBOA)	15,784	100.0	Prosegur Cia de Seguridad, S.A.	a	3	A
Prosegur France, S.A.	84 Rue des Aceries (SAINT ETIENNE)	35,224	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Sécurité Humaine EURL	84 Rue des Aceries (SAINT ETIENNE)	3,532	100.0	Prosegur France, S.A.	a	1	A
Prosegur Teleservellance EURL	3 Alle de L'ectronique (SAINT ETIENNE)	808	100.0	Prosegur France, S.A.	a	1	B
Jean Jaures SCI	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	61	100.0	Prosegur France, S.A.	a	1	B
Prosegur SAS	8 Avenue Descartes (Les Plessis Robinson)	150	100.0	Prosegur France, S.A.	a	1	B
Prosegur Traitement de Valeurs EURL	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	593	100.0	Prosegur France, S.A.	a	1	A
Valtis, S.A.	2 Rue Lovoisier BP 61609 25010 Besancon Cedex 3	13,078	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Valtis Rhone Alpes, S.A.	10 Rue Jean Gay (Lyon)	169	100.0	Valtis, S.A.	a	1	B
Prosegur Technologie SAS	84 Rue des Aceries (SAINT ETIENNE)	1,524	100.0	Prosegur France, S.A.	a	1	A
SAS BFA	8 Avenue Descartes (Les Plessis Robinson)	0	33.5	Prosegur Cia de Seguridad, S.A.	a	1	B
		1	65.5	Prosegur France, S.A.			
Sarl Initiale	8 Avenue Descartes (Les Plessis Robinson)	1	100.0	Prosegur France, S.A.	a	7	B
Esta Service, SASU	84 RUE DES ACIERIES 42000 SAINT ETIENNE (FRANCIA)	0	100.0	Prosegur Cia de Seguridad, S.A.	a	7	B
Prosegur Services SARL	84 RUE DES ACIERIES 42000 SAINT ETIENNE (FRANCIA)	0	100.0	Prosegur Cia de Seguridad, S.A.	a	7	B
Transportadora de Caudales de Juncadella SA	Tres Arroyos 2835 Ciudad de Buenos Aires	0	5.0	Armor Acquisition SA Juncadella Prosegur Internacional S.A.	a	1	A
		0	95.0				
Armor Acquisition SA	Tres Arroyos 2835 Ciudad de Buenos Aires	5,523	5.0	Prosegur Cia de Seguridad, S.A.	a	4	A
		22,148	95.0	Prosegur International handels GMBH			
Juncadella Prosegur Internacional S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	12,990	68.8	Armor Acquisition SA	a	4	A
		11,675	31.2	Prosegur International handels GMBH			

Information at 31 December 2010

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Prosegur Seguridad, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	85	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
		2	5.0	Armor Acquisition SA			
Prosegur Vigilancia Activa, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	18	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
		1	5.0	Armor Acquisition SA			
Servicios Auxiliares Petroleros, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	870	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
		46	5.0	Armor Acquisition SA			
Xiden, S.A.C.I.	Olleros, 3923 Ciudad de Buenos Aires	2,101	8.8	Prosegur Cia de Seguridad, S.A.	a	1	A
		3,920	91.2	Juncadella Prosegur Internacional S.A.			
Prosegur Tecnología Argentina, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	3,003	4.3	Prosegur Cia de Seguridad, S.A.	a	1	A
		3,898	95.7	Juncadella Prosegur Internacional S.A.			
General Industries Argentina, S.A.	Herrera, 1175 Ciudad de Buenos Aires	2,786	90.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		345	10.0	Juncadella Prosegur Internacional S.A.			
Tellex, S.A.	Rincón 1346. Ciudad de Buenos Aires	4,723	95.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		193	5.0	Armor Acquisition SA			
Prosegur Holding, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	3,488	90.0	Prosegur Activa Holding S.L.U.	a	4	A
		388	10.0	Prosegur Activa España S.L.U.			
Prosegur Inversiones, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	392	90.0	Prosegur Activa Holding S.L.U.	a	4	A
		44	10.0	Prosegur Activa España S.L.U.			
Prosegur Activa Argentina, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	0	90.0	Prosegur Holding, S.A.	a	2	A
		0	10.0	Prosegur Inversiones, SA			
Prosegur, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	6,199	95.0	Juncadella Prosegur . Internacional S.A	a	1	A
		576	5.0	Armor Acquisition SA			
Compañía Ridur SA	Guarani 1531 (Montevideo)	925	100.0	Juncadella Prosegur Internacional S.A.	a	7	B
Prosegur Transportadora de Caudales SA	Guarani 1531 (Montevideo)	1,021	99.9	Juncadella Prosegur Internacional S.A.	a	1	A
		1	0.1	Armor Acquisition SA			
Transportadora de Caudales Silviland	Guarani 1531 (Montevideo)	0	100.0	Prosegur Transportadora de Caudales SA	a	7	B
Prosegur Activa Uruguay, S.A.	Bvrd.Artigas 2629 (Montevideo)	1,254	95.0	Prosegur Activa Holding S.L.U.	a	2	A
		66	5.0	Prosegur Activa España S.L.U.			
Nautiland, SA	Martiniano Chiozzi s/n - Maldonado	2,935	100.0	Prosegur Activa Uruguay, S.A.	a	2	A
Blindados, SRL	Guarani 1531 (Montevideo)	448	99.0	Prosegur Transportadora de Caudales SA	a	7	B
		5	1.0	Prosegur Uruguay Compañía de Seguridad, S.A.			
Genper, S.A.	Rodo Jose Enrique 1761 - Montevideo	853	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Uruguay Compañía de Seguridad, S.A.	Bvrd.Artigas 2629 (Montevideo)	735	90.0	Prosegur, S.A.	a	1	A
		47	10.0	Armor Acquisition SA			
TSR Participacoes Societarias SA	Tomas Edison, 1250. Barra Funda - São Paulo - SP	60,633	76.0	Juncadella Prosegur. Internacional S.A	a	4	A
		41,353	24.0	SGCE Participações Societarias SA			
Prosegur Brasil SA Transportadora de Valores e Segurança	Guaratã, 633 - Prado - Belo Horizonte - MG	109,711	100.0	TSR Participacoes Societarias SA	a	1	A
Prosegur Sistemas de Segurança Ltda	Guaratã, 667 - Prado - Belo Horizonte - MG	0	1.0	Prosegur Brasil SA Transportadora de Valores e Segurança	a	1	A
		0	99.0	TSR Participacoes Societarias SA			

Information at 31 December 2010

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
CTP Centro de Treinamento Prosegur Ltda	Estrada Geral S/N Bairro Passa Vinte – Pailhoça/SC	0	99.6	Prosegur Brasil SA Transportadora de Valores e Segurança	a	6	B
		0	0.4	Prosegur Sistemas de Segurança Ltda			
Prosegur Administração de Recebíveis Ltda	AV. Thomas Edison, 813, sobre loja, Sala 02, Barra Funda, São Paulo	0	99.8	Prosegur Brasil SA Transportadora de Valores e Segurança	a	6	B
		1	0.2	Prosegur Sistemas de Segurança Ltda			
Prosegur Tecnologia em Sistemas e Incendios Ltda	Rua Barão do Bananal, 1.301, Vila Pompéia, São Paulo	17,403	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Setha Indústria Eletrônica Ltda. e Incendios Ltda.	Rua Alvares de Macedo, 134, E144, Parada de Lucas, Rio de Janeiro	7,219	99.6	Prosegur Tecnologia em Sistemas de Segurança Eletrônica	a	1	A
		29	0.4	TSR Participações Societárias SA			
SGCE Participações Societárias SA	Av. Thomas Edison, 813, SL 03, Barra Funda, São Paulo	198	100.0	Juncadella Prosegur Internacional S.A.	a	4	A
Prosegur Activa Alarmes Ltda.	Av. Thomas Edison, 813, 2º andar, Barra Funda, São Paulo	20	97.0	Prosegur Activa Holding, S.L.U.	a	7	B
		0	2.0	Prosegur Tecnologia em Sistemas de Segurança Eletrônica e Incendios Ltda.			
		0	1.0	Prosegur Cia de Seguridad, S.A.			
Martom Segurança Electronica Ltda.	Estrada da Boiada, numero 2344, piso superior, sala 02. Ciudad Nova Vinhedo, São Paulo	9,190	100.0	Prosegur Tecnologia em Sistemas Ltda. de Segurança Eletrônica e Incendios	a	1	A
Prosegur Gestao de Efetivos Ltda.	Av. Thomas Edison, 813, SL 03, Barra Funda, São Paulo	0	99.9	Prosegur Cia de Seguridad, S.A.	a	7	B
		0	0.1	TSR Participações Societárias SA			
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of. 203, Renca, Santiago	0	100.0	Juncadella Prosegur Internacional S.A.	a	4	A
Capitaciones Ocupacionales Sociedad Ltda.	Los Gobelinos 2567 Of. 100, Renca, Santiago	383	83.1	Prosegur Cia de Seguridad, S.A.	a	6	A
		20	6.8	Prosegur International handels GMBH			
		44	10.1	Juncadella Prosegur Group Andina			
Servicios Prosegur Ltda	Los Gobelinos 2567, Renca, Santiago	1,533	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Sociedad de Distribución Canje y Mensajería Ltda.	Los Gobelinos 2548, Renca, Santiago	1,311	48.7	Prosegur Cia de Seguridad, S.A.	a	6	A
		0	30.6	Juncadella Prosegur Group Andina			
		265	20.7	Prosegur International handels GMBH			
Servicios de Seguridad Prosegur Regiones Limitada	Los Gobelinos 2567, Renca, Santiago	1,075	99.0	Prosegur Chile, S.A.	a	1	A
		0	1.0	Juncadella Prosegur Group Andina			
Empresa de Transportes Compañía de Seguridad Chile Ltda	Los Gobelinos 2567, Renca, Santiago	3,430	60.0	Juncadella Prosegur Group Andina	a	1	A
		998	40.0	Prosegur International handels GMBH			
Prosegur Tecnologia Chile Limitada	Lo Boza107, Mod. 3 Pudahuel – Santiago	1	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Activa Chile S.L.	Catedral 1009, piso 14 - Santiago Centro	0	99.0	Prosegur Activa Holding, S.L.U.	a	2	A
		0	1.0	Prosegur Activa España S.L.U.			
Prosegur Chile, S.A.	Los Gobelinos 2567, Renca, Santiago	1,066	70.0	Prosegur, S.A.	a	1	A
		563	30.0	Prosegur International handels GMBH			
Prosegur Paraguay SA	C/ Artigas, esq. Concepción Leyes de Chávez. Asunción	0	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	1.0	Transportadora de Caudales de Juncadella SA			
Prosegur Tecnologia Paraguay, SA	C/ Artigas, esq. Concepción Leyes de Chávez Asunción	9	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	1.0	Transportadora de Caudales de Juncadella SA			
Compañía de Seguridad Prosegur SA	Av. Morro Solar 1086 - Surco - Lima - Perú	0	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48.0	Transportadora de Caudales de Juncadella SA			

Information at 31 December 2010

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Proseguridad SA	Av. Los Próceres 250 - Surco - Lima - Perú	0	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48.0	Transportadora de Caudales de Juncadella SA			
Prosegur Cajeros SA	Calle La Chira 103 Urb. Santa Teresa de las Gardenias, Surco, Lima-Perú	17	52.0	Juncadella Prosegur Internacional S.A.	a	1	B
		16	48.0	Transportadora de Caudales de Juncadella SA			
Prosegur Tecnología Perú SA	Calle La Chira 103 Urb. Santa Teresa de las Gardenias, Surco, Lima-Perú	228	99.0	Prosegur Cia de Seguridad, S.A.	a	1	B
		0	1.0	Prosegur Tecnología, S.L.U.			
Orus, S.A.	Av. Los Próceres 250 - Surco - Lima - Perú	5,284	84.8	Proseguridad SA	a	1	A
		891	14.3	Inversiones RB, SA			
		56	0.9	Compañía de Seguridad Prosegur SA.			
Orus Selva, SA	Caserio Palmawasi - Uchiza Tocache - San Martín, Perú	8,985	90.0	Orus, S.A.	a	1	B
		998	10.0	Compañía de Seguridad Prosegur SA.			
Inversiones RB, SA	Av. Nicolás Arriola 780 Urb. Santa Catalina. La Victoria - Lima - Perú	2,711	99.0	Proseguridad SA	a	4	B
		27	1.0	Compañía de Seguridad Prosegur SA.			
Prosegur Activa Peru, SA	Av. República de Panamá 3890 - Surquillo Lima, Perú	8,403	99.0	Prosegur Activa Holding, S.L.U	a	2	A
		84	1.0	Prosegur Activa España S.L.U			
Teleemergencia, SAC	Av. República de Panamá 3890 - Surquillo Lima, Perú	3,674	99.0	Prosegur Activa Holding, S.L.U	a	2	B
		37	1.0	Prosegur Activa España S.L.U			
Compañía Transportadora de Valores Prosegur de Colombia, S.A.	Avda. De las Américas, 42-25 Bogotá	27,125	94.9	Prosegur Cia de Seguridad, S.A.	a	1	A
		1,040	5.1	Prosegur Transporte de Valores, S.A.			
Prosegur Mexico S de RL de CV	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	0	95.4	Prosegur Cia de Seguridad, S.A.	a	6	B
PRO-S Compañía de Seguridad Privada, SA de C.V.	Norte 79 B No. 77 planta alta. Colonia Sector Naval. 02080 MEXICO D.F.	4,034	100.0	Prosegur Mexico S de RL de CV	a	1	A
Prosegur Seguridad Privada Logística y Gestión de Efectivo, S.A. de C.V.	Norte 79 B No. 75 Colonia Sector Naval. 02080 MEXICO D.F.	16,349	100.0	Prosegur Mexico S de RL de CV	a	1	A
Prosegur Seguridad Privada S.A. de CV.	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	2,172	100.0	Prosegur Mexico S de RL de CV	a	1	A
Prosegur Consultoría y Servicios Administrativos de RL de CV	Norte 79 B No. 75 Colonia Sector Naval. 02080 MEXICO D.F.	32	100.0	Prosegur Mexico S de RL de CV	a	6	A
Prosegur Servicios de Seguridad Privada Electrónica SA de CV	C/ Piña 297 Colonia Nueva Santa María. 02820 MEXICO D.F.	32	100.0	Prosegur Mexico S de RL de CV	a	1	B
Prosegur Custodias, S.A. de CV	C/ Alfredo Nobel, 21. Colonia Los Reyes Industrial. 54073 TLALNEPANTLA	2,641	100.0	Prosegur Mexico S de RL de CV	a	1	A
Protec Humano, SA de C.V.	Avda Cuittahuac 3435 - San Bernabe. 02830 MEXICO D.F.	1	50.0	Prosegur Mexico S de RL de CV	a	7	B
		0	50.0	PRO-S Compañía de Seguridad Privada, SA de C.V.			
Prosegur Tecnología, SA de C.V.	Piña 297 Piso 1, Col. Hogar y Seguridad, D.F. C.P. 02820	109	100.0	Prosegur Mexico S de RL de CV	a	1	B
Rosegur Cash Services	Bulevardul Ghica Tei , Nr. 64-70, Sector 2, Cod 023708, Bucuresti, Romania	230	51.0	Prosegur Cia de Seguridad, S.A.	a	1	B
		109	49.0	Rosegur, S.A.			
Pitco Asia Pacific Ltd	Suite 1201 Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong	0	100.0	Prosegur Cia de Seguridad, S.A.	a	7	B

Basis of consolidation:

The circumstances considered in article 42 of the Spanish Code of Commerce are as follows:

- a) The parent company owns the majority of voting rights.
- b) The parent company has the power to appoint or remove the majority of the members of the board of directors.
- c) The parent company could own over half of the voting rights by virtue of an agreement with other investors.
- d) The majority of members of the board of directors at the date on which the consolidated annual accounts are authorised for issue and in the two immediately preceding reporting periods were appointed solely with the parent company's votes.
- e) Sole administration of one or more companies by any other means.

Unless indicated otherwise, the most recent reporting period ended on 31 December 2010

Activity:

1. Business security business group activities
2. Home security business group activities
3. Activities from both business groups
4. Holding company
5. Financial services
6. Auxiliary services
7. Idle

Auditor

- A Audited by KPMG
 B Not subject to audit
 C Audited by other auditors

Information at 31 December 2009

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Servimax Servicios Generales, S.A.	Pajaritos, 24 (MADRID)	86	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Activa Holding, S.L.U.	Pajaritos, 24 (MADRID)	5,122	100.0	Prosegur Cia de Seguridad, S.A.	a	4	B
Prosegur Activa España S.L.U.	Pajaritos, 24 (MADRID)	4,615	100.0	Prosegur Activa Holding, S.A.	a	2	A
Prosegur Servicio Técnico, S.L.U.	Pajaritos, 24 (MADRID)	3	100.0	Prosegur Cia de Seguridad, S.A.	a	1	B
Formación Selección y Consultoría S.A.	Conde de Cartagena, 4 (MADRID)	120	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Transportes de Valores, S.A.	Pº de las Acacias, 51 (MADRID)	1,030	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Multiservicios S.A.	Pajaritos, 24 (MADRID)	150	100.0	Prosegur Activa España, S.A.	a	2	B
Prosegur Tecnología, S.L.U.	Avda. Primera, B-1 (A CORUÑA)	16,117	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
ESC Servicios Generales, S.L.U.	Avda. Primera, B-1 (A CORUÑA)	6	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur International Handels GMBH	Poststrabe, 33 (HAMBURG)	34,829	100.0	Malcoff Holding BV	a	4	B
Malcoff Holdings BV	Schouwburgplein, 30-34 (ROTTERDAM)	172,109	100.0	Prosegur Cia de Seguridad, S.A.	a	4	B
Reinsurance Bussiness Solutions Limited	80 Harcourt Street (DUBLIN)	635	100.0	Prosegur Cia de Seguridad, S.A.	a	5	A
Prosegur Distribuição e Serviços, Lda.	Av. Infante Dom Henrique, 326 (LISBOA)	3,277	100.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Activa Portugal Unipersonal Lda.	Av. Infante Dom Henrique, 326 (LISBOA)	504	100.0	Prosegur Activa Holding, S.A.	a	2	A
Prosegur Companhia de Seguranca, Lda	Av. Infante Dom Henrique, 326 (LISBOA)	9,372	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Escol Serviços Segurança, S.A..	Zona Ind. Maia, 1 (OPORTO)	5,908	100.0	Prosegur Cia de Seguridad, S.A..	a	1	A
Prosegur France, S.A.	84 Rue des Aceries (SAINT ETIENNE)	35,224	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Prosegur Sécurité Humaine EURL	113-115 Avenue Sidoine Apollinaire (LYON)	3,532	100.0	Prosegur France, S.A.	a	1	A
Prosegur Telesurveillance EURL	3 Allée de L'electronique (SAINT ETIENNE)	808	100.0	Prosegur France, S.A.	a	1	B
Jean Jaures SCI	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	61	100.0	Prosegur France, S.A.	a	1	B
Prosegur Sécurité Nucleaire	Rue des Aceries (SAINT ETIENNE)	150	100.0	Prosegur France, S.A.	a	1	B
Prosegur Traitement de Valeurs EURL	Rue Rene Cassin ZI de Molina (LA TALAUDIERE)	593	100.0	Prosegur France, S.A.	a	1	A

Information at 31 December 2009

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Valtis, S.A. (fusionada con Valtis Alsace, S.A.)	2 Rue Lovoisier BP 61609 25010	13,078	100.0	Prosegur Cia de Seguridad, S.A.	a	1	A
Valtis Rhone Alpes, S.A.	200 Avenue Berthelot 69007, LYON	169	100.0	Valtis, S.A.	a	1	A
Prosegur Technologie	84 Rue des Aceries (SAINT ETIENNE)	1,524	100.0	Prosegur France, S.A. a1A	a	1	A
SAS BFActive		0	33.5	Prosegur Cia de Seguridad, S.A.	a	1	B
		1	65.5	Prosegur France, S.A.			
Sarl Initiale	8 Avenue Descartes (Les Plessis Robinson)	1	100.0	Prosegur France, S.A.	a		
Esta Service, S.R.L.	29B Cours Mirabeau (MARGNANE)	0	100.0	Prosegur Cia de Seguridad, S.A.	a	7	B
Prosegur Services S.R.L.	Z.I. Des Tourrades (MANDELIEU)	0	100.0	Prosegur Cia de Seguridad, S.A.	a	7	B
Armor Acquisition SA	Tres Arroyos 2835 Ciudad de Buenos Aires	5,523	5.0	Prosegur Cia de Seguridad, S.A.	a	4	B
		22,148	95.0	Prosegur International handels GMBH			
Juncadella Prosegur Internacional S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	12,990	68.8	Armor Acquisition	a	4	B
		11,675	31.2	Prosegur International handels GMBHO			
Transportadora de Caudales de Juncadella SA	Tres Arroyos 2835 Ciudad de Buenos Aires	0	5.0	Armor Acquisition SA	a	1	A
		0	95.0	Juncadella Prosegur Internacional S.A.			
Prosegur Vigilancia Activa, SA (Ex-Prosegur Alarmas, S.A.)	Tres Arroyos 2835 Ciudad de Buenos Aires	18	95.0	Juncadella Prosegur Internacional S.A.	a	2	B
		1	5.0	Armor Acquisition SA			
Prosegur Seguridad, SA (Ex-Prosegur Alarmas, S.A.)	Tres Arroyos 2835 Ciudad de Buenos Aires	85	95.0	Juncadella Prosegur Internacional S.A.	a	1	B
		2	5.0	Armor Acquisition SA			
Prosegur Argentina, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	6,199	95.0	Juncadella Prosegur Internacional S.A.	a	1	A
		576	5.0	Armor Acquisition SA			
Servicios Auxiliares Petroleros, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	870	95.0	Juncadella Prosegur Internacional S.A.	a	1	B
		46	5.0	Armor Acquisition SA			
Prosegur Activa Argentina, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	0	90.0	Prosegur Holding, S.A.	a	2	A
		0	10.0	Prosegur Inversiones, SA			
Prosegur Inversiones, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	392	90.0	Prosegur Activa Holding S.A.	a	4	B
		44	10.0	Prosegur Activa España SA			
Prosegur Holding, S.A.	Tres Arroyos 2835 Ciudad de Buenos Aires	3,488	90.0	Prosegur Activa Holding S.A.	a	4	B
		388	10.0	Prosegur Activa España SA			
Fire Less, S.A.	Charlone, 1351/57 Ciudad de Buenos Aires	3,842	90.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		119	10.0	Juncadella Prosegur Internacional S.A.			
Xiden, S.A.C.I.	Olleros, 3923 Ciudad de Buenos Aires	1,676	90.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		152	10.0	Juncadella Prosegur Internacional S.A.			
General Industries Argentina, S.A.	Julio A Roca 4530 (B1604BZR) Florida. Buenos Aires	2,775	90.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		245	10.0	Juncadella Prosegur Internacional S.A.			
Compañia Ridur SA	25 der Mayo 455. Apto 4- Montevideo	925	100.0	Juncadella Prosegur Internacional S.A.	a	1	B
Prosegur Transportadora de Caudales SA	Guarani 1531 (Montevideo)	1,021	99.9	Juncadella Prosegur Internacional S.A.	a	1	A
		1	0.1	Armor Acquisition SA			
Transportadora de Caudales Silviland	Guarani 1531 (Montevideo)	0	100.0	Prosegur Transportadora de Caudales SA	a	1	B
Prosegur Activa Uruguay, S.A.	Bvrd.Artigas 2629 (Montevideo)	1,254	95.0	Prosegur Activa Holding S.A.	a	2	A
		66	5.0	Prosegur Activa España S.A.			
Nautiland, SA	Martiniano Chiossi s/n - Maldonado	3,144	100.0	Prosegur Activa Uruguay, S.A.	a	2	A

Information at 31 December 2009

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Blindados, SRL	Guarani 1531 (Montevideo)	667	99.0	Prosegur Transportadora de Caudales SA	a	1	A
		9	1.0	Prosegur Uruguay Compañía de Seguridad, S.A.			
Prosegur Uruguay Compañía de Seguridad, S.A.	Bvrd.Artigas 2629 (Montevideo)	735	90.0	Prosegur, S.A.	a	3	A
		47	10.0	Armor Acquisition SA			
TSR Participacoes Societarias SA	Tomas Edison, 1250 - Barra Funda	60,633	76.0	Juncadella Prosegur Internacional S.A.	a	4	A
		41,353	24.0	SGCE Participacoes Societarias SA			
Prosegur Brasil SA	Guaratã, 633 - Prado - Belo Horizonte - MG	109,711	100.0	TSR Participacoes Societarias SA	a	1	A
Prosegur Sistemas de Securanca Ltda	Guaratã, 633 - Prado - Belo Horizonte - MG	0	1.0	Prosegur Brasil SA	a	1	A
		0	99.0	TSR Participacoes Societarias SA			
CTP Centro de Treinamento Prosegur Ltda	Sta.Catarina, na Estrada Geral s/n. "Passa Vinte"	0	99.6	Prosegur Brasil SA	a	6	B
Prosegur Administração de Recebíveis Ltda (Ex - Prosegur Brasil Cursos Ltda.)	AV. Thomas Edison, 813, sobre loja, Sala 02, Barra Funda, Sao Paulo	0	99.8	Prosegur Brasil SA	a	6	B
		1	0.2	Prosegur Sistemas de Securanca Ltda			
Prosegur Tecnologia em Sistemas de Segurança Eletrônica e Incendios Ltda..	Tomas Edison, 823 - Barra Funda - São Paulo	8,895	99.99	Prosegur Cia de Seguridad, S.A.	a	1	A
		2	0.01	TSR Participacoes Societarias SA			
Setha Indústria Eletrônica Ltda.	Rua Alvaro de Macedo, 134, E144, Parada de Lucas, Rio de Janeiro	3,504	99.6	Prosegur Tecnologia em Sistemas de Segurança Eletrônica e Incendios Ltda..	a	1	A
		14	0.4	TSR Participacoes Societarias SA			
Centuria Sistemas de Segurança Ltda	Rua Rui Barbosa, 735, Bairro de Fatima, Serra	265	99.8	Prosegur Brasil SA	a	1	A
		0	0.2	TSR Participacoes Societarias SA			
Centuria Comercio e Serviços Ltda	Rua Rui Barbosa, 735, Bairro de Fatima, Serra	22	90.0	Prosegur Sistemas de Securanca Ltda	a	1	B
		2	10.0	TSR Participacoes Societarias SA			
Norsergel Vigilancia e Transporte de Valores Ltda	Rua Teofilo Dias, 263, Monte Castelo, São Luis/MA	885	100.0	Prosegur Brasil SA	a	1	A
SGCE Participacoes Societarias SA	Av. Thomas Edison, 813, SL 03, Barra Funda, São Paulo	198	100.0	Juncadella Prosegur Internacional S.A.	a	4	B
Juncadella Prosegur Group Andina	Los Gobelinos 2567 Of. 203, Renca, Santiago	0	100.0	Juncadella Prosegur Internacional S.A.	a	4	B
Capacitaciones Ocupacionales Sociedad Ltda	Los Gobelinos 2567 Of. 100, Renca, Santiago	383	83.0	Prosegur Cia de Seguridad, S.A.	a	6	B
		0	7.0	Prosegur International handels GMBH			
		44	10.0	Juncadella Prosegur Group Andina			
Servicios Prosegur Ltda	Los Gobelinos 2567, Renca, Santiago	1,533	99.9	Prosegur Cia de Seguridad, S.A.	a	1	A
		1,018	0.1	Prosegur International handels GMBH			
Sociedad de Distribución Canje y Mensajería Ltda.	Los Gobelinos 2548, Renca, Santiago	1,311	49.0	Prosegur Cia de Seguridad, S.A.	a	1	A
		0	30.0	Juncadella Prosegur Group Andina			
		265	21.0	Prosegur International handels GMBH			
Servicios de Seguridad Prosegur Regiones Limitada	C.A.Lopez de Alcazar 488, Independencia, Santiago	1,075	99.0	Prosegur Chile, S.A.	a	1	A
		0	1.0	Juncadella Prosegur Group Andina			
Empresa de Transportes Compañía de Seguridad Chile Ltda	Los Gobelinos 2567, Renca, Santiago	3,430	60.0	Juncadella Prosegur Group Andina	a	1	A
		0	40.0	Prosegur International handels GMBH			
Prosegur Tecnologia Chile Limitada	Los Gobelinos 2567, Renca, Santiago	1	100.0	Prosegur Cia de Seguridad, S.A.	a	1	B
Equipos y Sistemas Automáticos de Protección SA	Avda. Loboza 8395, Modulo 3 Comuna de Pudahuel - Santiago de Chile	2,332	99.9	Prosegur Cia de Seguridad, S.A.	a	1	A
		2	0.1	Prosegur Chile, S.A.			

Information at 31 December de 2009

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Prosegur Activa Chile S.L.	Los Gobelinos 2567 Of. 203, Renca, Santiago	4,950	99.0	Prosegur Activa Holding S.A	a	2	A
		50	1.0	Prosegur Activa España S.A.			
Prosegur Chile, S.A.	C.A.Lopez de Alcazar 488, Independencia, Santiago	1,066	70.0	Prosegur, S.A.	a	1	A
		563	30.0	Prosegur International handels GMBH			
Prosegur Paraguay SA	C/ Concepción Leyes de Chávez- Asunción	0	99.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	1.0	Transportadora de Caudales de Juncadella SA			
Prosegur Tecnología Paraguay, SA (Ex Seguridad Prosegur, S.A.)	C/ Concepción Leyes de Chávez- Asunción	9	99.0	Juncadella Prosegur Internacional S.A.	a	1	B
		0	1.0	Transportadora de Caudales de Juncadella SA			
Compañía de Seguridad Prosegur SA	Av. Morro Solar 1086 - Surco - Lima - Perú	0	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48.0	Transportadora de Caudales de Juncadella SA			
Proseguridad SA	Av. Los Próceres 250 - Surco - Lima - Perú	0	52.0	Juncadella Prosegur Internacional S.A.	a	1	A
		0	48.0	Transportadora de Caudales de Juncadella SA			
Prosegur Cajeros SA	Av. Los Próceres 250 - Surco - Lima - Perú	17	52.0	Juncadella Prosegur Internacional S.A.	a	1	B
		16	48.0	Transportadora de Caudales de Juncadella SA			
Prosegur Tecnología Perú SA	Av. Los Próceres 250 - Surco - Lima - Perú	1	52.0	Compañía de Seguridad Prosegur SA.	a	1	B
		0	48.0	Proseguridad SA			
Orus, S.A.	Av. Los Próceres 250 - Surco - Lima - Perú	5,322	84.9	Proseguridad SA	a	1	A
		363	14.3	Inversiones RB, SA			
		54	0.9	Compañía de Seguridad Prosegur SA.			
Orus Selva, SA	Caserio Palmawasi - Uchiza - Tocache San Martín, Perú	154	100.0	Orus, S.A.	a	1	B
Inversiones RB, SA	Av. Nicolás Arriola 780 Urb. Santa Catalina - La Victoria - Lima - Perú	2,711	99.0	Proseguridad SA	a	4	B
		27	1.0	Compañía de Seguridad Prosegur SA.			
Prosegur Activa Peru, SA	Av. República de Panamá 3890 - Surquillo Lima, Perú	8,403	84.9	Prosegur Activa Holding, S.L.U	a	2	A
		0	14.3	Inversiones RB, SA			
		84	0.9	Prosegur Activa España S.L.U			
Compañía Transportadora de Valores Prosegur de Colombia, S.A. (Ex Thomas Greg & Sons Transportadora de Valores, S.A.)	Avda. De las Américas, 42-25 Bogotá	27,125	94.9	Prosegur Cia de Seguridad, S.A.	a	1	A
		1,040	5.1	Prosegur Transporte de Valores, S.A.			
PRO-S Compañía de Seguridad Privada, SA de C.V	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	4,034	100.0	Prosegur Mexico S de RL de CV	a	1	B
Prosegur Mexico S de RL de CV (Ex - PS Mexico Compañía de Seguridad Privada S de RL de CV)	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	7,791	90.0	Prosegur Cia de Seguridad, S.A.	a	6	B
Prosegur Seguridad Privada S.A. de CV.	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	2,172	100.0	Prosegur Mexico S de RL de CV	a	1	A
Prosegur Seguridad Privada Logística y Gestión de Efectivo, S.A. de C.V.	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	16,349	100.0	Prosegur Mexico S de RL de CV	a	1	A
Prosegur Consultoría y Servicios Administrativos de RL de CV	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	32	100.0	Prosegur Mexico S de RL de CV	a	6	B
Prosegur Servicios de Seguridad Privada Electrónica SA de CV	C/ Piña 297 Colonia Nueva Santa María. 02820 MEXICO D.F.	32	100.0	Prosegur Mexico S de RL de CV	a	1	B

Information at 31 December 2009

Company	Registered offices	Carrying amount in thousands of Euro	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Resguardo y Estrategias Especializadas, S.A. de CV	C/ Alfredo Nobel, 21. Colonia Los Reyes Industrial. 54073 TLALNEPANTLA	5,041	100.0	Prosegur Mexico S de RL de CV	a	1	A
Protec Humano, SA de C.V.	Avda Cuiclahuac 3435 - San Bernabe. 02830 MEXICO D.F.	1	50.0	Prosegur Mexico S de RL de CV	a	1	B
		0	50.0	PRO-S Compañía de Seguridad Privada, SA de C.V.			
Prosegur Tecnologia, SA de C.V.	Norte 79 B No. 77 Colonia Sector Naval. 02080 MEXICO D.F.	109	100.0	Prosegur Mexico S de RL de CV	a	1	B

Basis of consolidation:

The circumstances considered in article 42 of the Spanish Code of Commerce are as follows:

- The parent company owns the majority of voting rights.
- The parent company has the power to appoint or remove the majority of the members of the board of directors.
- The parent company could own over half of the voting rights by virtue of an agreement with other investors.
- The majority of members of the board of directors at the date on which the consolidated annual accounts are authorised for issue and in the two immediately preceding reporting periods were appointed solely with the parent company's votes.
- Sole administration of one or more companies by any other means.

Unless indicated otherwise, the most recent reporting period ended on 31 December 2009.

Activity:

- Business security business group activities
- Home security business group activities
- Activities from both business groups
- Holding company
- Financial services
- Auxiliary services
- Idle

Auditor:

- A Audited by PriceWaterhouseCoopers
B Not subject to audit
C Audited by other auditors

APPENDIX II. – Consolidated Temporary Joint Ventures

Information at 31 December 2010

Company	Registered offices	Carrying amount (in thousands of Euros)	Investment		Notes	Activity
			% ownership	Entity participating in the joint venture		
SERAT AEROPUERTO BILBAO UTE	Príncipe de Vergara, 135 28002 MADRID	1,0	40.0	EUROLIMP	(a)	(1)
UTE PROSEGUR TECNOLOGIA	Pajaritos, 24 28007 Madrid		100.0		(b)	(1)
UTE EDIFICIOS MUNICIPALES	La Paz, 14 Valencia		90.0	CLECE	(c)	(1)
UTE MNT0. COLEGIOS PUBLICOS	La Paz, 14 Valencia	5,4	90.0	CLECE	(d)	(1)
UTE PROSEGUR-SERVIMAX CONSERVATORIO MUNICIPAL ATAULFO ARGENTA	Pajaritos, 24 28007 Madrid		100.0		(e)	(0)
UTE RTVE PROSEGUR-SERVIMAX	Pajaritos, 24 28007 Madrid		100.0		(f)	(1)
UTE AENA BARCELONA T2 PROSEGUR-SERVIMAX	Pajaritos, 24 28007 Madrid		100.0		(g)	(1)
UTE PROSEGUR SERVIMAX BSM BARCELONA	Pajaritos, 24 28007 Madrid		100.0		(h)	(1)
UTE PROSEGUR SERVIMAX ARPEGIO	Pajaritos, 24 28007 Madrid		100.0		(i)	(1)
UTE PROSEGUR FESMI AYTO. FERROL	Crta. Baños de Arteijo, 1215008 A Coruña		41.8	FESMI	(j)	(1)
UTE PROSEGUR SERVIMAX OFICINA ANTIFRAU CATALUNYA	Pajaritos, 24 28007 Madrid		100.0		(k)	(1)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO SAN SEBASTIAN	Pajaritos, 24 28007 Madrid		100.0		(l)	(1)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO MALAGA	Pajaritos, 24 28007 Madrid		100.0		(m)	(1)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO PALMA MALLORCA	Pajaritos, 24 28007 Madrid		100.0		(n)	(1)
UTE PROSEGUR SERVIMAX UNIVERSIDAD POLIT. VALENCIA	Pajaritos, 24 28007 Madrid		100.0		(o)	(1)
UTE PROSEGUR SERVIMAX CENTRO SANITARIO DE CEUTA	Pajaritos, 24 28007 Madrid		100.0		(p)	(1)
UTE PROSEGUR SERVIMAX UNIVERSIDAD DE ALICANTE	Pajaritos, 24 28007 Madrid		100.0		(q)	(1)
UTE PROSEGUR PROSEGUR TRANSPORTES BLINDADOS CORREOS	Pajaritos, 24 28007 Madrid		100,0		(r)	(0)
UTE PROSEGUR SERVIMAX INSTITUTO ESTUDIOS FISCALES	Pajaritos, 24 28007 Madrid		100,0		(s)	(1)
UTE PROSEGUR SERVIMAX HOSPITAL VALL D'HEBRON	Pajaritos, 24 28007 Madrid		100.0		(t)	(1)
UTE PROSEGUR SERVIMAX CONSERVATORIO ATAULFO ARGENTA II	Pajaritos, 24 28007 Madrid		100.0		(u)	(1)
UTE PROSEGUR PROTECCION ACTIVA ESPAÑA RADIO TV. ANDALUZA	Pajaritos, 24 28007 Madrid		100.0		(v)	(1)
UTE PROSEGUR PROSEGUR TECNOLOGIA AYTO. ALCOBENDAS	Pajaritos, 24 28007 Madrid		100,0		(w)	(1)
UTE PROSEGUR SERVIMAX GUGGENHEIM	Pajaritos, 24 28007 Madrid		100.0		(x)	(1)
UTE PROSEGUR SERVIMAX RTVE II	Pajaritos, 24 28007 Madrid		100.0		(y)	(1)
UTE PROSEGUR PROSEGUR ISE ANDALUCIA	Pajaritos, 24 28007 Madrid		100.0		(z)	(1)
UTE PROSEGUR PROSEGUR AEAT SEVILLA	Pajaritos, 24 28007 Madrid		100.0		(aa)	(2)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO GETAFE	Pajaritos, 24 28007 Madrid		100.0		(bb)	(1)

Notes:

The purposes of the temporary joint ventures are as follows:

- (a) Information, customer and airport lounge services in Bilbao Airport.
- (b) Security and maintenance services in Málaga health centres.
- (c) Reception and customer services in various council buildings.
- (d) Reception and maintenance services in various state schools.
- (e) Auxiliary and security services in the Ataulfo Argenta Municipal Conservatory.
- (f) Security patrol and auxiliary services in various centres for the RTVE broadcasting corporation.
- (g) Security services in the new South Terminal, vehicle access control and perimeter control at Barcelona airport – Batch 2.
- (h) Security and auxiliary services in Barcelona city council cleaning service premises.
- (i) Security and auxiliary services in premises of ARPEGIO in the Madrid Autonomous Region.
- (j) Security and auxiliary services for El Ferrol town council.
- (k) Security and auxiliary services for the anti-fraud offices of the autonomous government of Catalonia.
- (l) Security and auxiliary services at San Sebastián airport.
- (m) Security and auxiliary services at Málaga airport.
- (n) Security and auxiliary services at Palma de Mallorca airport.
- (o) Security and auxiliary services at the Universidad Politécnica de Valencia.
- (p) Security and auxiliary services at Ceuta Health Centre.
- (q) Security and auxiliary services at the Universidad de Alicante.
- (r) Security and auxiliary services for Correos (Spanish postal service).
- (s) Security and auxiliary services in the Instituto de Estudios Fiscales.
- (t) Security and auxiliary services at the Vall D'Hebron hospital in Barcelona.
- (u) Security and auxiliary services at the Ataulfo Argenta Municipal Conservatory.
- (v) Security and auxiliary services for Radio Televisión Andaluza.
- (w) Security and auxiliary services for Alcobendas town council.
- (x) Security and auxiliary services at the Guggenheim Museum in Bilbao.
- (y) Security and auxiliary services in various centres for the RTVE broadcasting corporation.
- (z) Security and auxiliary services for the Andalusia ISE (infrastructures and educational services body).
- (aa) Security and auxiliary services in the Seville taxation authorities.
- (bb) Security and auxiliary services in Getafe airport, Madrid.

Information at 31 December 2009

Company	Registered offices	Investment			Notes	Activity
		Carrying amount (in thousands of Euros)	% ownership	Entity participating in the joint venture		
SERAT AEROPUERTO BILBAO UTE	Principe de Vergara, 135 28002 MADRID	1,000	0.4	EUROLIMP	(a)	(1)
UTE PROSEGUR TECNOLOGIA	Pajaritos, 24 28007 Madrid		1.0		(b)	(1)
UTE EDIFICIOS MUNICIPALES	La Paz, 14 Valencia	5,400	0.9	CLECE	(c)	(1)
UTE MINTO. COLEGIOS PUBLICOS	La Paz, 14 Valencia	5,400	0.9	CLECE	(d)	(1)
UTE PROSEGUR-SERVIMAX CONSERVATORIO MUNICIPAL ATAULFO ARGENTA	Pajaritos, 24 28007 Madrid		1.0		(e)	(1)

Information at 31 December 2009

Company	Registered offices	Investment			Notes	Activity
		Carrying amount (in thousands of Euros)	% ownership	Entity participating in the joint venture		
UTE RTVE PROSEGUR-SERVIMAX	Pajaritos, 24 28007 Madrid		1.0		(f)	(1)
UTE PROSEGUR-SERVIMAX AENA AEROPUERTO DE GETAFE	Pajaritos, 24 28007 Madrid		1.0		(g)	(0)
UTE AENA BARCELONA T2 PROSEGUR-SERVIMAX	Pajaritos, 24 28007 Madrid		1.0		(h)	(1)
UTE PROSEGUR SERVIMAX BSM BARCELONA	Pajaritos, 24 28007 Madrid		1.0		(i)	(1)
UTE PROSEGUR SERVIMAX ARPEGIO	Pajaritos, 24 28007 Madrid		1.0		(j)	(1)
UTE PROSEGUR FESMI AYTO. FERROL	Crta. Baños de Arteijo, 12 15008 A Coruña		0.4	FESMI	(k)	(1)
UTE PROSEGUR SERVIMAX OFICINA ANTIFRAU CATALUNYA	Pajaritos, 24 28007 Madrid		1.0		(l)	(1)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO SAN SEBASTIAN	Pajaritos, 24 28007 Madrid		1.0		(m)	(1)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO MALAGA	Pajaritos, 24 28007 Madrid		1.0		(n)	(2)
UTE PROSEGUR SERVIMAX AENA AEROPUERTO PALMA MALLORCA	Pajaritos, 24 28007 Madrid		1.0		(o)	(2)
UTE PROSEGUR SERVIMAX UNIVERSIDAD POLIT. VALENCIA	Pajaritos, 24 28007 Madrid		1.0		(p)	(2)

Notes:

The purposes of the temporary joint ventures are as follows:

- (a) Information, customer and airport lounge services in Bilbao Airport.
- (b) Security and maintenance services in Málaga health centres.
- (c) Reception and customer services in various council buildings.
- (d) Reception and maintenance services in various state schools.
- (e) Auxiliary and security services in the Ataulfo Argenta Municipal Conservatory.
- (f) Security patrol and auxiliary services in various centres for the RTVE broadcasting corporation.
- (g) Security and auxiliary services in Getafe airport.
- (h) Security services in the new South Terminal, vehicle access control and perimeter control at Barcelona airport – Batch 2.
- (i) Security and auxiliary services in Barcelona city council cleaning service premises.
- (j) Security and auxiliary services in premises of ARPEGIO in the Madrid Autonomous Region.
- (k) Security and auxiliary services for El Ferrol town council.
- (l) Security and auxiliary services for the anti-fraud offices of the autonomous government of Catalonia.
- (m) Security and auxiliary services.
- (n) Security and auxiliary services.
- (o) Security and auxiliary services.
- (p) Security and auxiliary services.

Basis of consolidation:

Temporary joint ventures are proportionately consolidated in the consolidated balance sheet and income statement.

Activities:

- (0) Activity wound up during 2010.
- (1) Business security business group activities.
- (2) Temporary joint venture incorporated in 2010 but idle at the balance sheet date.

Auditor:

These joint ventures are not subject to audit.

APPENDIX III. – Companies in Receivership

Information at 31 December 2010

Company	Registered offices	Investment			Activity
		Carrying amount (in thousands of Euros) a 31/03/05	% ownership	Company holding the investment	
SA Sécurité Européenne de L'Espace Industriel	15 Rue de Louvres (Chennevieres Les Louvres)	0	60.0	Prosegur Cia de Seguridad, S.A.	1
		457	40.0	Sarl Esta Service	
SARL Force Gardiennage	92 Boulevard Emile Delmas (La Rochelle)	0	4.8	Prosegur Cia de Seguridad, S.A.	1
		218	95.2	Sarl Esta Service	
SA Bac Sécurité	18 Av. Morane Saulnier (Velizy Villacoublay)	10,534	100.0	Prosegur Cia de Seguridad, S.A.	1

Information at 31 December 2009

Company	Registered offices	Investment			Activity
		Carrying amount (in thousands of Euros) a 31/03/05	% ownership	Company holding the investment	
SA Sécurité Européenne de L'Espace Industriel	15 Rue de Louvres (Chennevieres Les Louvres)	0	60.0	Prosegur Cia de Seguridad, S.A.	1
		457	40.0	Sarl Esta Service	
SARL Force Gardiennage	92 Boulevard Emile Delmas (La Rochelle)	0	4.8	Prosegur Cia de Seguridad, S.A.	1
		218	95.2	Sarl Esta Service	
SA Bac Sécurité	18 Av. Morane Saulnier (Velizy Villacoublay)	10,534	100.0	Prosegur Cia de Seguridad, S.A.	1

Notes:

These companies have been in receivership since 2005.
In 2008 the liquidation process was completed and the
companies are currently being wound up.

Activity:

Idle

APPENDIX IV. – Consolidated Joint Ventures

Information at 31 December 2010

Company	Registered offices	Carrying amount (in thousands of Euros)	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Rosegur Holding Corporación S.L.	Pajaritos, 24 Madrid	650	50.0	Prosegur Cia de Seguridad, S.A.	a	4	B
Rosegur, S.A.	Bulevardul Ghica Tei , Nr. 64-70, Sector 2, Bucuresti, Romania	2,142	50.0	A través de: Rosegur Holding Corporacion, S.L.	a	1	C
Security Dragon Star, SRL	B-dul Traian nr. 1 B Baia Mare. Maramures	0	50.0	A través de: Rosegur, S.A	a	1	B
Rosegur Services, SRL	Bulevardul Ghica Tei , Nr. 64-70, Sector 2, Bucuresti, Romania	0	50.0	A través de: Rosegur Holding Corporacion, S.L	a	1	C
Rosegur Fire, SRL	Bulevardul Ghica Tei , Nr. 64-70, Sector 2, Bucuresti, Romania	0	45.0	A través de: Rosegur, S.A	a	1	B
Rosegur Training, SRL Sector 2, Bucuresti, Romania	Bulevardul Ghica Tei , Nr. 64-70,	0	45.0	A través de: Rosegur, S.A	a	6	B

Basis of consolidation:

The circumstances considered in article 42 of the Spanish Code of Commerce are as follows:

- The parent company owns the majority of voting rights.
- The parent company has the power to appoint or remove the majority of the members of the board of directors.
- The parent company could own over half of the voting rights by virtue of an agreement with other investors.
- The majority of members of the board of directors at the date on which the consolidated annual accounts are authorised for issue and in the two immediately preceding reporting periods were appointed solely with the parent company's votes.
- Sole administration of one or more companies by any other means.

Unless indicated otherwise, the most recent reporting period ended on 31 December 2010.

Activity:

- Business security business group activities.
- Home security business group activities.
- Activities from both business groups.
- Holding company.
- Financial services.
- Auxiliary services.
- Idle.

Auditor:

- A Audited by KPMG
- B Not subject to audit
- C Audited by other auditors

Information at 31 December 2009

Company	Registered offices	Carrying amount (in thousands of Euros)	Investment		Basis of consolidation	Activity	Auditor
			% ownership	Company holding the investment			
Rosegur Holding Corporación S.L.	Pajaritos, 24 Madrid	1,650	50.0	Prosegur Cia de Seguridad, S.A.	a	4	B
Rosegur, S.A.	Calea Plevnei nr 137 ^a Sector 6 Bucuresti	2,142	50.0	A través de: Rosegur Holding Corporacion, S.L.	a	1	A
Security Dragon Star, srl	B-dul Traian nr. 1 B Baia Mare. Maramures	0	50.0	A través de: Rosegur, S.A	a	1	B
Rosegur Services, S.L.	B-dul Ghica Tei, 64-70 Bucuresti	0	50.0	A través de: Rosegur Holding Corporacion, S.L	a	1	B

Basis of consolidation:

The circumstances considered in article 42 of the Spanish Code of Commerce are as follows:

- a) The parent company owns the majority of voting rights.
- b) The parent company has the power to appoint or remove the majority of the members of the board of directors.
- c) The parent company could own over half of the voting rights by virtue of an agreement with other investors.
- d) The majority of members of the board of directors at the date on which the consolidated annual accounts are authorised for issue and in the two immediately preceding reporting periods were appointed solely with the parent company's votes.
- e) Sole administration of one or more companies by any other means.

Unless indicated otherwise, the most recent reporting period ended on 31 December 2009.

Activity:

1. Business security business group activities.
2. Home security business group activities.
3. Activities from both business groups.
4. Holding company.
5. Financial services.
6. Auxiliary services.
7. Idle.

Auditor:

- A Audited by PriceWaterhouseCoopers
B Not subject to audit

MANAGEMENT REPORT

1. Significant events

The most relevant transactions and events for Prosegur during 2010 are summarised below:

Acquisition of subsidiaries

- On 28 April 2010 Prosegur acquired 100% of Genper, S.A., a company located in Uruguay and specialised in security services (fire protection, electronic security systems and centralised control systems). The company was purchased for a total of 18.9 million Uruguayan Pesos (equivalent to Euros 0.7 million at the date of purchase). This company was first consolidated on 30 April 2010.
- On 12 August 2010 Prosegur acquired 100% of Tellex, S.A., a company located in Argentina and specialised in electronic security systems, fire protection and the sale and maintenance of ATMs. The company was purchased for a total of 25.1 million Argentine Pesos (equivalent to Euros 4.9 million at the date of purchase). This company was first consolidated on 12 August 2010.
- On 30 September 2010 Prosegur acquired 100% of Teleemergencia, S.A.C., a company located in Peru and specialised in the alarms area. The company was purchased for a total of 14.4 million Peruvian Soles (equivalent to Euros 3.8 million at the date of purchase). This company was first consolidated on 30 September 2010.
- On 1 December 2010 Prosegur acquired 100% of Martom Segurança Eletrônica Ltda, a company located in Brazil and engaged in surveillance within bank branches. The company was purchased for a total of 20.5 million Brazilian Reais (equivalent to Euros 9.2 million at the date of purchase). This company was first consolidated on 1 December 2010.

Syndicated loan

On 4 August 2010 a syndicated facility of Euros 400 million was arranged, by Banco Santander, with a further nine domestic and international financial entities: Barclays Capital, BNP Paribas, La Caixa, Natixis, Intesa SanPaolo, Bankinter, Banco Popular, Banesto and BBK.

The facility is divided into two tranches: a loan of Euros 150 million and a credit facility of Euros 250 million, each for a period of five years. The credit will be repaid in a single instalment at the end of the period, while the loan is repaid in six-monthly instalments, with a two-year grace period. The loan and credit facility bear interest at the Euribor for the period plus a spread indexed to the net financial debt/EBITDA ratio of the borrower. The remaining terms and conditions of this facility are standard for these kinds of transactions on the market.

Claim filed by the receiver responsible for Esabe Express, S.A.

On 5 May 2010 Madrid District Court number 34 upheld the claim filed by the receiver responsible for Esabe Express, S.A. against Prosegur Compañía de Seguridad, S.A. and Alarmselskabet Dansikrig A/S and Securitas A/B (described in detail in note 24 b of the consolidated annual accounts for 2010). As a result Prosegur Compañía de Seguridad, S.A. was ordered to repay its share of the Esabe Express, S.A. bankruptcy estate, totalling Euros 13 million, plus the legal interest thereon since 4 February 1992, amounting to an estimated total of Euros 27.7 million (principal and interest) at 31 December 2010. The aforementioned ruling dismissed the argument put forward by the receiver in its claim that the Company's credit was qualified as subordinated, deferring the qualification of the aforementioned credit until the corresponding bankruptcy proceedings. Depending on the

recognition of the Company's credit in the bankruptcy proceedings, the Company may request inclusion in the proceedings with respect to its credit against Esabe Express, S.A., with the right to collect the corresponding amount resulting from the aforementioned proceedings.

On 16 July 2010 an appeal was filed with Madrid Provincial Court against the aforementioned ruling by Madrid District Court number 34. In any case, and notwithstanding any other possible steps that may be taken, if the ruling against Prosegur Compañía de Seguridad, S.A. is upheld, the Company may request inclusion in the proceedings with respect to its credit against Esabe Express, S.A., with the right to collect the corresponding amount resulting from the aforementioned bankruptcy proceedings. According to the information available at 31 December 2010 on the assets and liabilities included in the bankruptcy proceedings, as well as the amount of the credit to be recognised with respect to the Company consid-

ring the pro rata proportion to be applied thereto, the estimated recoverable amount totals Euros 9.8 million. The ruling also states that the third party Securitas A/B has reinforced the credit between the Company and Esabe Express, S.A. pursuant to agreements signed between the parties. This allows possible legal steps to be taken against the aforementioned entity to claim any amount not paid by Esabe Express, S.A.

The provision recognised by the Company with respect to this litigation at 31 December 2009 totalled Euros 9.8 million, and was increased to Euros 27.7 million at 31 December 2010 (the total amount claimed). Other receivables also include an asset of Euros 9.8 million reflecting the estimated recoverable amount from the Esabe Express, S.A. bankruptcy estate (as mentioned earlier). In this respect the consolidated income statement for 2010 includes a Euros 2.8 million decrease in operating expenses and a Euros 10.8 million increase in finance expenses.

2. Management principles

Prosegur performed satisfactorily in 2010, a year in which the economy presented important strategic and management challenges. We have consolidated and built on our leading position in the majority of the markets in which we operate, and our latest acquisitions have confirmed our global vocation and commitment to the future.

Throughout the year work continued on our plan to improve budget techniques for each line of business, and improvements were also made to the techniques used to determine the main management indicators for each business.

This has allowed the Company to maintain the following policies throughout 2010:

- a) Establishment of targets for continuous improvement.
- b) Planning of strategies and alternative options.

- c) Timely and correct implementation of the measures adopted through the Company's strategic planning, and constant monitoring to ensure that information systems detect any possible deviations in real time so that corrective steps can be taken.
- d) Development of a competitive edge over the rest of the market.

Throughout the year Prosegur management had up-to-date and adequate information on clients, the market and the legal, financial and technological climate, allowing the Company to ensure that its management policies remained in line with trends.

The most significant management variables and their development throughout the year are detailed below, and include activities, commercial management, personnel, investments, operations and financial management.

3. Activities

Sales are geographically distributed as follows:

(Millions of Euros)		2010	2009	Variation
Europe		1,298.2	1,260.0	3.0%
Latin America		1,262.1	927.0	36.1%
■ Total		2,560.3	2,187.0	17.1%

Distribution by business segment is as follows:

(Millions of Euros)		2010	2009	Variation
Corporate Security		2,416.5	2,052.8	17.7%
Residential Security		143.8	134.2	7.2%
■ Total		2,560.3	2,187.0	17.1%

- Sales in 2010 totalled Euros 2,560.3 million (Euros 2,187 million in 2009), up 17.1% on the previous year. Of this total growth, 7.1% is organic growth, 3.9% inorganic growth and 6.1% is down to the exchange rate effect.
- The acquisitions in 2009 and 2010 have brought about a Euros 96.9 million rise in Prosegur sales during 2010. By geographical area, inorganic growth led to a Euros 12.7 million increase in sales in Europe and a Euros 84.2 million rise in sales in Latin America.
- The business area that grew the most in absolute terms during 2010 was corporate security services, with accumulated turnover of Euros 2,403.3 million (Euros 2,052.8 million in 2009), which is 17.1% higher than the previous year including organic and inorganic growth. Annual revenue in the Residential Security (alarms) area totalled Euros 157 million in 2010 (Euros 134.2 million in 2009), a 17% increase on the prior year (including organic and inorganic growth).
- By geographical area turnover in Europe was up 3% (considering inorganic growth), reaching Euros 1,298.2 million (Euros 1,260 million in 2009). Latin American sales grew by 36.1% (organic and inorganic growth and the exchange rate effect), reaching Euros 1,262.1 million (Euros 927 million in 2009).

Growth in consolidated Prosegur turnover over the past five years is reflected in the following table:

(Millions of Euros)

Turnover

2010	2009	2008	2007	2006
2,560.3	2,187.0	2,051.7	1,841.8	1,628.4

4. Results from operating activities

Prosegur maintained good profitability levels in 2010, with EBIT (earnings before interest and taxes) standing at Euros 262.6 million (Euros 230.5 million in 2009), up 13.9% on the prior year. In terms of relative margins, in 2010 the EBIT margin was down 0.2 percentage points compared to 2009, dropping to 10.3%.

This high profitability is mainly due to the overall positive performance of all countries and businesses, although Latin America is particularly noteworthy in this respect. The following table shows EBIT and the relative EBIT margin for the corporate security business, broken down by geographical area:

EBIT (millions of Euros)

Corporate Security - Europe

Margin

Corporate Security - Latin America

Margin

2010	2009	Variation
66.3	78.3	-15.3%
5.5%	6.7%	
173.9	128.0	35.8%
14.3%	14.4%	

One of Prosegur's core objectives is to maintain high profitability to ensure investor return, enabling the Company to continue with its ambitious investment and service improvement policies, all the while striving for excellence in the services it renders and its client relations.

The following table shows the significant EBIT growth seen over the past five years:

(Millions of Euros)

EBIT

2010	2009	2008	2007	2006
262.6	230.5	205.0	161.9	105.0

The constant annual growth rate shows an average accumulated variation in operating profit of 25.7%.

EBIT accounted for 10.3% of consolidated sales in 2010, compared to 10.3% in 2009.

5. Commercial information

Prosegur services are sold through branches and by the Company's own sales personnel, and selective criteria are applied to minimise the risk of arrears and possible payment default. In cases where the Company has insufficient experience with a particular client, investiga-

tions and consultations are carried out using public information and objectively quantifiable risk assessments and individual analyses are performed. Once the contract has been signed, and throughout the period over which the service is rendered, the client receives direct atten-

tion, enabling us to work in line with their operating requirements and financial situation, thereby reducing the risk of default.

The main clients who contract corporate security services are financial entities, industrial and commercial businesses and public institutions.

6. Personnel

At 2010 year end the Prosegur headcount stood at 104,363 employees (103,475 in 2009), which is 0.9% higher than the previous year.

A cornerstone of Prosegur's success as one of Europe's main services companies has traditionally been its recruitment policy. The responsibility and trust required in those who render the Company's services on client premises, operating in an area as delicate as security, mean that Prosegur must not only ensure the effectiveness of its professionals, but also their

honesty, responsibility, emotional stability and psychological maturity.

It is precisely for this reason that continuous improvements are made by the human resources department to our recruitment process, enabling us to accurately assess the suitability of an individual for a position within Prosegur.

Details of the average Prosegur headcount over the past five years are as follows:

Headcount	2010	2009	2008	2007	2006
Direct	97,198	89,269	81,755	78,223	73,112
Indirect	5,657	5,638	4,620	3,760	3,653
Total	102,855	94,907	86,375	81,983	76,765

Headcount compared to turnover (in relative terms) over the past five years is reflected in the following table:

No. of people for each million Euros of turnover	2010	2009	2008	2007	2006
Direct	38.0	40.8	39.8	42.5	44.9
Indirect	2.2	2.6	2.3	2.0	2.2

7. Investments

All Prosegur's investments are analysed by the departments for investment analysis and management controls, which estimate and examine the strategic importance, return period and yields of the investments before these are approved. Subsequently these are submitted

to the Investment Committee for a final decision on whether to proceed with the investment or expenditure.

Amortisation and depreciation charges totalled Euros 83.3 million in 2010 (Euros 64.4 million in 2009). Of this total,

Euros 48.9 million were for the depreciation of property, plant and equipment (Euros 43.9 million in 2009), Euros 8.0 million for the amortisation of software (Euros 6.9 million in 2009) and Euros 26.4 million for the amortisation of other intangible assets (Euros 13.6 million in 2009).

The total investments analysed by the Investment Committee in 2010 with comparative figures from 2009 are detailed below:

(Millions of Euros)		2010	2009
First Quarter		14.8	9.8
Second Quarter		12.8	15.0
Third Quarter		27.1	16.9
Fourth Quarter		23.8	11.6
■ Total		78.5	53.3

Euros 70.6 million was invested in property, plant and equipment in 2010 (Euros 62.9 million in 2009). Euros

10.1 million was also invested in software (Euros 8.7 million in 2009).

8. Forecasts and trends

In an economic climate like the present, with a great deal of uncertainty, forecasts of any kind are a difficult task. In most countries where Prosegur operates there is limited visibility of the performance of the main macroeconomic variables.

The different economic scenarios facing Europe and Latin America are also important. European economies were hit hard by the crisis in 2009 and 2010. Recovery is expected to be slow and it is not clear that all national economies will recover in 2011. Latin America, although not immune to the worldwide economic crisis, was not as affected as more developed countries and growth is expected to return, above all in those countries with sound fiscal and financial policies.

Although changes in economies and their main variables have an impact on the security sector, the industry

has its own drivers that play a much larger role in determining the future of the market. Such factors as the volume of security services that are subcontracted, growth in banking, a higher number of major companies/multinationals, more bank branches and ATMs and, in general, improvements in wellbeing and wealth for all social classes, are major indicators that are of relevant to the future of the security industry.

Improvements in certain of the above-mentioned drivers, combined with Prosegur's continuous innovation, pursuit of excellence and implementation of cross-selling policies puts us in a privileged position in the current climate. Prosegur's goal for 2011 is to maintain growth and improve on the margins from recent years. This is a major challenge which Prosegur is ready to meet.

9. Financial management

The financial crisis that spread across the world in 2008 combined with the particular problems and exacerbating factors in Spain, such as the sovereign debt fears, have continued to make it difficult for Spanish financial institutions to secure liquidity in international wholesale markets. As a result, the credit available to companies became tighter and more expensive as 2010 bore on.

The debt schedule for the syndicated loan taken out in 2006 and maturing in July 2011 is considered and treated in accounting records as current, as it matures in the next year. In anticipation of harsher credit conditions, Prosegur decided to take out a new syndicated loan in advance to guarantee that the Company has long-term financing for the next five years, whilst also maintaining the previous syndicated loan because of its excellent terms.

The solidity of Prosegur's financial structure was once again underlined by the events of 2010.

The ratio of net financial debt to equity was 0.26 at the end of 2010 (0.44 in 2009). The ratio of net financial debt to EBITDA was 0.50 in 2010 (0.79 in 2009).

Financial structure

At the end of 2010 the structure of non-current financial debt was determined by the syndicated loans of Euros 450 million and Euros 400 million taken out by the Company in Spain in July 2006 and August 2010, respectively.

The syndicated loan from 2006 matures in July 2011 and is divided into two tranches: a first tranche in the

form of a loan of Euros 250 million and a second tranche in the form of credit of Euros 200 million. At the end of 2010, Euros 62.5 million of capital remained payable from the first tranche and Euros 170 million were drawn from the second credit tranche.

In August 2010 Prosegur arranged a new, five-year syndicated loan of Euros 400 million maturing in August 2016. The loan is earmarked for general corporate requirements including, but not limited to, repaying the former 2006 syndicated loan on maturity. The loan is divided into two tranches: a tranche in the form of a Euros 150 million loan, repayable semi-annually, and a second tranche in the form of credit of Euros 250 million. At 31 December 2010, Euros 150 million was available from the loan tranche and none of the credit tranche had been used.

Gross financial debt includes current and non-current financial liabilities (excluding other non-bank debt) plus/less any derivative financial instruments.

Net financial debt is calculated by deducting cash and cash equivalents and other current financial assets from gross financial debt.

In consolidated terms, non-current gross financial debt maturing in more than one year totalled Euros 174.4 million at the end of 2010 (Euros 173.2 million in 2009), basically comprising the syndicated loan contracted in 2010 and financial and lease financing transactions in Brazil.

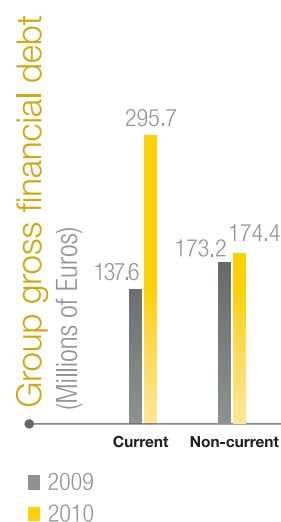
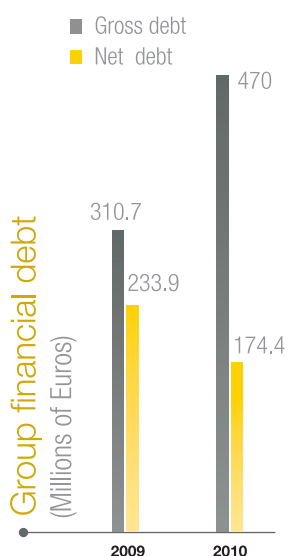
Current gross financial debt stood at Euros 295.7 million in 2010 (Euros 137.6 million in 2009), essentially comprising the syndicated loan from 2006 and lines of credit.

The current and non-current maturities of gross financial debt are distributed as follows: ►

In 2010 financial debt had an average cost of 2.39% (2.65% in 2009). This reduction in the average cost of the debt was essentially due to cuts in the interest rates (Euribor) to which the loans in Euros are indexed and by keeping a low spread (0.30 bps) on the 2006 syndicated loan, which has helped cushion the effect of hikes in spreads on credit facilities and on the new syndicated loan taken out in 2010.

Net financial debt was Euros 174.4 million at the end of 2010 (Euros 233.9 million in 2009).

Comparison of gross debt and net debt from 2010 and 2009: ▼



Liquidity

It is Prosegur policy to keep large reserves of liquidity or available contracted financing to ensure flexibility and rapidity in meeting the requirements of working capital or inorganic growth.

At 31 December 2010 Prosegur had available liquidity of Euros 511.2 million (Euros 302.9 million in 2009). This figure comprises:

- Euros 170.0 million of cash and cash equivalents (Euros 78.0 million in 2009)
- Euros 250 million of non-current (more than one year) credit available, relating to the syndicated loan arranged in 2010 (Euros 120 million in 2009)
- Other, current (maturing in or less than one year) and unused lines of credit for Euros 91.1 million (Euros 104.9 million in 2009) diversified in a wide banking pool featuring the top banks from each country where Prosegur operates.

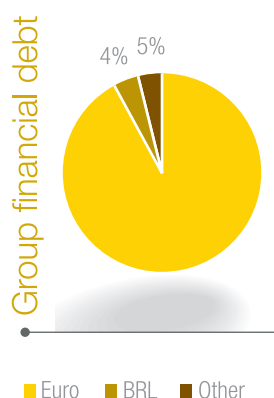
This liquidity represents 20.0% of consolidated annual sales (13.9% in 2009), which underpins short-term financing and the policy of strategic acquisitions.

Currency risk

Prosegur policy is to make its business investments in local currency, to minimise its exposure to currency risk. The capital expenditure required in the industry, which varies by business area, is in line with the operating cash flow generated and therefore it is possible to time the investments made in each country based on operating requirements.

Although Prosegur operates in a large number of countries, its financial debt is basically in two currencies: 91% in Euros and 4% in Brazilian Real. The other 5% of debt is in Prosegur's other currencies.

At the end of 2010 Prosegur's financial debt was distributed by currencies as follows: ▼



Hedged risks

No derivatives were contracted in 2010. Prosegur uses natural hedging techniques as much as possible to cover its exposure to currency risk. Consequently the cash generated in Latin American countries is converted into Euros as soon as definite cash surpluses are confirmed.

Prosegur has an interest rate swap (IRS) and basis swap to cap the interest on a portion of its financing and gain more flexibility in when it can access the syndicated loan contracted in 2006.

The IRS exchanges a payable rate of 2.71% for a receivable rate of the 6-month Euribor based on a nominal value of Euros 100 million and maturity in April 2014.

The basis swap exchanges a payable rate of the 6-month Euribor less 0.325% for a receivable rate of the 1-month Euribor, settled monthly on the repayable principal of the 2006 syndicated loan and maturing in July 2011.

A collar was also contracted on diesel prices to protect Prosegur from any fluctuations in fuel prices in 2010.

10. Own shares

At 31 December 2010 the Company held 1,953,543 own shares (1,974,146 shares in 2009), which represent 3.17% of the share capital (3.20% in 2009) and have a value of Euros 40.7 million (Euros 40.2 million in 2009). A portion of these own shares are earmarked for certain members of Prosegur management.

At the AGM on 27 June 2008 the shareholders approved the 2011 scheme of long-term incentives for managing directors and management of Prosegur. The 2011 scheme is generally tied to creating value in 2008-2011, as incentives for which managing directors would receive Company shares and management would

receive Company shares and cash. A maximum of 375,000 shares are included in the 2011 scheme, representing 0.608% of the Company's current share capital.

A total of 61,824 own shares were bought and sold in 2010 and 20,603 shares were transferred as part of the Company's 2011 share incentive plan.

At the AGM on 28 June 2010 the shareholders authorised the board of directors to acquire own shares up to the legal limit to be used, partially or in full, for issue to Company directors or employees, directly or under share options, all within the framework of the remuneration systems tied to the value of the Company's shares.

11. Environmental issues

In 2010 the Company invested in armoured vehicles that are compliant with the Euro III emission standard for particulates. This investment, recognised as an increase in the value of property, plant and equipment, totals Euros 0.2 million (2009: Euros 2.8 million).

At the end of 2010 the Company did not have any environmental contingencies or legal claims against it or income or expenses of an environmental nature.

12. Research and development

As part of its commitment to security and innovation for its customers, the Company is undertaking the following projects:

a) Development of an armoured security platform for the integration of new technologies in the distribution of valuables. This project was developed in 2009 and 2010 with funding through the AVANZA R&D subprogram for hearing rights in the 2009 Spanish Strategic Action in Telecommunications and the Information Society.

b) Development of an automated cash management system. This project was carried out in 2009 and 2010 with funding through the AVANZA R&D subprogram for hearing rights in the 2009 Spanish Strategic Action in Telecommunications and the Information Society.

In January 2010 the Company received loans of Euros 1.1 million and Euros 0.7 million from the Spanish Ministry of Industry, Tourism and Trade for innovation projects.

13. Subsequent events

The following significant events occurred between 31 December 2010 and authorisation by the board of directors for issue of the consolidated annual accounts:

On 18 February 2011 Prosegur acquired the Singapore company Prosec Services Pte.Ltd. and its subsidiary

Safeway, a surveillance services company with annual turnover of SGD (Singapore Dollars) 16.7 million (equivalent to Euros 9.5 million on the date of purchase) and a staff of approximately 700. The total purchase price was SGD 9.2 million (equivalent to Euros 5.3 million on the date of purchase).

**REPORT PREPARED BY THE BOARD OF DIRECTORS OF PROSEGUR
COMPAÑÍA DE SEGURIDAD, S.A. ON THE MATTERS SET FORTH IN
ARTICLE 116.BIS OF THE SECURITIES MARKET ACT FOR
DISCLOSURE IN THE DIRECTORS' REPORT**

Madrid, 24 February 2011

This report has been prepared by the directors of Prosegur Compañía de Seguridad, S.A. (hereinafter, the "Company") in compliance with article 116.bis of the Securities Market Act with regard to the items requiring disclosure in the directors' report pursuant to the aforementioned article.

1. INTRODUCTION

Article 116.bis of the Securities Market Act, introduced by Law 6/2007 of 12 April 2007 to amend the regulations governing takeover bids and issuer transparency, establishes that listed companies should include information on the specific matters stipulated in the aforementioned article in their directors' reports.

It also establishes that the board of directors should present an explanatory report to the shareholders at each annual general meeting regarding the matters set forth in the aforementioned article, for which purpose this report has been issued.

2. MATTERS INCLUDED IN THE DIRECTORS' REPORT IN COMPLIANCE WITH ARTICLE 116.BIS OF THE SECURITIES MARKET ACT

2.1. The share capital structure, including securities that are not traded on a regulated European market, indicating, where applica-

ble, the different classes of shares and, for each class, the rights and obligations conferred and the percentage of share capital represented

The Company's share capital totals Euros 37,027,478.40 and is represented by 61,712,464 shares with a par value of Euros 0.60 each, all of the same series and class. All shares are subscribed and fully paid and each share confers one voting right.

2.2. Restrictions on the transfer of securities

The Company has no statutory restrictions of any kind regarding the acquisition or transfer of interests in share capital other than those established by standards regulating private security companies.

2.3. Significant interests in share capital (direct and indirect)

In accordance with the information reported by the Company's shareholders to the Spanish Securities Market Commission, the table below presents details of shareholders with significant interests in share capital at 31 December 2010:

Name	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Ms. Helena Revoredo Delvecchio	0	30,924,033 ¹	50.110%
Ms. Mirta Gieso Cazenave	189,832	3,281,781 ²	5.626%
BNP PARIBAS, SOCIETE ANONYME	1,902,934 ⁴	0	3.084%
FMR LLC	0,000	3,077,185 ⁵	5.061%
CORPORACIÓN FINANCIERA ALBA, S.A.	0	6,175,000 ³	10.006%

¹ Through Gubel, S.L. and Prorevosa, S.A.

² Through AS Inversiones, S.L.

³ Through Alba Participaciones, S.A.

⁴ On 15 February 2011, BNP reduced its interest to 2.933% of total voting rights and is consequently no longer a significant shareholder.

⁵ These rights are held through various investment funds, including the direct interest of 2,213,700 shares, representative of 3.587%, owned by FIDELITY INTERNATIONAL DISCOVERY FUND, an umbrella fund controlled by FMR LLC.

2.4. Restrictions on voting rights

There are no legal or statutory restrictions on the exercise of voting rights.

their annual general meeting, or by the board of directors itself, pursuant to the legally established terms.

2.5. Shareholder agreements

The Company has not been informed of any shareholder agreements.

- Criteria for appointment to the board of directors:: Pursuant to the Company's articles of association and the regulations of the board of directors, the board should endeavour to ensure that executive directors do not represent a majority with respect to outside directors. The board should also endeavour to ensure that the outside directors include shareholders or representatives of shareholders with significant stable interests in the Company's share capital (proprietary directors) and professionals of recognised prestige who are not related to any members of senior management personnel or significant shareholders (independent directors).

2.6. Regulations governing the appointment and removal of members of the board of directors and the amendment of the Company's articles of association

The amendment of the Company's articles of association is subject to compliance with article 194, article 285 and all subsequent articles of the Spanish Companies Act.

The appointment and removal of directors is regulated by the Company's articles of association and the regulations of the board of directors in compliance with the Spanish Companies Act.

- Number of members of the board of directors: Pursuant to the Company's articles of association, the board of directors should comprise a minimum of five (5) and a maximum of fifteen (15) members, selected by the shareholders at

For the purpose of establishing a reasonable balance between proprietary directors and independent directors, the board should consider the shareholder structure of the Company, so that the ratio between one type of director and another reflects that between stable and floating capital.

- Selection of board members: Pursuant to the regulations of the board of directors, the directors may be appointed by the sha-

reholders at their annual general meeting or by the board of directors itself, where circumstances so dictate, in accordance with prevailing legislation.

The proposals for the appointment of directors submitted by the board for the consideration of the Company's shareholders at their annual general meeting and the decisions regarding appointments taken by the board in virtue of their powers of co-optation should be preceded by the corresponding proposals from the nomination and remuneration committee.

With regard to appointing outside directors, the regulations of the board of directors stipulate that they endeavour to elect candidates of known solvency, competence and experience, proceeding with particular caution with respect to those calls to fill positions for independent directors.

Finally, the Board of Directors cannot propose or appoint as an independent director any individual in any way associated with the management of the Company or who has any kind of family, professional or business relationship with any executive directors or senior management personnel of the Company.

- Duration of the appointment:

Directors shall hold their positions for three (3) years, after which they may be re-elected one or more times for periods of the same duration.

However, independent directors may not hold their positions for a period exceeding twelve (12) consecutive years, unless they are then reappointed to a different category of director.

- Resignation of Directors:

Directors should stand down when the term for which they were appointed has elapsed and when so decided by the shareholders at their annual general meeting or by the board of directors in exercising their legal or statutory powers. However, the board of directors may not

propose the resignation of an independent director unless they have been found derelict in their duties and the nomination and remuneration committee has issued a report in this respect.

The regulations of the Board of Directors establish that directors should tender their resignation to the board of directors and formally resign, if the board of directors consider it suitable, under the following circumstances:

- When they no longer hold the executive positions associated with their appointment as board member.
- When their continued presence on the board is incompatible with other duties or prohibited by law.
- When they have been prosecuted for alleged crimes or disciplinary actions have been taken against them by the supervisory authorities due to a serious or highly serious misdemeanour.
- When they have been severely reprimanded by the audit committee for failing to comply with their obligations as board members.
- When their continued service to the board could jeopardise the Company's interests or when the reasons for which they were appointed no longer apply (for example, when a proprietary director sells their interest in the Company).

2.7. The powers of the members of the board of directors and, in particular, those relating to the issue or redemption of shares

The power of representation of the Company is delegated to the Board of Directors as a body and decisions taken by this body are subject to majority approval. The board of directors has been granted the most extensive possible powers to contract and, in general, to undertake all types of action and business, mandatory or as provided by law, involving the ordinary or extraordinary administration and absolute control over all kinds of assets, movable goods, property, money, securities and notes, without any exceptions other than those subject to determination by the

shareholders at their annual general meeting or other matters not covered by the Company's statutory activity.

Without prejudice to the above, the managing director holds the same powers as the members of the board of directors except for those which cannot be delegated, as determined by law or by the Company's articles of association (including those powers specifically delegated to the executive committee).

The chairman of the board of directors has been permanently delegated extensive administrative and regulatory powers.

At the annual general meeting held on 28 June 2010 the Company's shareholders agreed to renew the authorisation granted to the board of directors on 29 June 2009 to purchase own shares, whether directly or through subsidiaries, under the terms permitted by articles 75 and above of the Spanish Companies Act (article 146 of the new Spanish Companies Act as of 1 September 2010), complying with prevailing legislation at all times and subject to the terms of the agreement reached at the aforementioned annual general meeting. The duration of the authorisation is of five years from the date of the aforementioned meeting. It is expressly stated that this authorisation can be used totally or partially to acquire own shares to be paid or transferred to directors or employees of the Company or of other Group companies, whether directly or as a result of these parties exercising their purchase options, within the framework of the remunerative systems indexed to the Company's share price.

2.8. The significant agreements signed by the Company and that will enter into force, be amended or terminated should the control of the Company change hands as the result of a takeover, and their effects, except when disclosure of this information would be seriously harmful to the Company. This exemption will not apply when the Company

is legally required to publish this information

The most significant agreements to be considered in this section are the two syndicated financing agreements entered into by the Company, which consider, as a possible motive for the lenders to demand early repayment, the deterioration of the Company's solvency due to a change of control. The contracts are dated 25 July 2006 and 4 August 2010 and relate to financing transactions totalling Euros 450 million and Euros 400 million, respectively.

The Company has contracted credit facilities with a number of different banks with a total credit limit of Euros 95 million. As is standard, the majority of these facilities include a clause stipulating a change of control in the shareholder structure as a possible cause for demanding early repayment of the amounts drawn down.

On 28 December 2007 the Company entered into a securitisation contract to sell invoices factored without recourse which has a total limit of Euros 150 million at 31 December 2010. This contract, which entered into force in January 2008, includes as a possible cause for the lenders to demand early repayment, the deterioration of the Company's solvency that could arise as a result of a change of control.

2.9. Agreements between the Company and its directors, management or employees regarding indemnities when they resign or are dismissed unfairly or when they leave the Company's employ as a result of a takeover

Currently, none of the executive directors of the Company have a contractually recognised right to receive indemnities upon their resignation or in the event of unfair dismissal or departure from the Company as a result of a change of control.

The contracts entered into between the Company and senior management in Spain expressly provide for the right to receive the indemnities established in article 56 of the Workers' Statute in the event of unfair dismissal.

Indemnities for the dismissal of senior management personnel in other countries in which Prosegur operates are determined in accordance with the labour regulations prevailing in those countries.

DECLARATION OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT FOR 2010

The members of the Board of Directors of Prosegur Compañía de Seguridad, S.A. hereby declare that, to the best of their knowledge, the individual and consolidated annual accounts for 2010, authorised for issue at the meeting held on 24 February 2011 and prepared in compliance with applicable accounting principles, present fairly the equity, financial position and results of Prosegur Compañía de Seguridad, S.A. and of the consolidated group as a whole, and that the individual and consolidated directors' reports include a reliable analysis of the evolution and results of its businesses and of the financial position of Prosegur Compañía de Seguridad, S.A. and of the consolidated group as a whole, together with a description of the main risks and uncertainties faced.

Madrid, 24 February 2011

Ms. Helena Irene Revoredo Delvecchio
Chairwoman

Mr. Isidro Fernández Barreiro
Vice chairman

Mr. Christian Gut Revoredo
Managing Director

Ms. Mirta María Giesso Cazenave
Director

(Not signed due to absence)¹
Ms. Chantal Gut Revoredo
Director

Mr. Pedro Guerrero Guerrero
Director

Mr. Eduardo Paraja Quirós
Director

Mr. Eugenio Ruiz-Gálvez Priego
Director

¹ Ms. Chantal Gut Revoredo was unable to attend the meeting of the board of directors held on 24 February 2011, having appointed a representative and expressly stated her approval of the Annual Financial Report for 2010

RESPONSIBILITY OF THE DIRECTORS REGARDING THE CONSOLIDATED ANNUAL ACCOUNTS

The consolidated annual accounts of Prosegur Compañía de Seguridad, S.A. and its subsidiaries are the responsibility of the directors of the Parent company and have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The directors are responsible for the completeness and objectivity of the annual accounts, including that of the estimates and judgements reflected therein, and have primarily met this responsibility by establishing and maintaining accounting systems and other regulations, which are adequately supported by internal accounting controls. These controls have been designed to provide reasonable assurance that the Company's assets are protected, that transactions are carried out in accordance with the authorisations and standards foreseen by management, and that the accounting records are reliable for the purposes of preparing the annual accounts. The automatic mechanisms of correction and control also constitute a significant part of the control environment, to the extent that corrective measures are adopted when weaknesses are identified. However, effective internal control systems, irrespective of the quality of their design, have inherent limitations, including the possibility of omitting or cancelling controls and can therefore only offer reasonable assurance in relation to the preparation of the annual accounts and the protection of assets. Due to changes in conditions, the effectiveness of the internal control systems may vary over time.

The Company has assessed its internal control system at 31 December 2010. According to this assessment, the directors consider that the internal accounting controls in use provide reasonable assurance that the Company's assets are protected, that transactions are carried out in accordance with management authorisations, and that the financial records are reliable for the purpose of preparing the annual accounts.

The independent auditors are appointed each year by the Shareholders at their Annual General Meeting to audit the annual accounts in accordance with technical audit standards, and their unqualified auditors' report is included in a separate document. Their audit work, as well as that carried out by the internal services of the Company, includes a review of the internal accounting controls and selective testing of transactions. The management teams of the Company meet regularly with its independent auditors and internal services to review the issues relating to the preparation of financial information, the internal accounting controls and other relevant audit issues.

Mr. Antonio Rubio Merino
Chief Financial Officer

