



2010 Annual Report
Panaxia Security AB (publ)

Contents

The year in brief.....	3
Message from the CEO	4
Business concept, goals and strategies	5
Market survey	6
Business operations	8
Organisation and employees.....	11
Share data and shareholders	12
Corporate governance.....	13
Directors' report.....	17
Consolidated income statement	21
Consolidated balance sheet	22
Consolidated changes in equity.....	23
Consolidated cash flow statement.....	24
Parent Company income statement	25
Parent Company balance sheet	26
Changes in Parent Company equity.....	27
Parent Company cash flow statement.....	28
Notes	29
Signatures	62
Audit report	63
Auditor's opinion about the corporate governance report.....	64
Board, auditor and management	65
Addresses.....	67

This annual report in English is a translation of the official version in Swedish.

The year in brief

- Income for 2010 totalled SEK 729.6 million (677.1).
- Operating earnings totalled SEK -56.7 million (19.1) after a provision of SEK 43 million for doubtful receivables.
- The loss after tax was SEK -85.8 million (-7.2).
- Earnings per share were SEK -0.25 (-0.03).
- New customer contracts valued at SEK 624 million were signed in 2010.
- A proposal to issue new shares will be submitted to the Annual General Meeting.

Key ratios for the Group

	Full year 2010	Oct– Dec 2010	July– Sept 2010	April– June 2010	Jan– Mar 2010	Full year 2009	Full year 2008	Full year 2007	Full year 2006
Total income, SEKm	729.6	207.0	172.6	175.3	174.7	677.1	517.4	392.4	197.0
Total operating costs, SEKm	786.3	244.7	189.8	177.3	174.5	658.1	487.9	378.9	181.6
Operating profit/loss, SEKm	-56.7	-37.7	-17.2	-2.0	0.2	19.1	29.5	13.6	15.4
Profit/Loss after tax, SEKm	-85.8	-49.9	-23.9	-9.1	-2.9	-7.2	29.7	8.6	7.4
Operating margin, %	neg	neg	neg	neg	0.1	2.8	5.7	3.5	8.6
Return on equity, %	neg	neg	neg	neg	neg	neg	15.3	9.8	19.5
Return on capital employed, %	neg	neg	neg	neg	2.6	2.8	4.8	6.3	8.2
Earnings per share, SEK	-0.25	-0.15	-0.07	-0.02	-0.01	-0.03	0.13	0.04	0.04
Quick ratio at end of period, %	65.9	65.9	75.1	79.3	80.0	78.3	69.6	85.5	92.0
Equity/assets ratio at end of period, %	12.2	12.2	17.0	21.5	21.9	23.1	14.0	17.1	20.4
Total capital employed, SEKm	899.8	899.8	940.0	856.3	883.9	852.8	914.5	515.1	268.2
Average number of employees	1,068	1,094	1,148	1,042	1,016	803	444	363	193
Market capitalisation at end of period, %	144.4	144.4	233.8	213.2	264.8	268.2	212.6	394.4	602.6

Message from the CEO

Let me start by assuring you that this year did not turn out at all as I expected, though I was aware that we had much work left to do before all parts of the Group would be profitable. Anyone who has followed the Company's progress in recent years knows that prior to 2010 we decided to implement a thorough cost-cutting programme. And we have implemented it, though it is barely apparent in our final accounts for 2010.

We gave notice to employees, reduced our fleet of vehicles, closed offices, rationalised deliveries, optimised cash flow, sold unnecessary security equipment, renegotiated many purchased services and many assignments from customers – all with the aim of becoming profitable. Though much energy was devoted to these actions, the savings were eaten up by costs arising from new assignments that required more resources than estimated and by continuing excess capacity in premises, vehicles and security equipment.

The biggest changes were at Panaxia Kontantservice, where we turned a loss to profit by remaking the business into a pure production company working closely with the cash in transit (CIT) operations in Panaxia AB. Now the company is equipped to take on the challenges that await in the cash handling market, described in more detail in the Market survey section of this report.

In light of our poor performance, the Board decided that we would focus on our core business and divest everything else. So what is Panaxia's core business? Our business is: Cash, that is, cash in transit and cash processing services that satisfy our customers' cash handling needs; Guarding, related to CIT in the form of services for clients in banking and retail/wholesale, including emergency and surveillance services; and Logistics, services for theft-prone goods other than money.

This process of concentration started with a search for buyers of the Group's haulage contractors and

our security companies. As announced in February this year, we have closed deals on Hans Granlunds Åkeri AB and Panaxia Bevakning AB. What is left to be done is to divest most of the remainder of Panaxia Logistik AB and our 50% holding in the Lithuanian security company UAB Trikampis Žiedas. For logistics, negotiations are underway that we expect to conclude soon.

When we entered the Lithuanian market, our plan was to offer guarding services to customers in the other Baltic states as well, and to explore the prerequisites for launching CIT and cash processing services in Lithuania and possibly Estonia and Latvia. However, it is plain that lingering weakness in the economy and the structure of the guarding and CIT markets in the Baltic region are likely to make profitable expansion far too time-consuming, so we decided to leave Lithuania.

There were also bright spots this year. Sales continued to advance, as contracts worth more than SEK 600 million were signed during the year. Another bright spot was the response to our entry into Denmark. In a short time, Panaxia has established itself as a significant actor in the Danish CIT market, and to better serve our customers we opened an office in Vejle, on Jutland. While we were growing in Denmark, Dansk Værdihåndtering A/S was bought by the Norwegian company Nokas, so we can expect tougher competition but also new business opportunities as the old market structure breaks up.

Obviously I am not satisfied with our financial results for 2010. At the same time, amidst difficult circumstances we implemented changes that will strengthen Panaxia. These changes would have been impossible without the enormous efforts of our employees and the profound understanding of our clients and suppliers, to whom I extend our heartfelt gratitude.

Thomas Gravius
Chief Executive Officer

Business concept, goals and strategies

Group structure

The Group includes the Parent Company, Panaxia Security AB (publ), and the wholly owned subsidiaries Panaxia AB, Panaxia Kontantservice AB, Panaxia Logistik AB, Hans Granlunds Åkeri AB, PanAlarm AB with its subsidiary Panaxia Bevakning AB and Gävleborgs Kyl och Fryshus AB. The Parent Company also owns 50% of the shares in the Lithuanian security company UAB Trikampis žiedas.

Panaxia AB has activities in cash in transit (CIT), cash handling and logistics. Panaxia Kontantservice AB is active in cash handling. Panaxia Logistik AB and Hans Granlunds Åkeri are haulage contractors with registered offices in Stockholm and Borlänge, respectively, while Gävleborgs Kyl och Fryshus AB is a former property company that owned a logistics terminal in Gävle. PanAlarm AB is active in surveillance and alarm monitoring, while Panaxia Bevakning AB is active in guarding and technical installations. The Parent Company contains the Group's management functions. The Group offers its services nationwide and has an excellent local presence via representatives in 20 locations throughout Sweden as well as in Denmark and Lithuania.

Business concept

Panaxia Security's business concept is to provide, in a cost-effective manner, 'closed transport systems' for cash in transit, storage, handling and surveillance of theft-prone goods.

Overall goals

Panaxia Security will be regarded as the strongest brand in secure logistics, which means the Group will continue to lead the market in closed end-to-end transport systems. The Group will be able to offer complete security solutions including guarding services and technical installations. Panaxia Security will embody promptness, flexibility and creativity

and always strive to offer the most efficient solutions, in terms of logistics and economy. Panaxia intends to become the No. 2 security company in the Swedish market.

Strategy

To maintain and develop the strong position that Panaxia Security commands, the strategy is to:

- Continue to drive development in closed transport systems and in future maintain the Company's leading position in the market.
- Capitalise on ongoing change in the logistics structure of the CIT and cash handling sectors.
- Continue to generate synergies between sophisticated security technology and guarding with expert personnel.
- Continue to emphasise local presence and customer benefit.
- Ensure that acute environmental awareness informs operations in all areas.
- Heighten efforts to strengthen the brand.

Outlook

Panaxia Security is one of the leading players in Sweden in cash handling and CIT services. Having expanded vigorously in recent years, through organic growth and acquisitions, the Group is now concentrating on its core business. Business activities not considered core business will be divested. Once the business is thus concentrated, Panaxia will continue to offer its customers a broad spectrum of security solutions and cash handling services as well as guarding services and installation services.

The Board of Directors believes that the Company, having implemented economisation measures and concentrated the Group's core business, will strengthen its position in its core markets through high reliability of deliveries, acute environmental awareness and growth in earnings.

Market survey

Changes in cash handling

The market for cash in transit (CIT) and cash processing services depends entirely on the extensive use of cash in society. At year-end, the quantity of cash in circulation in Sweden was SEK 105.4 billion¹, SEK 5.3 billion less than at the preceding year-end. The volume of cash in Sweden is trending down. This is particularly evident in the decrease in the number of daily receipts as well as the number of pick-ups at customer premises.

The number of automatic teller machines (ATMs) has passed 3,000, and 15% of these are owned by Kontanten AB, which is handled by Panaxia. Nowadays all ATMs are filled using 'closed systems', as per new government directives; that is, notes are packed into cassettes at cash processing centres, and no people outside the cash processing centres come into direct contact with the banknotes.

For some years, Sweden's central bank, the Riksbank, has operated only two cash management offices where banks and CIT companies could obtain notes and coins and return worn notes for destruction. Cash surpluses can be submitted only three times a year. During the rest of the year, actors in the market are supposed to balance the needs of various geographic areas and different actors on commercial terms. To enable this, the Riksbank has entrusted cash management to banks, which have set up cash depots in exchange for interest cost remuneration from the Riksbank. Thirteen cash depots are currently in operation, owned by BDB Bankernas Depå AB. Operation of each depot is assigned to a CIT company. Properly managed, the CIT companies and cash processing centres can earn money, but that requires knowledge of cash flows in the market as well as a nationwide transport organisation.

Major changes are anticipated in the Swedish ATM market following the formation of BAB Bankernas Automatbolag AB (BAB), a joint venture of Sweden's five big commercial banks via Bankernas Depå AB, formed to own a common infrastructure for the banks' ATMs in Sweden. Panaxia is in discussions with the new company on how to perform assignments.

In June 2010, the Riksdag (Swedish parliament) approved new banknote and coin series. The changeover is estimated to take place in 2014–15 and poses a challenge for Sweden's CIT companies.

Today Sweden has only three cash processing companies: Loomis, Group 4 Securicor (G4S) and Panaxia. Some bank branches still offer their customers a cash processing service for daily receipts, but such service is disappearing. Panaxia's market share is almost 20%.

In the CIT sector, Loomis is still the market leader, followed by G4S and Panaxia, with roughly equal shares of about 25% each.

New assignments for security companies

Security companies are receiving ever more enquiries about services previously performed by other organisations, including the police. One proposal would make it possible for the Swedish Prison and Probation Service to commission guards to independently transport detainees and would allow security companies on assignment from the Service to transport detainees for other government authorities, such as the Swedish Migration Board or county councils. These changes are scheduled to take effect in June 2012.

Government demands have positive impact

Companies in the guarding and CIT industry must have a permit from their county administrative board to conduct business. Employees in such op-

¹Weekly report from the Riksbank

erations must also be approved by the county administrative board.

New requirements of public authorities relating to secure transportation cover procedures and equipment (closed transport systems) as well as the age and training of the people who perform the secure transport assignments. For more than 10 years, Panaxia has used the systems that are now the norm and thus has the longest experience with such systems, putting the Company a step ahead of its competition.

Massive change in the pharmacy market

The Riksdag approved a deregulation of Sweden's pharmacy market that has led to massive change for the cash handling market and for logistics services provided to the new pharmacy chains. Before the new regulations took effect on 1 July 2009, Sweden had fewer than 1,000 prescription and OTC pharmacies. Today the market is more diverse, with eight major players and a number of independent pharmacies. About 1,300 pharmacies require cash handling services and transportation of pharmaceuticals and other goods for resale.

Procurement increasingly common

It is increasingly common for large corporations and chains to purchase services using a more structured procurement process in which they rely on procurement consultants. This makes procurement more transparent, and the different suppliers in each market are exposed to tougher competition than previously. In most procurement, the price is decisive in the selection of supplier, which puts extreme pressure on the prices of services offered by the companies in the Panaxia Group. To some extent, demands for price cuts can be offset by new services that add value for a customer, but usually it is the basic service that is requested, priced and compared with competing offers.

Business operations

Three business areas

During 2010, the Panaxia Group offered services and products in three business areas: Cash, Guarding and Logistics. The Group provides its services nationwide and has an excellent local presence even in smaller communities in Sweden. The Group operates in 20 locations nationwide.

Cash business area

The Cash business area includes cash in transit (CIT) and cash handling. CIT includes transporting notes and coins to and from customers or ATMs and emptying night safes. Panaxia provides CIT using closed transport systems, which contain an array of security features such as ink/dye staining systems, positioning, locked stowage for cash bags, security codes and remote identification. Cash handling includes processing, counterfeit detection and counting of coins and notes as well as the sale of cash. The services include reporting and depositing counted amounts in customers' bank accounts.

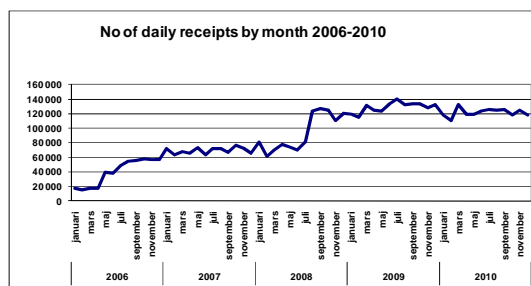
The majority of Panaxia's CIT uses security systems from SQS. The SQS system features high reliability, simple operation and a completely closed chain, from customer to cash processing centre. SQS's transport system has an extremely low frequency of robberies and is the only system approved by the Swedish Theft Prevention Association (SSF). All CIT assignments are carried out by guards who have been approved by the county administrative board.

BDB Bankernas Depå AB (BDB) has 13 cash depots in Sweden that receive interest cost remuneration from the Riksbank. BDB has engaged three different actors to run the depots. Panaxia Kontant-service is responsible for operating the depots at the cash processing centres in Kristianstad, Stockholm and Piteå. All three of these are 'neutral depots', such that all of BDB's customers – banks as well as cash handling companies – can be customers of the depot. Neutral depots help balance the inflow and outflow of cash in a region in the best way possible

and reduce the number of shipments, yielding benefits for the environment and costs as well as less risk exposure.

From 1 February 2010, BDB's neutral cash depot in Stockholm/Bromma has expanded capacity to also process coins in bulk containers. This central coin depot enables actors in the market to handle coins in the same structured manner as they do notes. The Riksbank and others consider poor circulation of coins in society a problem, but the coin depot will help remedy this by increasing circulation. The cash depot has the capacity to serve as a hub for all coin handling in Sweden and to expand Panaxia's share of coin handling.

In December, the Group processed 119,000 daily receipts. For 2010, the number of daily receipts via agreements directly with customers was 1,464,000, compared to 1,552,000 for 2009, down 6%.



In the Cash business area, new contracts were signed in 2010 with Forex Bank, MTR, Apoteksgruppen, Jysk Bäcklager, Admenta/Doc Morris, Dollarstore, Kronans Droghandel Apotek AB, Choice Hotels, Mekonomen Detaljist AB, Rusta, Rikskuponger and others. The total value of new contracts signed in the Cash business area was SEK 135 million for 2010.

An assignment that keeps growing is total responsibility for the operation of Kontanten AB's ATMs. Since the assignment began in August 2008, the

number of ATMs has doubled, reaching 455 at year-end, and the network continues to expand. Besides delivering notes to and servicing the ATMs, Panaxia is also responsible for surveillance of the ATMs and for monitoring alarms from the machines. Panaxia's market share for operation and maintenance of ATMs in the Swedish market is currently 16%.

Since October 2009, Panaxia has provided CIT services in Denmark. Interest in 'the new player' was intense, and several contracts were signed with Danish as well as Swedish companies. Customers include Forex Bank, Jysk Bæddlager, H&M Denmark and others. To handle the growing volume, Panaxia opened an office in Jutland.

Panaxia also provides secure and environmentally sound logistics to safeguard and destroy digital and analogue storage media and electronic hardware. The concept is based on the secure transportation of computer products to secure premises where the data can be stored, recreated, recovered or destroyed. Materials scrapped are recycled, primarily in Sweden.

Panaxia's largest business area is Cash, accounting for almost half of Group sales. Total income for 2010 was SEK 333.3 million, 2% less than for 2009. The decrease was chiefly attributable to the loss of income caused by the termination of cooperation with G4S.

Guarding business area

Via the subsidiary PanAlarm AB and its subsidiary Panaxia Bevakning AB, the Group offers services in guarding and surveillance. Guarding includes security rounds and static surveillance, alarm call-out and crowd control activities. All assignments are performed by trained security guards. In addition, Guarding offers related services such as traffic surveillance (parking surveillance and service, maintenance and emptying of parking meters), special security services tailored for property owners and property managers and property surveillance, which includes preventive activities, reports and removal of graffiti.

Panaxia's surveillance services include receiving information from various forms of security monitoring and operations monitoring systems, such as camera surveillance, and then taking action based on customers' instructions. The Company has its own emergency service and surveillance centre located in Piteå, Sweden.

Panaxia has bundled product offerings that include planning, installation, service and support of technical security equipment. The technology used represents a broad range, focusing on quality, compatibility and flexibility, and Panaxia works exclusively with vendors who have long-term, extensive and tested experience in their particular areas. Security installations are often implemented after customers have signed a contract with Panaxia for surveillance or guarding services.

During the year, Guarding signed contracts with clients including the Saudi Arabian Embassy in Stockholm, Kontanten, Gröna Lund, the retail chain XXL Sport & Vildmark, Storstockholms Lokaltrafik AB, Botkyrka Municipality and the new shopping centre Bromma Blocks in Stockholm. The assignment for Bromma Blocks is unique in that it covers static surveillance, camera surveillance, parking surveillance, CIT and cash handling.

Additional evidence of Panaxia's broad range of services is a contract recently signed with the construction company Arcona AB for security technology that complies with the ID06 standard for all of the company's building sites. This security system is tailored for construction companies and, using the industry's ID06 system, safeguards the work environment for construction workers while obstructing illegal labour.

The business area's sales for the year totalled SEK 167.0 million, up 16%. The total value of new contracts signed in the Guarding business area was SEK 94 million for 2010.

Logistics business area

The Logistics business area includes the transportation of theft-prone goods other than cash, such as medicine, credit cards, consumer electronics, labora-

tory samples and window glass for the construction industry. When possible, these transports are coordinated with CIT, to efficiently employ vehicles and staff.

Logistics also offers all kinds of stock and order handling under its own management, with packing and delivery as well as total responsibility for shipments, including goods receiving, matching to orders, packing and transportation.

The Logistics business area consists of all operations in Panaxia Logistik AB and Hans Granlunds Åkeri as well as transportation of theft-prone goods other than cash, such as medicine for Oriola AB (formerly KD Pharma), retail goods for Apoteket AB, laboratory samples for Unilab and the Stockholm County Council and alcoholic beverages for Lagena Distribution AB's XSAM division in northern Stockholm, Uppland, Gästrikland and Dalarna. The cooperation with KD Pharma, now under the name Oriola AB, for transporting medicine to all pharmacies in Sweden, will continue two more years.

Yet another large logistics assignment began in September for the Stockholm County Council. The assignment consists of about 100 transport orders each day that may occur round the clock all year round. The orders have differentiated priority, from 'normal', up to 'emergency' (emergency vehicle with blue lights). This flow includes conveying a small quantity of goods beyond Stockholm County, in Sweden and abroad. The contract period is four years with an option to extend up to two years.

Income in the business area totalled SEK 229.3 million, up 19% from the corresponding period the preceding year. The total value of new contracts signed in the Logistics business area was SEK 395 million for 2010.

Customer structure

Panaxia Security caters primarily to corporate customers in retail, wholesale and banking, public administration, municipalities, and county councils as well as private and municipal property companies. The haulage contractors' customers consist

chiefly of wholesalers serving retailers and companies that need logistics services.

Environmental work

Panaxia Security has the goal of acting with complete environmental awareness in all its business areas. Vehicles, vehicular equipment, other technical equipment and the like shall have the highest environmental ratings. Transportation is to be carried out so as to minimise the environmental impact given the nature of the assignment.

Organisation and employees

Regional presence

Panaxia Security's head office is located in Bromma, outside Stockholm. Business operations span Sweden, and the Group is represented in an additional 20 communities through cash processing centres, cash depots and logistics terminals.

Organisation

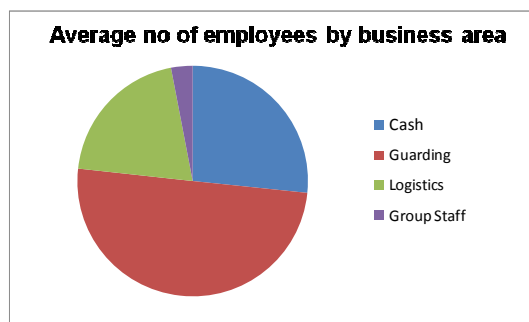
Panaxia Security's organisation consists of a number of central and operational functions represented in different places in Sweden. The central functions are: Accounting, Human Resources, IT, Sales and Marketing and Security.

Operating activities are divided into three business areas:

- Cash: *Cash in transit*
Cash handling
Information recovery
- Guarding: *Guarding*
Surveillance
Security installations
- Logistics: *Other transportation*
Stock management

Employees

At the end of the reporting period, 1,286 people were employed in the Group, compared to 1,170 one year previous. On average, 1,068 people were employed in 2010, compared to 803 in 2009. Half of the Group's employees belong to the Guarding business area. The acquisition of UAB Trikampus Žiedas added an average of 251 employees to the Group, compared to 33 in 2009.

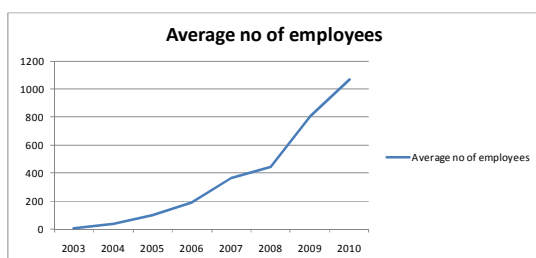


Panaxia Academy

In 2010, Panaxia Academy focussed on preparing materials for the 'safer school' and 'safer workplace' concepts. Panaxia Academy also conducts training in Verbal Judo, a method for tactical communication. During 2010, patrols who work in Stockholm's underground system were the main participants in these courses. In the future, Panaxia Academy will also arrange basic training for security guards and CIT officers.

In 2010, all security coordinators and half of all supervisors attended three-stage training in colleague and crisis support through BYA/Väktarskolan.

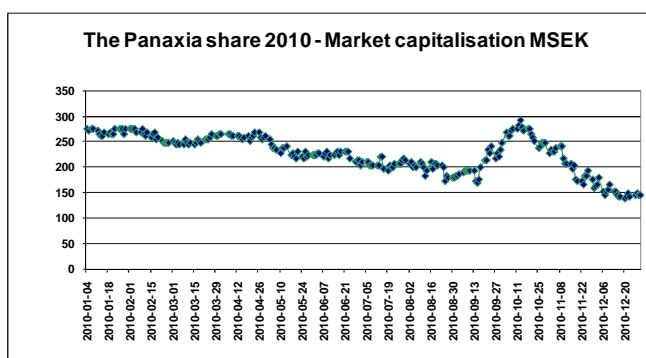
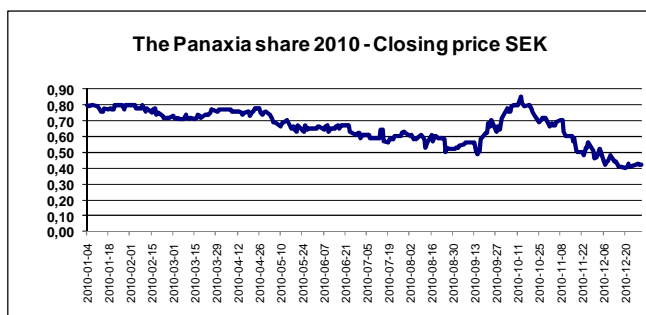
Mandatory continuing education for security guards and CIT officers will be held every fourth year. This training, required by law, should have been conducted by September 2010 for staff employed before September 2006. A total of about 200 people in the Group attended the course in 2010.



Share data and shareholders

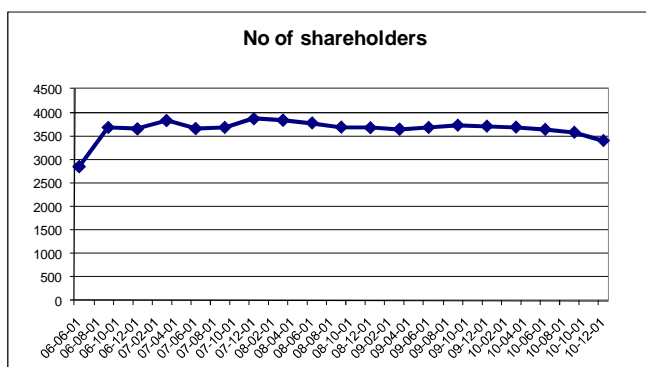
Share data¹

Shares listed on:	NGM Equity
Market cap at 31 December:	SEK 144.4 million
Closing price at 31 December:	SEK 0.42
Lowest closing price Q4:	SEK 0.40
Lowest closing price 2010:	SEK 0.40
Highest closing price Q4:	SEK 0.85
Highest closing price 2010:	SEK 0.85
Average no. of shares traded per trading day this year:	105,414
Total no. of shareholders:	3,402



Shareholders at 31 December 2010

	No. of shares	%
Laccord Ltd ²	114,277,404	33.2
Sparbanken 1826	43,515,250	12.7
Nordea Småbolagsfond Finland	30,543,912	8.9
Håkan Isaksson Holding AB	21,677,852	6.3
Eleni Gravius	10,668,592	3.1
Kjell Stenberg	9,753,721	2.8
Capital Cube AB	7,545,289	2.1
Sörmlands Sparbank	6,150,000	1.8
Marianne Rapp	5,740,132	1.7
Gravius & Damos Partners AB	5,000,000	1.5
Nordnet Pensionsförsäkring AB	3,802,603	1.1
Global Assistance Partner	3,378,300	1.0
Laccord AB	3,206,427	0.9
Avanza Pension	1,935,043	0.6
Mariela Perez Martinez	1,742,500	0.5
Kåre Gilstring	1,725,000	0.5
Lina Stenberg	1,500,000	0.4
Niclas Stenberg	1,500,000	0.4
Sarah Signal	1,500,000	0.4
Anders Eklund	1,270,000	0.4
Other shareholders	<u>68,689,725</u>	<u>20.0</u>
Total shares	343,851,750	100.0



¹Source: NGM.

²Laccord Ltd, Gravius & Damos Partners AB and Laccord AB are owned by Thomas Gravius and Carolina Damos.

Corporate governance

The control and governance of the Panaxia Group is exercised by the shareholders at the Annual General Meeting (AGM), the Board of Directors and the Chief Executive Officer (CEO) in accordance with the Companies Act, the Swedish Code of Corporate Governance, Panaxia's articles of association and instructions adopted by the Board.

Shareholders' meeting

The Group's supreme decision-making body is the meeting of shareholders, in which all shareholders are entitled to participate, in person or through a representative furnished with a proxy. Every shareholder is also entitled to have business addressed by the meeting. The Company's ordinary meeting of shareholders, the Annual General Meeting (AGM), elects the Company's Board and Chairman of the Board, as well as auditors, when appropriate. The tasks of the AGM also include adopting the Company's balance sheets and income statements as well as deciding how to appropriate the profit/loss in the business, whether to discharge the members of the Board and the CEO from liability for the year, the fees for the Board and auditors and guidelines for remuneration and other terms of employment. In addition, the shareholders' meeting can decide to increase or decrease the share capital and can also amend the articles of association.

AGM for financial year 2009

Panaxia Security AB (publ) held its AGM for financial year 2009 on 22 April 2010 in Bromma. The AGM voted on the adoption of the income statements and balance sheets for the Parent Company and the Group, the appropriation of profit in the Parent Company, the reelection of Board members, Board fees, the appointment of a nominating committee and guidelines for remuneration of senior executives, among other things. The AGM also elected a new auditor for a period of four years.

AGM for financial year 2010

The AGM for financial year 2010 will be held on 14 April 2011 at Restaurang Linta, Linta Gårdsväg 5,

Bromma. Notice of the AGM is issued in compliance with the articles of association and the Companies Act as well as applicable recommendations in the Swedish Code of Corporate Governance.

Board of Directors

The Board consists of seven regular members and no alternates. The AGM held on 22 April 2010 re-elected all Board members except Anna-Lena Nyberg, who declined to stand again. Håkan Isaksson, from Håkan Isaksson Holding AB, was elected to the Board for the first time. All members were elected to serve until the next AGM. All Board members elected by the AGM, except for Carolina Damos who is employed in the Group, are regarded as independent of the Company. All Board members are regarded as independent of major shareholders except for Carolina Damos, who represents the Company's largest shareholder Laccord Ltd; Åke Ekström, who represents the Company's second largest shareholder Sparbanken 1826; and Håkan Isaksson, who represents the Company's fourth largest shareholder Håkan Isaksson Holding AB. The CEO and the Group's Chief Financial Officer participate in Board meetings in a reporting and secretarial capacity.

Remuneration to the Board

During the financial year, the Chairman of the Board received a fee of SEK 100,000 (100,000), and other outside Board members SEK 60,000 (60,000) each. The members of the audit committee received SEK 40,000 (40,000) each, and the members of the remuneration committee SEK 20,000 SEK (20,000) each. A total of SEK 580,000 (620,000) was paid in fees to members of the Board as per the resolutions of the AGM.

Work of the Board of Directors

The work of the Board of Directors is governed by the current rules of procedure and instructions issued on the division of tasks between the Board and the CEO. The rules of procedure regulate how often the Board shall meet, what business shall be dealt with at each

meeting and other details. The Chairman leads the work of the Board. The Board exercises the shareholders' control of management and the way management guide the company. In addition, the Board is responsible for the Company's strategic focus and business plans, financial targets and overall organisation. Through information from the CEO, the Board continuously monitors the Group's financial situation and development and is responsible for financial disclosure through reports. At least once a year, the Board shall reassess its rules of procedure, instructions for the CEO and reporting instructions for timeliness and relevance. This was done on 22 April at the statutory Board meeting following the AGM.

The Chairman shall ensure that the work of the Board is performed efficiently and that the Board performs its duties. In particular, the Chairman shall

- organise and manage the work of the Board to create the best possible conditions for the Board's work,
- ensure that new Board members complete the requisite introductory training as well as other training that the Chairman and each Board member agree is appropriate,
- ensure that the Board continually updates and intensifies its knowledge of the Company,
- take responsibility for contacts with shareholders on ownership issues and convey opinions from shareholders to the Board,
- ensure that the Board obtains satisfactory information and background data that members need to make decisions in their tasks,
- provide a proposed agenda for each Board meeting in consultation with the CEO,
- check that the decisions of the Board are executed, and
- ensure that the work of the Board is evaluated annually.

At their ordinary meetings, the Board of Directors dealt with the recurring agenda items for each meeting, related to the strategic plan, budgets, final accounts and interim reports. Issues concerning financing, investment and corporate structure and organisation were also dealt with. Extra Board meetings were held to discuss, for example, the disposal of companies and business operations.

During the 2010 financial year, the Board held a total of 11 meetings at which minutes were taken; three meetings were teleconferences. All Board members participated in all meetings, with the exception of Yvonne Lemmouh Karlsson, who was absent from one meeting.

Nominating committee

The nominating committee shall consist of the Chairman of the Board and two additional members. The two largest shareholders by number of votes are each entitled to appoint a member if they wish. The representative of the largest shareholder is appointed chairman of the nominating committee. Changes in the composition of the nominating committee may occur when a shareholder who has appointed a member of the nominating committee sells all or part of their shareholding in the Company. A member who resigns from the nominating committee before its work is completed will be replaced, if the nominating committee so chooses, by another person who represents the same shareholder or by a person who represents the shareholder that is next largest and has not already appointed a member to the committee. The nominating committee will prepare proposals for chairman of the AGM, Board members, Chairman of the Board, auditors, fees to the Board and the auditors as well as proposals for the composition of the nominating committee for the 2012 AGM. The proposals will be submitted to the 2011 AGM for voting. The members of the nominating committee receive no fee.

The nominating committee for the April 2011 AGM, formed on the basis of shareholder statistics from Euroclear at 30 June 2010, consists of Thomas Gravius (convening), Anders Eklund and Bo Bengtsson.

Remuneration committee

The Panaxia Group has a remuneration committee that shall consist of the Chairman of the Board and two additional members. The Board appoints the members as well as the chairman of the remuneration committee. They are selected annually in conjunction with the statutory meeting of the Board following its election by the AGM. The remuneration committee

meets at least once a year and otherwise as required. Decisions made are reported during the next Board meeting. The tasks of the committee are to decide on overall policy concerning salaries and other benefits for the Group's senior executives. Overall policy covers issues such as decisions concerning the bonus system, policies for pensions and policies for basic salary and other fringe benefits. In addition, the committee shall propose to the Board individual salaries and benefits for the CEO and, based on proposals from the CEO, decide on salaries and other benefits for managers reporting directly to the CEO.

At its statutory meeting of 22 April 2010, the Board appointed the remuneration committee: Anders Ek-lund, Yvonne Lemmouh Karlsson and Håkan Isaks-son, with Yvonne Lemmouh Karlsson as chair. Dur-ing 2010, the committee had three meetings with all members in attendance.

Audit committee

The audit committee is responsible for preparing the work of the Board of Directors by ensuring the quality of the Company's financial reporting, meeting regularly with Company auditors to stay informed of the focus and scope of the audit as well as to discuss the Company's risks, determining guidelines for which services other than audit the Company may procure from the Company's auditor, assessing the audit engagement and informing the Company's nominating committee of the results of the assessment as well as assisting the nominating committee in nominating auditors and preparing proposals for re-muneration of audit engagements. The audit commit-tee meets at least three times each financial year.

At its statutory meeting of 22 April 2010, the Board appointed the members of the audit committee: Kjell Stenberg, Gunnar Forss and Åke Ekström, with Kjell Stenberg as chair. During 2010, the committee had three meetings with all members in attendance.

External auditors

As proposed by the nominating committee, the AGM held 22 April 2010 elected the registered public accounting firm PricewaterhouseCoopers AB auditor until the 2014 AGM. PricewaterhouseCoopers AB

has appointed authorised public accountant Sten Håkansson auditor in charge. The Company's auditor participates in the AGM.

CEO and Group management

The CEO shall lead and develop the Company's busi-ness operations and, under the supervision of the Board, take steps to ensure a businesslike and effi-cient organisation of the operations. Within the framework of the Companies Act as well as the budget, business plan and approvals list adopted by the Board of Directors, the CEO has decision-making authority on issues not decided by the Board under the policy and procedures for the Board and CEO.

It is also the duty of the CEO to:

- monitor development of the economy in general, chiefly those parts significant to the Company's business operations, and take or propose to the Board of Directors measures that the CEO considers necessary in the best interests of the Company,
- nurture and develop the Company's most important relationships as well as represent the Company where it is deemed essential for the Company,
- implement the Company's strategy and objectives as well as prepare and propose qualitative and quantita-tive objectives for the Company's different fields of activity,
- keep the Board informed of business developments in the Company, the financial situation of the Company and other issues that the CEO deems the Board should be aware of,
- on an ongoing basis keep the Chairman of the Board especially informed of the Company's operations,
- propose an agenda to the Chairman at least two weeks before each Board meeting,
- produce the requisite background documentation for the Board meetings as well as report to the Board meet-ings and in that connection submit well supported pro-posals for decisions,
- ensure that the decisions of the Board are executed,
- regardless of any information from the auditors, report to the Board immediately any material deficien-cies in the accounting system, crimes against property or other crimes,
- after consulting with the external auditors, organise the Company's internal control and ensure that it is appropriate and effective,

- bear responsibility for the Company's external information in accordance with the guidelines adopted by the Board,
- inform employees about the decisions of the Board as per the Board's instructions,
- bear responsibility for all legal actions that the Company enters into or undertakes being documented in an appropriate manner and not contravening peremptory statutes in Sweden or abroad and
- monitor in other respects that applicable provisions in laws and regulations concerning the Company's operation and administration are observed.

A Group management team reports to the CEO and normally meets every week. Group management consists of the people responsible who represent the Group's staff functions and business areas.

The Company's CEO is Thomas Gravius, 44 years old, who is one of the founders of the Company and has been employed by the Company since 1993. Thomas Gravius owns directly, through related parties or through the companies Laccord Ltd, Laccord AB and Gravius & Damos Partners AB 134,280,423 shares in Panaxia Security AB (publ).

Remuneration of CEO and senior executives

The AGM voted on guidelines for remuneration of senior executives that mainly entail salaries, pensions and other terms of employment for executives adhering to market conditions. Executives will be able to receive, in addition to a fixed annual salary, a bonus based on performance and profitability targets or activity-based results. Retirement pensions will be provided through defined contribution plans. Any severance package will equal 12 monthly salaries at most. 'Senior executives' comprise the CEO, members of Group management and the presidents of subsidiaries. For more information about remuneration to the Board and CEO, see Note 12.

Internal control

The purpose of internal control is to protect the Company's assets and thereby the investment of shareholders. Control is achieved by means of an effective decision-making process that is based on policy documents, internal instructions and manuals ap-

proved by the Board as well as on a straightforward organisation with well defined responsibilities. In addition to these formal documents, the established corporate culture and the core values that the Company represents are important. The CEO is responsible for there being the requisite instructions to govern each business operation in the Group. Most vital to the formulation of internal instructions is the management of the risks to which the Group is exposed. The instructions shall be formulated so that they clearly and unambiguously state who is responsible for each risk and how the risks will be reported to the CEO. For more information on the Group's risks, see Note 3.

Risk reporting

Senior management reports regularly to the Board of Directors on the Group's financial situation and the risks to which the Group is exposed. In 2010, risk reporting to the Board focused chiefly on the Group's cash-flow situation, weak earnings growth in certain areas and which cost-cutting and other measures could be taken. The Board has continuously monitored dealings and discussions with the banks concerned as a result of the covenants that the Company has signed.

Information and communication

To safeguard that external communication is correct and complies with the listing agreement with NGM, the Group has a communication policy adopted by the Board. The Company's governing documents, such as instructions, manuals and policy documents significant to financial reports are continuously updated and communicated to the employees concerned at meetings and via the Group's intranet.

Follow-up

The Company's auditors report at least once a year their observations to the Board and summarise their opinion in their audit report. Based on the reports from the auditors, the Board forms an opinion on how well the internal control is working and what changes might be necessary in the assignment of responsibilities or routines for reporting or following up.

Directors' report

The Board of Directors and Chief Executive Officer of Panaxia Security AB (publ), corporate identity number 556696-0687, hereby present the Company's annual report and consolidated accounts for the period 1 January–31 December 2010. 2010 was the Company's fifth financial year. The Company's shares have been traded on NGM Equity since July 2006 (symbol: PAXA).

Business operations

The Group includes the Parent Company, Panaxia Security AB (publ), and the wholly owned subsidiaries Panaxia AB, Panaxia Kontantservice AB, Panaxia Logistik AB, Hans Granlunds Åkeri AB, PanAlarm AB with its subsidiary Panaxia Bevakning AB and Gävleborgs Kyl och Fryshus AB. The Parent Company also owns 50% of the shares in the Lithuanian security company UAB Trikampis žiedas.

Panaxia AB has activities in cash in transit (CIT), cash handling and logistics. Panaxia Kontantservice AB is active in cash handling. Panaxia Logistik AB and Hans Granlunds Åkeri are haulage contractors with registered offices in Stockholm and Borlänge, respectively, while Gävleborgs Kyl och Fryshus AB is a former property company that owned a logistics terminal in Gävle. PanAlarm AB is active in surveillance and alarm monitoring, while Panaxia Bevakning AB is active in guarding and technical installations. The Parent Company contains the Group's management functions. The Group offers its services nationwide and has an excellent local presence via representatives in 20 locations throughout Sweden as well as in Denmark and Lithuania.

Operations are divided into three business areas:

Cash:	<i>Cash in transit</i>
	<i>Cash handling</i>
	<i>Information recovery</i>
Guarding:	<i>Guarding</i>
	<i>Surveillance</i>

Logistics:	<i>Security installations</i>
	<i>Other transportation</i>
	<i>Stock management</i>

Significant events during the financial year

New president at Panaxia Bevakning AB

Effective 12 January 2010, Björn Wallin is the new president of Panaxia Bevakning AB and head of the Guarding business area. Wallin served in various managerial positions at Rapid Bevakning during 1990–1998. Björn Wallin was most recently with Nordic Growth Market NGM AB, where he was initially head of listing activities and then president until spring 2009.

2010 Security Company of the Year

The trade magazine Skydd & Säkerhet (protection & security) and the Swedish Theft Prevention Association (SSF) chose Panaxia as the Security Company of the Year for 2010. The jury's reasons were: "A security company with a strong commitment to society. Working with Svenska Bostäder and the City of Stockholm, the company trained and employed previously unemployed immigrants in the Järva district."



Sales

Consolidated income for the year totalled SEK 729.6 million (677.1), up 8% from 2009. The total value of contracts that were new or renegotiated during the year was SEK 624 million, SEK 251 million of which referred to renegotiated contracts or additional sales to existing customers. The value of new contracts, and the share of renegotiated or additional sales, was divided among the business areas as shown below (SEK million).

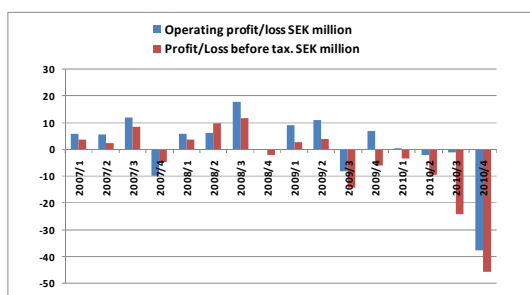
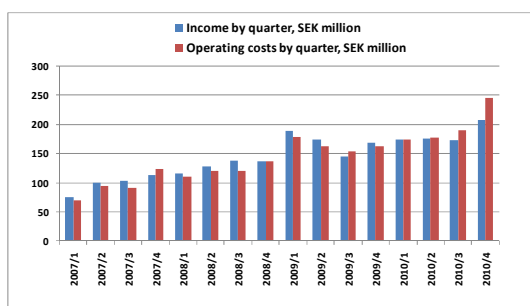
Business area	Total	Of which, renegotiated
Cash	135	30
Logistics	395	170
Guarding	94	51
Total	624	251

Earnings

Operating earnings declined, from a profit of SEK 19.1 million in 2009, to a loss of SEK 56.7 million in 2010, while after tax earnings went from SEK -7.2 million to SEK -85.8 million. Net financial income and expense improved by SEK 6.7 million.

Income totalled SEK 729.6 million (677.1), or 6% more than for the preceding year, and operating costs totalled SEK 786.3 million (658.1), up 20%.

The acquisition of UAB Trikampis žiedas added income of SEK 19.7 million and operating costs and financial expenses totalling SEK 20.6 million. Excluding this acquisition, income increased SEK 32.9 million, or 4.9%, from the preceding year, and costs increased SEK 101.0 million, or 14.7%.



Income increased SEK 53 million in 2010 compared to 2009 as a result of the following factors (SEK million).

Loss of income from G4S	- 70
Other lost contracts	- 25

New contracts	+ 110
Sales of security equipment	+ 25
Acquisition of Trikampis	+ 20
Miscellaneous	- 7
	+SEK 53 million

Operating costs increased SEK 128 million, of which SEK 40 million was attributable to employee benefit expenses and SEK 88 million other costs. Almost half of the increase in employee benefit expenses was attributable to the effects of collective agreements, which added about 7% from April. The remaining increase resulted from greater staff numbers, as several major assignments began in June for all business areas. These assignments have entailed higher costs chiefly for employees who participated in planning and training prior to the start of the new assignments.

The Other costs item includes a SEK 43 million provision for doubtful receivables. The background to this provision is provided in Note 3.

The increase in other costs was chiefly attributable to increased leasing costs, vehicle costs for fuel and repairs and higher rent for premises in Bromma and for the new terminal in Gävle. The divestment of vehicles also had a negative impact on the Group's costs.

Of cost-cutting actions approved, so far 73 people have been given notice and more than 70 vehicles have been divested. The divestment of older vehicles continued after year-end, and additional cost-cutting actions previously approved are being implemented.

Panaxia has had much security equipment owned mainly under leases. As part of its cost-cutting programme, Panaxia streamlined the use of this equipment and is divesting the remaining surplus of security equipment. The first sale was carried out in the third quarter, and another during the fourth.

As a result of the increasingly efficient management of the Company's flows in its cash handling operations, combined with low interest rates, it has been possible to limit the Group's interest expense

despite growth in the volume of this business. Loan repayments and lease instalments also help curb the Group's interest expense.

Financial position

Total capital employed at the end of the reporting period was SEK 900 million, compared to SEK 853 million at the start of the year.

During the year, the Group's interest-bearing borrowings, including finance leases, were reduced SEK 62 million. The majority of the reduction was in loans of fixed maturity, while finance leases increased somewhat. Aside from cash and cash equivalents of SEK 3.4 million, SEK 47.4 million was available in a bank overdraft facility at the end of December. Consolidated cash flow for 2010 totalled SEK -2.9 million (-2.5).

Consolidated equity was SEK 109.6 million (197.0) at the end of the reporting period. The equity/assets ratio equalled 12.2%, compared to 23.1% one year previous.

Panaxia has two covenants with banks. The Parent Company has a covenant with Svenska Handelsbanken, and Panaxia Kontantservice AB has a commitment to Sörmlands Sparbank. See Note 28.

Investments

Investments during the year totalled SEK 72.5 million, for vehicles, construction and security installations at facilities in Bromma, Gävle and Borlänge and for computer systems and handheld computers for scanning packages.

Number of employees

At the end of the reporting period, 1,286 people were employed in the Group, compared to 1,170 one year previous. On average, 1,068 people were employed in 2010, compared to 803 in 2009. Half of the Group's employees belong to the Guarding business area. The acquisition of UAB Trikampis žiedas added an average of 251 employees to the Group, compared to 33 in 2009.

Risks and uncertainties

The financial risks to which the Group and its companies are exposed are described in Note 3. In addition to those disclosures, please refer to Note 28, which describes the status of Panaxia's two covenants with banks. The Parent Company has a covenant with Svenska Handelsbanken, and Panaxia Kontantservice AB has a commitment to Sörmlands Sparbank. Discussions are underway with Handelsbanken about the covenant, and discussions with several banks about future financing.

After year-end 2009, Panaxia had no assignments left with G4S, and none of the disputed receivables has been paid, so legal measures are being taken. The Board of Directors judges that the Group's claim on G4S is legitimate and will be paid.

Raising of capital

As a consequence of several major customers and counterparts, including G4S, not having paid their debts to Panaxia and of the negative cash flow in some Group companies, the Group is in a tight cash situation. Based on this and on discussions underway with the Group's current lenders, the Board of Directors will propose to the AGM that new shares be issued for about SEK 100 million through a rights issue to current shareholders.

Significant accounting policies

Panaxia Security AB (publ) has prepared these consolidated accounts in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission for application within the European Union. The consolidated accounts were prepared based on the cost method. The interim accounts apply the same accounting policies and methods of calculation as used in the most recent annual accounts.

Events after the end of the reporting period

As part of the transformation of the Panaxia Group's logistics business, in March 2011 Panaxia Security AB

(publ) agreed to sell all shares in Hans Granlunds Åkeri AB. The agreement includes the transfer of several heavy vehicles that will be used in the divested haulage business. The total purchase consideration, to be paid in cash, is about SEK 28 million. Beyond this agreement, negotiations continue concerning parts of Panaxia Logistik AB.

The Board of Panaxia Security AB (publ) has decided to divest those parts of the guarding business that do not naturally belong in Panaxia's core business. Those parts of the guarding business in which the Group will continue to be active are bank security, security for retail merchants and event security.

All shares in Panaxia Bevakning AB were sold to Håkan Isaksson Holding AB on 1 March 2011. In conjunction with the transfer, Panaxia Bevakning AB will again be registered as Nordisk Bevakningstjänst AB. The total purchase consideration is SEK 30 million.

Håkan Isaksson, who owns Håkan Isaksson Holding AB, is on the Board of Directors for Panaxia Security AB (publ), so the sale of the shares is contingent on approval by the AGM of Panaxia Security AB (publ).

Proposed disposition of non-restricted equity in the Parent Company

The following funds are available to the AGM:

Non-restricted equity	132,234,914
Net loss for the year	<u>- 74,841,450</u>
	57,393,464

The Board of Directors proposes that SEK 57,393,464 be carried forward.

Dividend

The Board has decided to propose to the AGM that no dividend be paid for the financial year 2010.

Upcoming financial reports

Interim report for Jan–Mar 2011	19 May 2011
Interim report for Jan–June 2011	18 Aug 2011
Interim report for Jan–Sept 2011	17 Nov 2011

ANNUAL GENERAL MEETING

The AGM will be held at 3pm on Thursday, 14 April 2011, at Restaurang Linta, Linta Gårdsväg 5, Bromma, Sweden.

Notice

Shareholders intending to participate in the AGM **must** be entered in the share register maintained by Euroclear by Friday, 8 April 2011, and, **must** notify the Company of their intent and the number of assistants they wish to bring no later than 1pm on Friday, 8 April 2011. Notify the Company **in writing**: Panaxia Security AB, Linta Gårdsväg 5, SE-168 74 Bromma, Sweden; **by phone**: +46-8-255-030; or by **e-mail**: info@panaxia.se. Personal data retrieved from the share register maintained by Euroclear will be used for the requisite registration and preparation of the list of voters for the AGM.

Shares registered under nominees

To participate in the AGM, shareholders whose shares are registered through a custody account with a bank or other trustee must temporarily reregister their shares in their own name in the Euroclear share register. Shareholders must request such reregistration by their trustees well in advance of Friday, 8 April 2011.

Consolidated income statement

SEK 000s	Notes	2010	2009
Net sales	4.5	715,928	671,869
Other income	6	13,719	5,261
Total income		729,646	677,130
Operating costs	7		
Materials, goods and services	8	-167,234	-125,092
Other external costs	8, 9, 10	-169,148	-120,552
Employee benefit expenses	11, 12	-363,936	-325,584
Amortisation on intangible assets and depreciation on property, plant and equipment	17, 18	-86,024	-86,830
Total operating costs		-786,342	-658,058
Operating profit/loss		-56,696	19,072
Financial income	13	7,580	261
Financial expenses	13	-33,524	-34,269
Profit/Loss from participations in Group companies	14, 35	0	1,361
Profit/Loss before tax		-82,640	-13,575
Tax	15	-3,156	6,415
Net profit/loss		-85,796	-7,160
Net profit/loss attributable to			
- Parent Company shareholders		-85,380	-7,192
- non-controlling interests	27	-416	32
Other comprehensive income			
Foreign currency translation differences	1	-1,640	-98
Total comprehensive income		-87,436	-7,258
Comprehensive income attributable to			
- Parent Company shareholders		-86,200	-7,290
- non-controlling interests		-1,236	32
Earnings per share attributable to Parent Company shareholders (SEK)	16	-0.25	-0.03

Consolidated balance sheet

SEK 000s	Notes	31-12-2010	31-12-2009
Non-current assets			
Property, plant and equipment	17	324,127	334,220
Intangible assets	18	143,137	148,337
Other non-current receivables		13,719	1,577
Deferred tax assets	20	4,077	9,107
Total non-current assets		485,060	501,241
Current assets			
Stock	21	8,022	3,002
Accounts receivable	22	152,737	147,767
Other receivables	23, 24	250,532	178,972
Cash and cash equivalents		3,427	6,308
Total current assets		414,718	336,049
Assets held for sale	25	0	15,537
TOTAL ASSETS		899,778	852,827
Equity			
Share capital	26	6,877	6,877
Additional paid-in capital		113,673	113,673
Profit/Loss brought forward		71,272	79,284
Net profit/loss for the year		-85,380	-7,192
Total equity attributable to Parent Company shareholders		106,442	192,642
Non-controlling interests	27	3,126	4,362
Total equity		109,568	197,004
Non-current liabilities			
Borrowings	28	160,471	201,580
Deferred tax liabilities	29	12,735	15,166
Total non-current liabilities		173,206	216,746
Current liabilities			
Accounts payable		60,649	64,021
Current tax liability		86,024	6,678
Borrowings	28	173,797	163,706
Other current liabilities	24, 30	379,534	195,047
Total current liabilities		617,004	429,422
Liabilities attributable to assets held for sale	25	0	9,655
TOTAL EQUITY AND LIABILITIES		899,778	852,827

Consolidated changes in equity

Group, SEK 000s	Notes	Share capital	Additional paid-in capital	Profit/Loss brought forward	Total shareholders' equity	Non-controlling interests	Total equity
Balance brought forward at 1 January 2009		4,383	45,110	78,950	128,443	0	128,443
Net profit/loss Jan-Dec 2009				-7,192	-7,192	32	-7,160
Other comprehensive income							
Adjusted equity brought forward after acquisition of companies				432	432		432
Foreign currency translation differences				-98	-98		-98
Non-controlling interests acquired					0	4,330	4,330
Total comprehensive income		0	0	-6,858	-6,858	4,362	-2,496
Transactions with shareholders							
New share issue, January	26	202	-202		0		0
New share issue, June	26	2,292	72,209		74,501		74,501
Issue expenses			-3,444		-3,444		-3,444
Total transactions with shareholders		2,494	68,563	0	71,057	0	71,057
Balance carried forward at 31 December 2009		6,877	113,673	72,092	192,642	4,362	197,004
Balance brought forward at 1 January 2010		6,877	113,673	72,092	192,642	4,362	197,004
Net profit/loss Jan-Dec 2010				-85,380	-85,380	-416	-85,796
Other comprehensive income							
Foreign currency translation differences				-820	-820	-820	-1,640
Total comprehensive income		0	0	-86,200	-86,200	-1,236	-87,436
Balance carried forward at 31 December 2010		6,877	113,673	-14,108	106,442	3,126	109,568

Consolidated cash flow statement

SEK 000s	Notes	2010	2009
Cash flow from operating activities			
Profit/Loss before tax and interest		-56,695	20,433
Interest received		1,350	261
Interest paid		-22,169	-21,594
Adjustments for non-cash items	33	117,829	85,469
Tax paid		-11,821	-4,150
Cash flow from operating activities before changes in working capital		28,494	80,419
Cash flow from changes in working capital			
Changes in stock		-5,020	1,852
Changes in current receivables		-92,137	47,613
Changes in current liabilities		170,386	28,467
Cash flow from operating activities		101,723	158,351
Cash flow from investing activities			
Investments in property, plant and equipment	33	-16,265	-37,876
Investments in intangible assets	33	-820	0
Disposal of property, plant and equipment	33, 34	16,700	5,990
Acquisition of subsidiaries	33	0	-3,259
Disposal of subsidiaries	33, 35	0	4,727
Cash flow from investing activities		-385	-30,418
Cash flow from financing activities			
New share issue	26	0	74,501
Issue expenses		0	-3,444
Payments related to finance leases		-66,393	-65,955
Other non-current receivables		-4,141	0
Borrowings		2,446	26,667
Repayment of loans		-44,139	-167,950
Change in bank overdraft facility		8,008	6,719
Cash flow from financing activities		-104,219	-129,462
Cash flow for the period		-2,881	-1,529
Cash and cash equivalents at the start of the year		6,308	7,837
Cash and cash equivalents at the end of the period		3,427	6,308

Parent Company income statement

SEK 000s	Notes	2010	2009
Net sales	5	54,746	41,056
Other income	6	815	0
Total income		55,561	41,056
Operating costs	7		
Other external costs	8, 9, 10	-46,373	-34,692
Employee benefit expenses	11, 12	-25,678	-23,188
Amortisation on intangible assets and depreciation			
on property, plant and equipment	17	-2,335	-1,127
Total operating costs		-74,386	-59,007
Operating profit/loss		-18,825	-17,951
Financial income	13	2,885	1,888
Financial expenses	13	-8,239	-6,435
Profit/Loss from participations in Group companies	14	-57,000	0
Profit/Loss before tax		-81,179	-22,498
Tax	15	6,338	5,909
Net profit/loss		-74,841	-16,589

Parent Company balance sheet

SEK 000s	Notes	31-12-2010	31-12-2009
Non-current assets			
Property, plant and equipment	17	15,612	13,921
<i>Financial assets</i>			
Participations in Group companies	19	186,876	202,118
Other non-current receivables		2,700	0
Deferred tax assets	20	0	1,333
Total non-current assets		205,188	217,372
Current assets			
Accounts receivable	22	1,953	1,054
Other receivables	23	16,460	19,086
Receivables from Group companies		68,755	25,121
Cash and cash equivalents		0	0
Total current assets		87,168	45,261
TOTAL ASSETS		292,356	262,633
Equity			
Share capital	26	6,877	6,877
Total restricted equity		6,877	6,877
Share premium reserve		113,673	113,673
Profit/Loss brought forward		18,562	13,657
Net profit/loss for the year		-74,841	-16,589
Total non-restricted equity		57,394	110,741
Total equity		64,271	117,618
Non-current liabilities			
Borrowings	28	17,125	41,361
Total non-current liabilities		17,125	41,361
Current liabilities			
Accounts payable		5,419	5,933
Borrowings	28	59,695	65,507
Liabilities to Group companies		138,090	24,619
Current tax liability		0	0
Other current liabilities	30	7,756	7,595
Total current liabilities		210,960	103,654
TOTAL EQUITY AND LIABILITIES		292,356	262,633
Contingent liabilities	31	80,175	107,745
Pledged assets	32	102,712	112,570

Changes in Parent Company equity

Parent Company, SEK 000s	Notes	Share capital	Re-stricted equity	Share premium reserve	Profit/Loss brought forward	Total equity
Balance brought forward at 1 January 2009		4,383	15,160	29,950	833	50,326
Net profit/loss January-December 2009					-16,589	-16,589
Group contributions received from subsidiaries					17,400	17,400
Tax effect of Group contributions from subsidiaries					-4,576	-4,576
New share issue, January	26	202	-15,160	14,958		0
New share issue, June	26	2,292		72,209		74,501
Issue expenses				-3,444		-3,444
Balance carried forward at 31 December 2009		6,877	0	113,673	-2,932	117,618
Balance brought forward at 1 January 2010		6,877	0	113,673	-2,932	117,618
Net profit/loss January-December 2010					-74,841	-74,841
Group contributions received					72,771	72,771
Group contributions paid					-43,607	-43,607
Tax on Group contributions					-7,670	-7,670
Balance carried forward at 31 December 2010		6,877	0	113,673	-56,279	64,271

Parent Company cash flow statement

SEK 000s	Notes	2010	2009
Cash flow from operating activities			
Profit/Loss before tax and interest		-65,825	-17,951
Interest received		2,885	1,888
Interest paid		-8,239	-6,435
Adjustments for non-cash items	33	50,624	1,127
Tax paid		-350	0
Cash flow from operating activities before changes in working capital		-20,905	-21,371
Cash flow from changes in working capital			
Changes in current receivables		21,216	-2,338
Changes in current liabilities		36,510	-20,713
Cash flow from operating activities		36,821	-44,422
Cash flow from investing activities			
Investments in property, plant and equipment	33	-4,026	-10,777
Acquisition of subsidiaries	33, 34		-4,142
Long-term loans to subsidiaries		-2,748	0
Cash flow from investing activities		-6,774	-14,919
Cash flow from financing activities			
New share issue	26		74,501
Issue expenses			-3,444
Borrowings			21,667
Repayment of loans		-29,540	-47,644
Bank overdraft facility utilised		-507	11,571
Cash flow from financing activities		-30,047	56,651
Cash flow for the period		0	-2,690
Cash and cash equivalents at the start of the year		0	2,690
Cash and cash equivalents at the end of the period		0	0

Notes

Amounts are in SEK thousands unless stated otherwise.

'Panaxia Security' and 'Panaxia' refer to Panaxia Security AB (publ).

General information

Panaxia Security AB (publ) offers services and products in the areas of cash in transit (CIT), cash handling, guarding, surveillance, technical installations and logistics. The Group offers its services nationwide and has an excellent local presence via representatives in 20 locations throughout Sweden.

Panaxia Security AB (publ), registration number 556696-0687, has its registered office in Stockholm County and has been listed on the NGM Equity market since July 2006. The head office is located at Linta Gårdsväg 5, SE-168 74 Bromma. On 24 March 2011, the Board of Directors approved these consolidated accounts for publication.

1 Significant accounting policies and principles for measurement

A. Basis of preparation

The consolidated accounts for the Panaxia Group were prepared in accordance with IAS 34, the Swedish Annual Accounts Act, RFR 1 Supplementary Rules for Consolidated Financial Reporting, issued by the Swedish Financial Accounting Standards Council, and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The consolidated accounts were prepared under the going concern assumption as per section 25 of IAS 1.

The Parent Company applies the same accounting policies as the Group. The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. RFR 2 specifies that in its annual accounts the Parent Company shall apply all IFRS endorsed by the EU as far as possible within the limits of the Annual Accounts Act and the Swedish law safeguarding pension commitments, with due consideration to the connection between accounting and taxation.

The Parent Company applies the same policies as for the consolidated accounts with the following exceptions.

- The income statement and balance sheet follow the format in the Annual Accounts Act.
- Segment reporting is done only for the Group.
- Shares and participations in subsidiaries and associated companies are recognised at cost less deductions for any impairment losses.
- Deferred income tax on untaxed reserves and appropriations is included in recognised untaxed reserves and appropriations, respectively.
- All leases are recognised as rental agreements.

B. Material estimates and assessments

The Board of Directors and Group management together have identified the following areas as being of potential importance in the assessment of the Group's earnings and position. Developments in these areas are continuously monitored by management.

Property, plant and equipment

Group management determines the estimated useful life of and thus depreciation on the Group's machinery and equipment. This assessment is based on technical progress in each segment. If technical progress in machinery and equipment used in each segment accelerates, thus shortening the useful life, depreciation schedules will become shorter. If the actual useful life were to deviate more than 10%, earnings would be SEK 8.5 million more or less than recognised.

Intangible assets

Part of the acquisitions made during 2006–2009 included intangible assets. Upon the acquisition of Panaxia Logistik AB (formerly AB Ha-Be Frakt), Panaxia Kontantservice AB (formerly BankService Sverige AB), PanAlarm AB and UAB Trikampis Žiedas, each company's customer database and some systems have represented significant assets. These acquired assets have been deemed to correspond to the value at which they were acquired and have been assigned an estimated useful life of five years. Thus these assets will be amortised during the five years from their date of acquisition. If the useful life of these assets were deemed to be shorter, the Group's profit would decrease SEK 5.2 million for each year the useful life were shortened.

Goodwill arose in conjunction with the acquisitions of Hans Granlund Åkeri AB, Panaxia Kontantservice AB and PanAlarm AB. Goodwill arising from each acquisition is tested annually for impairment. No impairment has been determined to date. If the tests of goodwill were to indicate a need to recognise impairment losses of 10%, earnings would be SEK 13.0 million less than recognised. Goodwill arising in the acquisition of PanAlarm AB in December 2008 was adjusted as a result of the disposal of its subsidiary Skyddsteknik i Malmö AB (SEK -1.3 million). See also Note 18.

Accounts receivable and other receivables

The line items Accounts receivable and Other receivables include a combined claim on G4S valued at SEK 46.8 million, compared to SEK 56.7 million one year previous. Other receivables includes accrued income for services performed for G4S but not yet invoiced. The Board of Directors judge that the Group's claim is legitimate and will be settled. See Note 3, Credit risks.

C. Significant accounting policies

Consolidated accounts

A subsidiary is any company for which the Group has the right to formulate financial and operational strategies usually as the consequence of a shareholding corresponding to more than half the voting rights. The assessment of whether or not the Group exercises a controlling influence over another company takes into account the existence and effect of any potential votes that currently can be exercised or converted. A subsidiary is included in the consolidated accounts from the date the controlling influence is transferred to the Group. The company is excluded from the consolidated accounts from the date that the controlling influence ceases.

The acquisition method is used to account for the Group's acquisitions of subsidiaries. The cost of an acquisition consists of the fair value of assets provided as consideration, equity instruments issued and liabilities incurred or assumed at the date of transfer, plus costs directly attributable to the acquisition. Identifiable assets

acquired and liabilities and contingent liabilities assumed in the acquisition of a company are measured initially at their fair value on the acquisition date regardless of the extent of any non-controlling interests. The surplus that consists of the difference between the acquisition cost and the fair value of the Group's interest in acquired identifiable net assets is recognised as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Items included in the financial reports for the different units in the Group are measured in the 'functional currency', that is, the currency used in the business environment where each company primarily operates. The consolidated accounts are prepared in Swedish krona (SEK), which is the Parent Company's functional currency and the Group's reporting currency. The earnings and financial position of all Group companies using a functional currency other than the reporting currency are translated into the Group's reporting currency as follows.

- Assets and liabilities are translated at the closing day rate.
- Income and costs are translated at the average rate for the accounting period.
- All resulting exchange rate differences are recognised as a separate part of equity.

Intra-Group transactions and balance sheet items are eliminated, as are unrealised gains on transactions between Group companies. Unrealised losses are also eliminated, unless the transaction serves as evidence of impairment of the transferred asset. The accounting policies for subsidiaries have been modified when appropriate to guarantee consistent application of the Group's policies.

Transactions with minority shareholders

The Group has a policy of recognising transactions with minority shareholders as third-party transactions. Disposals to minority shareholders result in gains or losses for the Group recognised in the income statement. Upon the acquisition of non-controlling interests for which the purchase consideration paid exceeds the stake acquired in the carrying amount of the subsidiary's net assets, the difference is recognised as goodwill. A sale to minority shareholders, in which the purchase consideration received deviates from the carrying amount of the portion of net assets being sold, results in a gain or loss. This gain or loss is recognised in the income statement.

Associated companies

Associated companies are companies in which the Group has a significant but not controlling influence, as a rule when the Group's shareholding corresponds to 20%–50% of voting rights. Holdings in associated companies are recognised using the equity method and are measured initially at cost. The carrying amounts of Group holdings in associated companies include goodwill identified upon acquisition, net any impairment losses. The Group's participation in profit earned by the associated company after the acquisition is recognised in the income statement, and the Group's share of changes in reserves after the acquisition are recognised in the line item Reserves. Accumulated changes after the acquisition are recognised as a change in the carrying amount of the holding. When the Group's participation in an associated company's losses equals or exceeds the holding in the associate, including any unsecured receivables, the Group recognises no additional losses unless the Group has undertaken commitments or made payments on behalf of the associate.

Unrealised profits on transactions between the Group and an associated company are eliminated with respect to the Group's holding in that associate. Unrealised losses are also eliminated, unless the transaction serves as evidence of impairment of the transferred asset. The accounting policies for associated companies have been modified in some cases to guarantee consistent application of the Group's policies. Gains and losses on the

dilution of participations in associated companies are recognised in the income statement. At the end of the reporting period, Panaxia owned no shares in any associated company.

Segment reporting

Based on the Group's operational structure, Panaxia Security has selected business segments as its primary segments. The division into business segments is based on a division of assets and operations that provide products or services that are exposed to risks and opportunities that differ from those affecting other business segments. Segment reporting adheres to the structure on which the Company's management and follow-up is based. Until the end of 2009, Panaxia Security was active solely in Sweden, under the same laws and regulations, market conditions and competitive circumstances, so geographical segments were not disclosed. The business operations conducted in Denmark and Lithuania had only a minor impact on consolidated sales and profit in 2010. Sales between segments are recognised on commercial terms.

Transactions, assets and liabilities in foreign currencies

Transactions denominated in currencies other than the Swedish krona are translated into the functional currency at the exchange rates prevailing on the transaction date or the date the items were revalued. Foreign exchange gains and losses resulting from payments in such transactions or in the translation of monetary assets and liabilities in foreign currencies at the closing day rate are recognised in the income statement.

Aside from the business operations acquired in Lithuania and the assignments performed in Denmark, the Group conducts all of its operations in Sweden, and its customers are domiciled in Sweden, with few exceptions. A number of suppliers are domiciled outside Sweden. Group assets and liabilities in foreign currencies are attributable to the Lithuanian company and to a small number of invoices to customers or from suppliers in euro (EUR). At the end of the reporting period, Panaxia's EUR account had a balance of EUR 0.2 million. Items denominated in foreign currencies are measured at the exchange rate at the end of the reporting period.

Property, plant and equipment

Property, plant and equipment consist of equipment, such as vehicles, security equipment, machinery and computer equipment, and land and buildings. Property, plant and equipment are measured at cost less depreciation and impairment, if any. Cost includes expenses that are directly attributable to the asset. Additional expenditure is added to the carrying amount of the asset or is recognised as a separate asset, depending on whether or not it constitutes a separate component, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the asset's cost can be reliably measured. All other forms of repairs and maintenance are recognised as costs in the income statement for the period when they arise.

Property, plant and equipment are depreciated on a straight-line basis during their estimated useful life based on the original costs of the assets. The residual value and useful life of assets are tested at the end of each reporting period and adjusted as necessary.

The following percentages are applied in depreciating property, plant and equipment, including assets under finance leases.

■ Land	0%
■ Buildings	4%
■ Security equipment on rented premises	10%
■ Security fixtures in vehicles, chassis vehicles and trailers	14.3%
■ Cash bags and fittings (changed in 2010, from 16.6%)	14.3%
■ Office equipment, machinery and other vehicles	20%

- Computers with peripherals 33.3%

Gains and losses on disposals are determined by comparing proceeds from the sale and the carrying amounts and are recognised in the income statement under 'Other income, net'.

Intangible assets

Intangible assets in the Panaxia Group consist of goodwill resulting from business combinations, acquired customer databases and a business licence.

Goodwill consists of the amount by which the fair value of the Group's share of an acquired subsidiary's/associated company's identifiable net assets at the time of acquisition exceeds their cost. Goodwill on the acquisition of a subsidiary is recognised as an intangible asset. Goodwill on the acquisition of an associated company is included in the value of the holding in the associate and is tested for impairment as part of the value of the total holding. Goodwill that is recognised separately is tested annually to identify impairment, if any, and is recognised at cost less accumulated impairment losses. Goodwill impairment is never reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill that refers to the unit disposed of.

Goodwill is allocated among cash generating units for impairment testing. The allocation comprises those cash generating units or groups of cash generating units expected to benefit from the business combination that gave rise to the goodwill. Impairment testing has used the same assumptions for all cash generating units, as they are active in the same market.

The acquired customer databases and systems are recognised at cost less accumulated amortisation. Amortisation is charged on a straight-line basis, to distribute the cost of each asset over its assessed useful life. The customer databases and systems are judged to have a useful life of five years and are amortised over that period.

Impairment losses

Assets with an indeterminable useful life are not amortised but are tested for impairment annually and when a decrease in the value of the asset is indicated. Assets that are amortised are assessed to determine whether their value has decreased whenever events or changes in circumstances indicate that their carrying amounts are not recoverable. An impairment loss is charged in the amount that an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. In assessing impairment, assets are grouped at the lowest level where there are separate identifiable cash flows (cash generating units).

Financial instruments

The Group classifies its financial assets into two categories: loan receivables and accounts receivable. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of each financial asset the first time it is recognised in the accounts.

Loan receivables and accounts receivable are non-derivative financial assets, have payments that are fixed or can be determined and are not listed on an active market. They are included in current assets unless they mature more than 12 months after the end of the reporting period, in which case they are non-current assets.

Purchases and sales of financial instruments are recognised at the transaction date, that is, the date when the Group undertakes to buy or sell the asset. Financial instruments are recognised the first time at fair value plus

transaction costs. A financial asset is removed from the balance sheet when the right to receive the cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with ownership. Loan receivables and accounts receivable are recognised after the date of acquisition at amortised cost by applying the effective interest method.

At the end of each reporting period, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Borrowings

Borrowings are recognised on the balance sheet initially at fair value net transaction costs and subsequently at amortised cost. Interest expenses are allocated across the contract period and are recognised in the income statement as per the effective interest method. Borrowings are classified as a current liability unless the Group has an unconditional right to defer payment of the liability for at least 12 months beyond the end of the reporting period. Borrowing costs are expensed in the income statement as they arise. According to IAS 32, borrowing costs for projects begun after 1 January 2009 are to be capitalised over the depreciation period of the project. Panaxia has no projects that satisfy these requirements, so no borrowing costs have been capitalised.

Stock

Stock is measured at the lower of cost and net realisable value at the end of the reporting period. The FIFO method (first in, first out) is used to determine the cost of stock.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently at amortised cost, as per the effective interest method, less provisions for impairment, if any. Impairment of an account receivable is recognised when there is objective evidence that the Group will not be able to obtain the entire amount due based on the original terms of the receivable. Indications that an account receivable is impaired include a debtor who is having significant financial difficulties, a likelihood that the debtor will go bankrupt or undergo financial reconstruction or non-payment or overdue payments (more than 30 days overdue). The size of the provision equals the difference between the asset's carrying amount and the present value of future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced by making a provision for depreciation, and the loss is recognised in the income statement in 'Other external costs'. When an account receivable cannot be recovered, it is written off against the provision for depreciation on accounts receivable. The recovery of an amount previously written off is credited to 'Other external costs' in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash and bank balances as well as other current investments that mature three months or less from the date of acquisition. The bank overdraft facility is recognised on the balance sheet among current liabilities.

Cash and cash equivalents in the cash handling operations is recognised as money held in trust. See Note 24.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amounts will be recovered primarily through a sales transaction and a sale is considered highly likely. These assets are recognised at the lower of carrying amount and fair value less selling costs, if their carrying amount will be recovered primarily through a sales transaction and not through permanent use.

Share capital

Ordinary shares are classified as share capital. Transaction costs directly attributable to an issue of new shares or options are recognised, net after tax, in equity as a deduction from the proceeds of the issue.

Accounts payable

Accounts payable are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Income tax

Income tax recognised includes tax to be paid or received for the current year, adjustments referring to current tax in previous years and changes in deferred tax.

All tax liabilities and deferred tax assets are measured at nominal amounts based on tax regulations and rates that, at the end of the reporting period, are in effect or have been announced and are quite certain to be adopted.

The tax effects associated with items recognised in the income statement are also recognised in the income statement. The tax effects of items recognised directly in equity are also recognised in equity.

Deferred tax is calculated, using the balance sheet method, on all temporary differences arising between the carrying amounts and taxable values of assets and liabilities.

Deferred tax is calculated on temporary differences arising on participations in subsidiaries and associated companies, except when the date of the reversal of the temporary difference can be controlled by the Group and it is likely that the temporary difference will not be reversed in the foreseeable future. However, the deferred tax is not recognised if it results from a transaction that constitutes the initial recognition of an asset or liability that is not a business combination and that, at the time of the transaction, does not affect net profit or tax-effective profit.

Deferred tax assets relating to loss carry-forwards or other items that may be applied as tax deductions in the future are recognised to the extent it is probable that they can be charged to profits for future taxation.

Employee benefits

Employee benefits in the form of salaries, paid holiday, paid sickness absence, pensions and the like are recognised at the same rate as they are earned. Pensions and other remuneration after employment ends are classified as defined benefit or defined contribution plans.

The Panaxia Group has only defined contribution pension plans for which the Group's companies pay fees to publicly or privately managed pension plans on a mandatory, contractual or voluntary basis. The payments made within the framework for the defined benefit ITP plan, ITP 1 and ITP2, are for practical purposes a defined contribution plan and are classed as such. The Group has no further payment obligations once the fees have been paid. The fees are recognised as employee benefit expenses when they are due for payment. Prepaid fees are recognised as an asset to the extent that a cash refund or decrease in future payments could accrue to the Group.

The Company has not established any stock option programme for employees, and, based on current employment contracts, no employee can receive an early retirement pension and thus retire before the age of 65. The period of notice for the Chief Executive Officer is six months upon resignation and 12 months in the case of

dismissal by the Company. If dismissed by the Company, the CEO is entitled to severance pay corresponding to six months' salary. No other employees are entitled to severance pay. The Group recognises severance pay when it is obligated to settle such an undertaking.

There are no other incentive programmes for employees in the Group or for members of the Board.

Provisions

A provision is recognised on the balance sheet when the company has a legal or informal commitment as a result of a past event and it is probable that an outlay of resources will be required to settle the commitment and the amount can be reliably estimated. Panaxia Security had no provisions on the balance sheet at the end of the reporting period.

Income recognition

Income includes the fair value of goods and services sold excluding value-added tax and discounts and, in the Group, after elimination of intercompany sales. The Group's net sales consist of income invoiced on sales of services performed and goods delivered. This income is recognised in the same period as delivery to the customer occurs. Income recognised for the current period does not include income invoiced in advance.

Accrued income is included in income for the period. Every month, accrued income is calculated for services performed but not yet invoiced. All income recognised as accrued is judged to be billable at a later period and then recognised as an account receivable.

The services provided by the Group's companies are invoiced based on signed contracts with fixed prices or prices based on volume. A number of haulage contracts are performed on customers' running accounts. The contracts that regulate the relationships between the Group and its customers normally run one to three years.

The percentage of completion method is applied for sales income on services performed at fixed prices based on estimates accepted. With the percentage of completion method, income is recognised depending on the proportion of the agreed services that have been completed at the end of the reporting period.

Currently the Group provides no customer loyalty programme or volume discounts.

Recognition of interest income is distributed over the maturity based on the effective interest method.

Leases

When a lease entails the Group, as the leaseholder, substantially enjoying the economic benefits and bearing the economic risks attributable to a leased asset, that asset is recognised as a non-current asset in the consolidated balance sheet. The corresponding commitment to pay the lease charges in future is recognised as a liability. In the Parent Company all leases, whether finance or operating leases, are recognised as rental agreements (operating leases). Charges for operating leases are expensed on a straight-line basis over the lease term.

Every payment for a lease is divided into a repayment of the liability and a finance expense to equal a fixed interest rate for the liability recognised. The corresponding payment obligations, less finance expenses, are included in the balance sheet item 'Borrowing', divided into current and non-current portions. The interest portion of the finance expenses are recognised in the income statement distributed over the lease term so that each accounting period is charged an amount corresponding to a fixed interest rate for the liability recognised in that period. Non-current assets owned under finance leases are depreciated over the useful life of each asset,

as specified above. Equipment financed through a finance lease is assumed to be redeemed at the end of the lease term.

Cash flow statement

The cash flow statement is prepared using the indirect method. Recognised cash flow consists solely of transactions that result in disbursements or receipts.

New accounting policies

The new IFRS and interpretations below took effect on or before 1 January 2010, have been assessed by the Company and have been or will be applied if relevant to the Group. Most of the amendments would have a slight impact or none at all on the accounts of the Panaxia Group. However, some expand the disclosure requirements.

Amendments already applied by the Group:

- Amendment to IFRS 2 Rules related to business combinations associated with the application of IFRS 3 (revised), IAS 27 Consolidated and separate financial statements and IAS 28 Investments in associates.
- Amendment to IFRS 5 Non-current assets held for sale and discontinued operations.
- Amendment to IFRS 8 Operating segments.
- Amendment to IAS 36 Units of accounting for goodwill impairment testing.
- Amendment to IAS 38 Changes in intangible assets and their measurement.

Amendments that will be applied by the Group if relevant:

- Amendment to IAS 1 A financial liability that is extinguished by the issue of equity instruments is classified as a non-current liability.
- Amendment to IAS 7 Classification of expenditures that do not result in a recognised asset.
- Amendment to IAS 17 Classification of land leases.
- Amendment to IAS 24 Related party disclosures (effective 1 January 2011).
- Amendment to IAS 39 Exceptions to the application of contracts for business combinations.
- Amendment to IAS 39 Recognition of cash flow hedges.
- Amendment to IFRS 2 Group cash-settled share-based payment transactions and classification of intercompany transactions.
- IFRS 9 New requirements for the classification and measurement of financial assets (to replace IAS 39).
- IFRIC 16 Hedge of a net investment in a foreign operation.
- IFRIC 17 Distributions of non-cash assets to owners.
- IFRIC 18 Transfers of assets from customers.
- IFRIC 19 Extinguishing financial liabilities with equity instruments.

Amendments not relevant to the Group:

- Amendment to IFRIC 9 Reassessment of embedded derivatives.
- Amendment to IAS 39 Treating loan prepayment penalties as closely related embedded derivatives.
- Amendment to IAS 39 Hedge accounting for transactions between segments.
- Amendment to IFRIC 9 Change in scope of embedded derivatives in conjunction with business combinations.
- Amendment to IAS 32 Classification of rights issues denominated in a currency other than the company's functional currency.

2 Definitions

Quick ratio	Current assets divided by current liabilities.
Earnings per share	Net after tax profit/loss for the year attributable to Parent Company shareholders divided by the average number of shares.
Return on equity	Profit/Loss after financial items less full tax, divided by average equity.
Return on capital employed	Profit/Loss after financial items plus financial expenses, divided by average total capital employed.
Operating margin	Operating profit/loss after depreciation and amortisation, divided by net sales.
Equity/assets ratio	Equity divided by total capital employed.
Debt/equity ratio	Interest-bearing liabilities divided by adjusted equity.
Average number of shares	The number of shares outstanding at the end of each month divided by the number of months in the period.

3 Financial and other risks

Numerous factors can affect the Company's business circumstances and financial position. In the short term, robbery and criminal activity targeting the Group's business operations are the most serious. New directives from government agencies, such as requirements for specific procedures, security solutions and training of employees can also be negative, though the Panaxia Group makes preparations well in advance for requirements already in effect. Additional demands from insurance companies can also have a negative impact on the Group's profitability.

The Board of Directors has adopted a finance policy with the purpose of:

- providing objectives and guidelines for financial operations in the Group,
- clarifying what financial risks the Group's companies may carry and how those risks shall be limited and
- clarifying the division of responsibilities for financial operations in the Group.

Foreign exchange risk

When a contract is signed that is linked to a foreign currency, the company becomes exposed to the foreign currency in relation to the domestic currency, resulting in foreign exchange risk. In conjunction with procurement, the Group's companies are allowed to sign a contract denominated in a foreign currency but should avoid doing so as far as possible. Cash funds in foreign currencies shall be disposed of as quickly as possible at the best possible exchange rate.

Foreign exchange risks have not been significant for the Group, but following the acquisition of the Lithuanian security company, the Group's foreign exchange risks will increase. At year-end, assets and liabilities denominated in foreign currencies constituted 2.4% of total capital employed. With the current corporate structure, this proportion is not expected to exceed 5%.

Interest rate risk

Interest rate risk entails the Group being exposed to the risk of deterioration in net worth or earnings as a consequence of changes in market interest rates. The treasurer shall ensure that the Group's interest rate risk is continuously monitored and shall take corrective action if risk is judged too high. At present, the majority of the Group's borrowings carry variable rates of interest. If the interest rates on the Group's borrowings change by one percentage point, the Group's annual interest expense will increase or decrease SEK 3.8 million. See also Note 28.

Credit risks

Credit risk entails the Group being exposed to the risk of a borrower not paying interest or principal on the due date. When an advance is paid to a supplier, the Group risks the counterpart becoming insolvent before delivery is made. In procurement processes, Group companies should avoid paying in advance as far as possible. Advance payments are made to suppliers only in exceptional cases. When supplying change in notes and coins to a large customer, the customer's creditworthiness shall be approved by the treasurer.

At 31 December 2010, the Group had a combined claim on G4S valued at SEK 46.8 million, compared to SEK 56.7 million one year previous. The net claim on the customer totals SEK 37.8 million (2009: 45.9). With the aim of becoming independent of the customer, during 2009 Panaxia gradually ceased performing all assignments for them. From January 2010, no assignments remained. None of the outstanding claim was paid in 2010, so legal proceedings have been initiated against G4S. The Board of Directors judge that the Group's claim on G4S is legitimate and that it will be settled.

At year-end, the Group had a total net claim on Green Exit AB of SEK 29.7 million, compared to SEK 44.6 million one year previous, and on Skyddsteknik Sverige AB (formerly Skyddsteknik i Malmö AB) a net claim of SEK 20.3 million, compared to SEK 18.3 million one year previous. Based on the companies' weak solvency and on their delays in paying their debts, the Board of Directors decided to make a provision of SEK 43.0 million. The net claim is currently SEK 38 million, and Panaxia has worked actively to secure the remaining claim through promissory notes. In March 2011, the operations in Green Exit were transferred to a new company with financially strong owners. The agreement includes taking over SEK 14.6 million of Panaxia's claim on Green Exit. Green Exit will continue to exist and conclude all assignments begun, which will be used to repay the remaining debt to Panaxia. Skyddsteknik has sold a number of customer contracts to another company that simultaneously has assumed liability for payment for a large part of the company's remaining debt to Panaxia.

Developments in the claims on Green Exit AB and Skyddsteknik Sverige AB may be summarised as follows.

	SEK million
Net claim, 31 Dec 2010	50.1
Promissory note liability at 31 Dec 2010 being repaid continuously by the counterpart	<u>-7.2</u>
Basis for the provision	42.9
Remainder of the claim taken over by another company	-13.3
Paid during the first quarter of 2011	-10.4
Pending receipts in 2011 from assignments underway and contracted service deliveries	<u>-11.0</u>
Remaining claim	8.2

Counterpart risk

Counterpart risk (other than credit risk) entails the Group being exposed to the risk of a counterpart not completing a business transaction and the risk that unrealised profits on work completed but not paid will not be realised. To minimise counterpart risk, before signing a major business contract, the company will obtain a credit appraisal of the counterpart and an evaluation of their supply capability. The account manager is responsible for this appraisal being done. Exceptions to the credit appraisal requirement can be granted by the CEO or the CFO.

Liquidity risk

Liquidity risk entails the Group not having sufficient cash or cash equivalents. The Group's liquidity is continuously monitored, in part by moving cash flow forecasts for each company as well as Group-wide cash management. The Group's cash and cash equivalents consist of funds in bank accounts, holdings of cash and credit facilities with several banks. At the end of the reporting period, the Group had an unutilised bank overdraft facility for SEK 17 million. As a result of unpaid claims on G4S as well as on GreenExit AB and Skyddsteknik Sverige AB (formerly Skyddsteknik i Malmö AB), the Group has been in a tight cash situation. With the aim of improving the situation, the Group greatly reduced its borrowings during the year. The Group's non-discounted cash flows from financial liabilities have the following maturity structure.

Cash flows from financial liabilities (SEK 000s)	31 Dec 2010			31 Dec 2009		
	Less than 1 year	2-5 years	More than 5 years	Less than 1 year	2-5 years	More than 5 years
Borrowings	144,360	37,279	929	169,338	71,595	5,861
Finance leases	90,254	185,840	5,089	69,320	154,336	1,787
Accounts payable	60,649	0	0	64,021	0	0

Panaxia has two covenants with banks. The Parent Company has a covenant with Svenska Handelsbanken from July 2009 that contains the following grounds for cancellation of the Group's credit from the bank:

- a natural person owns more than 50% of the shares in Panaxia Security AB,
- a legal entity acquires a stake in Panaxia Security AB such that it is regarded as a parent company,
- the equity/assets ratio is less than 25%,
- the interest coverage ratio is less than 2 or
- total equity is less than SEK 200 million.

After the Group's ratios fell short of the requirements in its covenant with Handelsbanken at 31 December 2009, Panaxia and the bank together performed an analysis of the Group's financial situation, after which Handelsbanken granted Panaxia a waiver at 30 June. The earnings posted by the Group at 30 September 2010 were insufficient to reach the covenant targets agreed for the ratios, so Panaxia has applied for a new waiver from the bank. Discussions concerning the covenant are underway with the bank. At 31 December 2010, the total debt to the bank was SEK 56.7 million.

The second covenant applies to Panaxia Kontantservice AB, which has pledged to continuously provide Sörmlands Sparbank with information about the company's earnings, position and insurance, always use the specified accounts for the flows financed via the credit and not to open new floating charges without the approval of the bank.

Sörmlands Sparbank has extended the credit for the cash handling operations to 31 March 2011. At the same time, discussions are underway with several banks about future financing, and several actions have been taken to adjust cash flow routines to reduce the need for credit. At 31 December 2010, the total debt to the bank was SEK 46.4 million.

Borrowing risk

Borrowing risk entails the Group being exposed to the risk that cash and cash equivalents cannot be borrowed without tangible cost increases. The Group's healthy growth and trends in earnings have given it ample financing opportunities and good terms at banks and finance companies. Borrowings are continuously reviewed to replace more expensive with less expensive funding.

Management of capital risk

The Group's objective for its capital structure is always to have the proper amount of capital so that the Group can conduct its operations, develop business, generate a return for shareholders and simultaneously keep the cost of capital down. This objective is achieved by adjusting the dividend, repaying capital to shareholders, issuing new shares or selling assets to reduce liabilities. The Board and management work continuously on all these tasks. At present, the Group has a debt/equity ratio, measured as interest-bearing liabilities divided by capital employed, of 2.3, compared to 2.2 one year ago. The goal is for the debt/equity ratio to satisfy the demands made by the Company's financiers. The Group's target for the equity/assets ratio is at least 25%. At year-end, the equity/assets ratio was 16.2%, and work is underway to increase equity, by improving earnings through cost-cutting and enhanced profitability in new business, and by augmenting capital by issuing new shares.

Treatment of fair value

The carrying amounts, less any impairment losses, of accounts receivable and accounts payable are assumed to correspond to their fair value, because these items are by nature short-term. The fair value of a financial liability is calculated, for disclosure purposes, by discounting the future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

Operational risks

Aside from the financial risks, all business areas are exposed to operational and commercial risks. The most obvious operational risks are that the Group could suffer robbery or computer fraud in its CIT or cash handling activities. To minimise these risks, a finely tuned system of procedures and safeguards has been in place for many years. Theft prevention is the aim of these procedures, as well as of mandatory staff training and risk analyses carried out on all haulage routes and locations where pick-ups and deliveries are made. During 2010, secure transport companies in Sweden suffered 59 robberies or attempted¹ robberies, of which 49 were in Stockholm County. Of these, six struck Panaxia. The full amount of any losses suffered by the Company is charged to income.

4 Segment reporting

The primary segment division in the Panaxia Group is business segment reporting, which coincides with the internal reporting for management and follow-up within the Group. The Group has three business segments:

¹Source: Swedish National Council for Crime Prevention

Cash, Guarding and Logistics. What was previously reported as the Technology segment is now part of Guarding. Financial items have been divided among the segments and are included in the segments' results below. The operations acquired in the Lithuanian company UAB Trikampis žiedas are included in Guarding. This acquisition contributed sales of SEK 21.9 million to the Group for 2010 and assets in Lithuanian litas (LTL) corresponding to SEK 22.5 million at 31 December. The Group has no customer whose purchases exceed 10% of consolidated sales.

Profit/loss of segments 2010 (SEK 000s)	Cash	Guarding	Logistics	Total
Total income	387,735	181,649	234,086	803,470
Sales between segments	-54,419	-14,641	-4,764	-73,824
External income	333,316	167,008	229,322	729,646
<i>of which, outside Sweden</i>	<i>0</i>	<i>21,900</i>	<i>0</i>	<i>21,900</i>
Segment profit/loss after financial items	17,043	-15,258	-16,234	-14,449
Items affecting comparability (lease charges on security equipment)				-25,191
Provisions for doubtful receivables				-43,000
Tax				-3,156
Net profit/loss				-85,796
Amortisation/Depreciation	54,195	5,992	24,515	84,702
Profit/loss of segments 2009 (SEK 000s)	Cash	Guarding	Logistics	Total
Total income	410,324	151,885	198,395	760,604
Sales between segments	-70,340	-8,014	-5,120	-83,474
External income	339,984	143,871	193,275	677,130
<i>of which, outside Sweden</i>	<i>0</i>	<i>2,250</i>	<i>0</i>	<i>2,250</i>
Segment profit/loss after financial items	5,380	-10,716	-8,239	-13,575
Income tax				6,415
Net profit/loss				-7,160
Amortisation/Depreciation	56,915	4,636	25,279	86,830

The segments' assets consist primarily of property, plant and equipment, intangible assets, accounts receivable, deferred tax assets, cash and cash equivalents and other receivables. The segments' liabilities consist primarily of borrowings, accounts payable, tax liabilities and other liabilities. Investments consist of non-current assets acquired and of assets acquired in conjunction with business combinations.

Segments' assets/liabilities 31 Dec 2010 (SEK 000s)	Cash	Guarding	Logistics	Total
Assets	516,691	191,670	191,417	899,778
Liabilities	543,219	85,852	161,139	790,210
Investments in property, plant and equipment	22,955	4,100	10,734	37,789
Investments in intangible assets	0	1,359	0	1,359
Segments' assets/liabilities 31 Dec 2009 (SEK 000s)	Cash	Guarding	Logistics	Total
Assets	458,225	181,017	213,585	852,827
Liabilities	382,278	115,447	158,100	655,825
Investments in property, plant and equipment	34,324	13,984	12,297	60,605
Investments in intangible assets	0	1,476	0	1,476

5 Net sales

Parent Company sales are attributable to Group management services and the rental of premises to subsidiaries and tenants outside the Group. For the Group's sales distributed among segments, see Note 4.

6 Other income

Other income refers to profits on sales of security systems, cash bags and vehicles that have been carried in the accounts as non-current assets or financed through leases, other capital gains, gains/losses on foreign exchange and differences in cash handling.

7 Operating costs by type of expense

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Employee benefit expenses	363,936	325,584	25,678	23,188
Materials, goods and purchased services	116,768	59,516	0	0
Subcontractors	50,466	65,577	0	0
Costs of premises	56,611	44,435	34,536	24,728
Other costs	112,537	76,116	11,837	9,964
Amortisation/Depreciation	86,024	86,830	2,335	1,127
Total	786,342	658,058	74,386	59,007

8 Timing of future minimum lease payments for irrevocable operating leases (non-discounted)

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Due within one year	24,166	32,695	11,787	11,435
Due within two to five years	70,087	93,449	30,160	39,697
Due after five years	3,557	0	0	0
Total	97,810	126,144	41,947	51,132

Operating leases consist of the rental of vehicles and security equipment and have durations of three to seven years. The total payments in 2010 equalled SEK 24,649 thousand (15,329).

9 Timing of future minimum rents payable for irrevocable leases on premises

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Due within one year	43,119	43,498	28,830	28,409
Due within two to five years	156,970	156,933	115,221	113,537
Due after five years	121,043	157,235	86,416	113,537
Total	321,132	357,666	230,467	255,483

The total rents in 2010 equalled SEK 47,006 thousand (32,559).

10 Remuneration to auditors

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
<i>Öhrlings PricewaterhouseCoopers</i>				
Audit assignment	1,061	1,199	494	299
Other services	25	94	25	64
<i>KPMG</i>				
Audit assignment	0	252	0	0
<i>Revideco</i>				
Audit assignment	0	68	0	0
Other services	0	4	0	0
<i>Datarevision i Dalarna AB</i>				
Audit assignment	28	34	0	0
Other services	17	43	0	0
Total	1,131	1,694	519	363

11 Employee benefit expenses

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Salaries and remuneration to Board and CEO	4,072	3,504	2,992	2,984
Salaries and remuneration to other employees	265,784	237,884	14,265	12,960
Social security contributions	78,336	69,211	5,788	5,322
Pension expenses	15,050	13,573	2,470	1,654
Other employee benefit expenses	694	1,412	163	268
Total	363,936	325,584	25,678	23,188

Average number of employees	Group		Parent Company	
	2010	2009	2010	2009
Women	135	147	14	9
Men	682	623	18	19
Total for Sweden	817	770	32	28
Women	46	7	-	-
Men	205	26	-	-
Total for Lithuania	251	33	-	-
Total	1,068	803	32	28

At the end of the reporting period, three of seven members of the Board were women, and one woman was among the Group's 13 senior executives (which include the CEO).

Sickness absence, percent	Parent Company	
	2010	2009
All employees	2.64	2.11
of which, on long-term sick leave	1.19	0
Women	4.82	3.12
Men	1.38	1.63

Sickness absence is specified as a percentage of the total ordinary working hours for each group.

12 Remuneration to senior executives

Group 2010, SEK	Remuneration paid	Conditional remuneration	Other benefits	Pension expenses	Total remuneration
Board of Directors					
Anders Eklund	120,000				120,000
Carolina Damos (from employment)	738,240		5,520	135,459	879,219
Åke Ekström	100,000				100,000
Gunnar Forss	100,000				100,000
Håkan Isaksson	1,080,000				1,080,000
Yvonne Lemmouh Karlsson	80,000				80,000
Anna-Lena Nyberg	80,000				80,000
Kjell Stenberg	100,000				100,000
Total	2,398,240		5,520	135,459	2,539,219
Others					
Thomas Gravius, CEO	1,674,000		6,132	30,000	1,710,132
Other senior executives (11 persons)	8,108,239		107,100	1,469,490	9,684,829
Total	9,782,239	0	113,232	1,499,490	11,394,961
TOTAL	12,180,479	0	118,752	1,634,949	13,934,180
Group 2009, SEK	Remuneration paid	Conditional remuneration	Other benefits	Pension expenses	Total remuneration
Board of Directors					
Anders Eklund	320,000				320,000
Carolina Damos (from employment)	744,000		4,380	129,996	878,376
Gunnar Forss	100,000				100,000
Yvonne Lemmouh Karlsson	200,000				200,000
Anna-Lena Nyberg	120,000				120,000
Kjell Stenberg	200,000				200,000
Åke Ekström	100,000				100,000
Mats Grube	100,000				100,000
Total	1,884,000	0	4,380	129,996	2,018,376
Others					
Thomas Gravius, CEO	1,620,000		68,184	30,000	1,718,184
Other senior executives (12 persons)	7,096,865		126,787	967,201	8,190,853
Total	8,716,865	0	194,971	997,201	9,909,037
TOTAL	10,600,865	0	199,351	1,127,197	11,927,413

Parent Company 2010, SEK	Remuneration paid	Conditional remuneration	Other benefits	Pension expenses	Total remuneration
Board of Directors					
Anders Eklund	120,000				120,000
Carolina Damos (from employment)	738,240		5,520	135,459	879,219
Åke Ekström	100,000				100,000
Gunnar Forss	100,000				100,000
Yvonne Lemmouh Karlsson	80,000				80,000
Anna-Lena Nyberg	80,000				80,000
Kjell Stenberg	100,000				100,000
Total	1,318,240	0	5,520	135,459	1,459,219
Others					
Thomas Gravius, CEO	1,674,000		6,132	30,000	1,710,132
Other senior executives (5 persons)	3,874,473		76,350	848,712	4,799,535
Total	5,548,473	0	82,482	878,712	6,509,667
TOTAL	6,866,713	0	88,002	1,014,171	7,968,886
Parent Company 2009, SEK	Remuneration paid	Conditional remuneration	Other benefits	Pension expenses	Total remuneration
Board of Directors					
Anders Eklund	180,000				180,000
Carolina Damos (from employment)	744,000		4,380	129,996	878,376
Gunnar Forss	100,000				100,000
Yvonne Lemmouh Karlsson	120,000				120,000
Anna-Lena Nyberg	120,000				120,000
Kjell Stenberg	100,000				100,000
Total	1,364,000	0	4,380	129,996	1,498,376
Others					
Thomas Gravius, CEO	1,620,000		68,184	30,000	1,718,184
Other senior executives (7 persons)	2,995,327		40,830	526,376	3,562,533
Total	4,615,327	0	109,014	556,376	5,280,717
TOTAL	5,979,327	0	113,394	686,372	6,779,093

Remuneration paid to the Board of Directors consists of Board fees or consultants' fees; remuneration to Group management consists of salaries and holiday pay. No variable components of salary have been paid. Other benefits refers to company car benefit and health insurance.

The period of notice for the Parent Company's CEO is six months upon resignation and 12 months in the case of dismissal by the Company. If dismissed by the Company, the CEO is entitled to severance pay corresponding to six months' salary.

There are no incentive programmes for employees in the Group or for members of the Board. All pensions are in defined contribution plans.

13 Financial income and expenses

Financial income and expenses are essentially interest income and interest expense.

14 Profit/Loss from participations in Group companies

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Capital gains on the sale of shares	-	1,361	-	-
Impairment losses on shares in subsidiaries	-	-	-57,000	-
Total	-	1,361	-57,000	-

2009: The sale of all shares in Skyddsteknik i Malmö AB at 31 March 2009 generated a capital gain of SEK 3,100 thousand for PanAlarm AB. The gain in the consolidated accounts was SEK 1,361 thousand.

2010: The shares in Panaxia Logistik AB were charged impairment of SEK 10,000 thousand, and the shares in Panaxia Kontantservice AB impairment of SEK 47,000 thousand.

15 Income tax

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Current tax	-383	-1,460	-	-
Effects of changes in tax rate	-	-	-	-
Deferred tax	-2,773	7,875	-1,333	1,333
Tax effect of Group contributions received	-	-	19,140	4,576
Tax effect of Group contributions paid	-	-	-11,469	-
Less tax from discontinued operations	-	-	-	-
Total	-3,156	6,415	6,338	5,909

Income tax on consolidated profit before tax differs from the theoretical amount that would have resulted from using a weighted average tax rate on the profits of the companies consolidated as follows.

SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Profit/Loss before tax	-82,640	-13,575	-81,179	-22,498
Income tax calculated at 26.3%	21,734	3,570	21,350	5,917
Non-deductible expenses	-30,642	-494	-15,012	-10
Non-taxable income	4,499	821	0	0
Less tax from discontinued operations	0	-116	0	0
Tax effect of change in tax-effective losses	787	2,730	0	2
Adjustments to previous years	466	-92	0	0
Effects of foreign tax rates	0	-4	-	-
Total	-3,156	6,415	6,338	5,909

16 Earnings per share

	Group	
	2010	2009
Net profit/loss for the year attributable to Parent Company shareholders, SEK 000s	-85,380	-7,192
Net profit/loss for the year attributable to discontinued operations, SEK 000s	0	0
Weighted average number of ordinary shares outstanding	343,851,750	286,009,726
Earnings per share, SEK	-0.25	-0.03
- from continuing operations, SEK	-0.25	-0.03

There is no dilution.

17 Property, plant and equipment

Buildings and land, SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Accumulated cost				
Cost brought forward	7,154	9,488	0	0
Less assets in subsidiaries sold	0	0	0	0
Sales/Scrapping	0	-2,334	0	0
Accumulated cost carried forward	7,154	7,154	0	0
Accumulated depreciation				
Depreciation brought forward	-592	-508	0	0
Depreciation for the year	-262	-263	0	0
Less assets in subsidiaries sold	0	0	0	0
Sales/Scrapping	0	179	0	0
Accumulated depreciation carried forward	-854	-592	0	0
Carrying amount carried forward	6,300	6,562	0	0
Tax assessment value of properties, SEK 000s	Buildings	Land	Total	
Skruven 1, Borlänge	2,582	835	3,417	
Total	2,582	835	3,417	

Machinery and equipment, SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Accumulated cost				
Cost brought forward	522,464	487,500	15,251	4,474
Purchases	37,789	55,462	4,025	10,776
Assets in companies acquired	0	5,143	0	0
Less assets in subsidiaries sold	0	-178	0	0
Reclassifications	2,257	0	-4	0
Sales/Scrapping	-14,396	-25,463	0	0
Accumulated cost carried forward	548,114	522,464	19,272	15,250
Accumulated depreciation				
Depreciation brought forward	-194,806	-135,333	-1,329	-202
Depreciation for the year	-80,888	-81,433	-2,335	-1,127
Less depreciation in subsidiaries sold	0	176	0	0
Reclassifications	-2,257	0	4	0
Sales/Scrapping	47,664	21,784	0	0
Accumulated depreciation carried forward	-230,287	-194,806	-3,660	-1,329
Carrying amount carried forward	317,827	327,658	15,612	13,921
Total property, plant and equipment	324,127	334,220	15,612	13,921

Finance leases, SEK 000s	Group	
	311210	311209
Accumulated cost	340,903	319,500
Accumulated depreciation	-134,682	-122,061
Total	206,221	197,439

Borrowing for finance leases, SEK 000s	Group	
	311210	311209
Non-current liabilities	122,263	129,442
Current liabilities	75,847	66,000
Total	198,110	195,442

Timing of future minimum lease payments for irrevocable finance leases

Group, SEK 000s	Present value		Nominal value	
	311210	311209	311210	311209
Due within one year	87,431	67,514	90,254	69,320
Due within two to five years	162,046	131,730	185,840	154,336
Due after five years	3,152	754	5,089	1,787
Total	252,629	199,998	281,183	225,443

Finance leases consist of the rental of vehicles, security equipment, cash bags, machinery and equipment and have original durations of three to seven years. The total payments in 2010 equalled SEK 66,393 thousand.

18 Intangible assets

Other intangible assets, SEK 000s	Group	
	311210	311209
Accumulated cost		
Cost brought forward	26,315	25,829
Purchases	1,357	45
Increase through acquisitions	0	1,431
Assets in subsidiaries sold	0	-1,425
Reclassifications	16	435
Accumulated cost carried forward	27,688	26,315
Accumulated amortisation		
Amortisation brought forward	-7,632	-2,581
Amortisation for the year	-4,873	-5,134
Amortisation in subsidiaries sold	0	83
Sales/Scrapping	-1,684	0
Reclassifications	-16	0
Accumulated amortisation carried forward	-14,205	-7,632
Carrying amount carried forward	13,483	18,683

Goodwill, SEK 000s	Group	
	311210	311209
Accumulated cost		
Cost brought forward	129,654	131,389
Increase through acquisitions	-	-
Assets in companies disposed of	-	-1,300
Reclassifications	-	-435
Accumulated cost carried forward	129,654	129,654
TOTAL	143,137	148,337

Goodwill items recognised are attributable to the acquisition of the companies/cash generating units below.

SEK 000s	311210	311209
Hans Granlunds Åkeri AB/Logistics	13,791	13,791
Panaxia Kontantservice AB/Cash handling	43,874	43,874
PanAlarm AB/Surveillance	14,398	14,398
PanAlarm AB/Guarding	57,591	57,591
Total	129,654	129,654

Panaxia tests impairment of goodwill on an annual basis. The impairment test is based on a discounted cash flow model in which measurement begins with management's best assessment of each cash generating unit's progress during the next five years. After that, sustainable annual growth of 2% is assumed. For 2010, Panaxia used a discount rate of 9.5% before tax. Based on these assumptions, no impairment of goodwill is evident.

If long-term growth were assumed to be 0%, impairment of goodwill would result in the following acquisitions: Hans Granlunds Åkeri AB, SEK 2.9 million; PanAlarm AB, SEK 2.7 million; and Panaxia Bevakning AB, SEK 4.7 million. If the discount rate were 10.0%, no impairment would be necessary assuming a long-term growth rate of 2%.

Other intangible assets consist of the following items.

SEK 000s	311210	311209
Customer database, Panaxia Logistik AB	807	1,688
Customer database, Panaxia Kontantservice AB	5,254	7,254
Customer database, PanAlarm AB	6,000	8,000
Systems, PanAlarm AB	148	292
Systems, UAB Trikampis žiedas	126	102
Customer database, UAB Trikampis žiedas	0	1,347
Licensing costs, Panaxia Bevakning AB	1,148	-
Total	13,483	18,683

19 Participations in Group companies and associated companies

Parent Company participations in Group companies

Company	Corp. reg. no.	Reg. office	Pctg. capital	Pctg. votes	No. of shares	Carrying amount	Adjusted equity
Panaxia AB	556466-3333	Stockholm	100	100	35,000	3,133	47,701
Panaxia Logistik AB	556211-2572	Stockholm	100	100	10,000	10,900	16,159
Gävleborgs Kyl och Frys- hus AB	556041-4111	Gävle	100	100	3,000	3,509	1,978
Hans Granlunds Åkeri AB	556302-3075	Falun	100	100	2,500	25,700	8,955
Panaxia Kontantservice AB	556686-0325	Stockholm	100	100	27,800	28,709	28,341
PanAlarm AB	556620-4144	Stockholm	100	100	272,122,548	110,783	36,242
UAB Trikampis žiedas	123415782	Vilnius	50	50	39,400	4,142	3,321
						186,876	142,697

2009: 27 February 2009 was the last day of trading in PanAlarm shares on NGM Equity, after which the share was delisted. At the time of delisting, Panaxia Security AB (publ) had acquired 99.3% of all shares in PanAlarm AB (publ) and 98.0% of outstanding warrants. Panaxia Security requested compulsory redemption and anticipated it would acquire the remaining shares, so PanAlarm was consolidated 100% in the consolidated balance sheet. For shares not yet acquired, a liability to the remaining shareholders was recognised. The decision in the case became final in January 2010, and the outstanding shares were acquired in March 2010.

At 1 December, 50% of the shares in UAB Trikampis žiedas were acquired (see Note 34). By contract, Panaxia Security AB controls three of the five board seats and thus has a controlling influence in the company as well as an option to acquire the remaining shares in the company. As a result, the company was consolidated 100%.

In the 2009 final accounts, the Parent Company recognised impairment of SEK 14,281 thousand on its shares in the subsidiary Panaxia Kontantservice AB and adjusted the acquisition value accordingly, as the impairment loss had resulted from deficiencies in cash handling that dated from prior to the acquisition.

2010: The Parent Company recognised impairment of SEK 10.0 million on its shares in Panaxia Logistik AB and SEK 47.0 million on its shares in Panaxia Kontantservice AB. PanAlarm AB recognised impairment of SEK 27.0 million on its shares in Panaxia Bevakning AB.

Holdings in Group companies, SEK 000s	Parent Company	
	311210	311209
Opening balance	202,118	211,016
Acquisition of UAB Trikampis žiedas	-1,242	5,384
Impairment of shares in Panaxia Kontantservice AB	-	-14,281
Shareholders' contribution to Panaxia Logistik AB	10,000	0
Impairment of shares in Panaxia Logistik AB	-10,000	0
Shareholders' contribution to Panaxia Kontantservice AB	33,000	0
Impairment of shares in Panaxia Kontantservice AB	-47,000	0
Closing balance	186,876	202,118

After purchasing all shares in PanAlarm AB, Panaxia Security AB has no holdings in associated companies.

20 Deferred tax assets

Deferred tax assets, SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Related to loss carry-forwards	4,077	9,107	0	1,333
Other temporary differences	0	0	0	0
Total	4,077	9,107	0	1,333
Deferred tax assets that must be used within one year	0	0	0	0
Deferred tax assets that may be used more than one year later	4,077	9,107	0	1,333

Gross change in deferred tax assets, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	9,107	6,678	1,333	-
Recognised in the income statement	-5,030	2,429	-1,333	1,333
Closing balance	4,077	9,107	0	1,333

Deferred tax assets are recognised for tax-deductible loss carry-forwards to the extent that it is likely they can be applied through future taxable profits. The Group did not recognise SEK 794 thousand (723) in deferred tax assets attributable to loss carry-forwards. In addition, unrecognised deferred tax assets related to temporary differences total SEK 15,254 thousand.

21 Stock

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Security equipment intended for sale	5,556	794	0	0
Raw materials and consumables	2,466	2,208	0	0
Total	8,022	3,002	0	0

22 Accounts receivable

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Accounts receivable	153,475	148,370	1,953	1,054
Less provisions for doubtful receivables	-738	-603	0	0
Total	152,737	147,767	1,953	1,054

Provisions for doubtful receivables, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	-603	-545	0	0
Applied to accounts receivable	204	306	0	0
New provisions	-339	-364	0	0
Less provisions for discontinued operations	-	-	0	0
Closing balance	-738	-603	0	0

Ageing of accounts receivable, SEK 000s	Group	
	31 Dec 2010	31 Dec 2009
Not yet due for payment	56,230	48,294
Less than three months past due	21,582	41,502
Three to six months past due	3,013	36,159
More than six months past due	71,912	21,812
Total	152,737	147,767

Provisions for doubtful receivables refers entirely to receivables more than six months past due. Every unpaid account receivable that is past due has been subjected to individual assessment. Aside from provisions made, no impairment has been deemed necessary. Accounts receivable includes a combined claim of SEK 45.1 million (44.7) on G4S, and the entire claim was past due at the end of the reporting period. The majority of claims on G4S originate from 2009. Accounts receivable from Green Exit AB totalled SEK 5.9 million and from Skyddsteknik Sverige AB (formerly Skyddsteknik i Malmö AB) SEK 0.4 million at 31 December. See also Note 3, Credit risks.

23 Other receivables

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Prepaid lease charges	1,657	2,089	326	483
Prepaid rent	5,231	5,288	0	2,938
Prepaid insurance premiums	2,983	1,275	470	310
Other prepaid expenses	27,552	20,241	1,047	404
Accrued income	152,217	96,447	0	0
Other receivables	54,894	52,409	14,284	14,894
Tax assets	5,998	1,223	333	57
Total	250,532	178,972	16,460	19,086

Accrued income includes SEK 1.7 million (7.6) for services provided to G4S but not yet invoiced. Other receivables includes promissory note receivables on Green Exit AB and Skyddsteknik Sverige AB (formerly Skyddsteknik i Malmö AB) at 31 December for SEK 27.6 million and SEK 21.0 million, respectively. See also Note 3, Credit risks. Panaxia Security has submitted claims to the sellers of Panaxia Kontantservice AB for a reduction of the purchase consideration because of deficiencies in reconciliation of the cash handling operations that date from prior to the acquisition. The claims have been contested by the banks that sold the company, which are now investigating the deficiencies.

24 Money in the cash handling operations held in trust

The cash handling operations require the Group to maintain a stock of money to satisfy the needs of customers for notes and coins including acquiring cash. These flows give rise to current receivables from and liabilities to customers and other actors in the market for cash handling services as well as cash holdings. This cash flow is financed by a bank overdraft facility. The net amount of cash holdings, receivables from and liabilities to other parties and the checking account balance, as shown below, is recognised as other receivables, if the amount is a net claim, or as other current liabilities, if a net liability.

Money in the cash handling operations held in trust, SEK 000s	311210	311209
Cash	74,399	181,210
Receivables	231,015	168,080
Liabilities	-470,861	-323,232
Checking account	-46,410	-67,862
Total	-211,857	-41,804

25 Assets held for sale

In 2008, Gävleborgs Kyl och Fryshus AB signed a contract with Gävle Municipality for the Municipality to purchase the company's only asset, a logistics terminal in Gävle, in return for the company purchasing a lot in the municipality and establishing a new terminal. Consummation of the sale of the property was contingent on the new lot being developed. The new terminal was completed in January 2010, whereupon the business moved to the new terminal. This made it possible for the property to be divested as specified in the signed contract.

This occurred in February 2010. Until the sale occurred, the property and the mortgage on the property were recognised in the consolidated balance sheet in 'Assets held for sale' and 'Liabilities attributable to assets held for sale', respectively, as per IFRS 5. The sale of the property resulted in a capital gain of SEK 2,470 thousand in the company and SEK 423 thousand in the Group.

26 Changes in share capital

Year	Transaction	Increase in no. of shares	Increase in share capital	Share capital	No. of shares	Issue price	Amount sub-scribed	Quotient value
March 2006	Company founded	1,000	100,000	100,000	1,000	100	100,000	100
March 2006	Split	4 999 000	-	100,000	5,000,000	-	-	0.02
March 2006	New issue	3,456,403	69,128	169,128	8,456,403	0.02	69,128	0.02
April 2006	Non-cash issue	156,654,800	3,133,096	3,302,224	165,111,203	0.02	3,133,096	0.02
April 2006	Set-off issue	4,016,797	80,336	3,382,560	169,128,000	0.02	80,335	0.02
June 2006	Private placement	50,000,000	1,000,000	4,382,560	219,128,000	0.65	32,500,000	0.02
Jan 2009	Private placement	10,106,500	202,130	4,584,690	229,234,500	1.50	15,159,750	0.02
July 2009	Rights issue	114,617,250	2,292,345	6,877,035	343,851,750	0.65	74,501,213	0.02

2009: In August 2008, Panaxia Security AB (publ) acquired all shares in Panaxia Kontantservice AB (formerly BankService Sverige AB). The company was purchased for SEK 57.0 million, SEK 41.8 million of which was paid in cash and the remainder in 10,106,500 new shares in Panaxia Security AB (publ). The new share issue was registered with the Swedish Companies Registration Office at 20 January 2009. After the issue, total shares numbered 229,234,500.

In June 2009, existing shareholders in Panaxia Security AB (publ) were offered to subscribe for one new share in the Company for every two old shares at a price of SEK 0.65. The issue was fully subscribed and raised SEK 74.5 million. The number of shares increased 114,617,250, to 343,851,750. The new share issue was registered with the Swedish Companies Registration Office at 1 July 2009.

27 Non-controlling interests

Non-controlling interests refer to the non-controlling interests in the equity of UAB Trikampis žiedas, in which Panaxia Security AB (publ) owns 50%. The shares in UAB Trikampis žiedas were acquired in December 2009.

28 Borrowings

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Non-current interest-bearing liabilities	160,471	201,580	17,125	41,361
Current interest-bearing liabilities	173,797	163,705	59,695	65,507
Credit for cash handling (see Note 24)	46,410	67,862	0	0
Loans for assets for sale	0	9,089	0	0
Total	380,678	442,236	76,820	106,868

Total borrowings at 31 December 2010 included foreign currency (LTL) borrowings corresponding to SEK 5.9 million. At year-end, the Group had total authorised credit lines of SEK 160,901 thousand, of which SEK 47,362 thousand was unutilised.

Type of credit	Purpose	Liability 311210	Interest rate 311210	Matures within 1 year	Matures in 2-5 years	Matures in more than 5 years
Borrowing at variable rates of interest						
2 loans, Svenska Handelsbanken	Acquisition	10,500	7.50%	4,375	6,125	
2 loans, Svenska Handelsbanken	Working capital	4,400	7.50%-7.80%	4,400		
Loan, Svenska Handelsbanken	Property	1,890	6.80%	280	1,120	490
Loan, Sparbanken 1826	Acquisition	21,000	4.88%	10,000	11,000	
2 loans, Sparbanken 1826	Working capital	3,492	4.59%-5.10%	1,817	1,675	
Loan, Swedbank	Acquisition	1,111	4.26%	1,111		
Loan, Swedbank	Working capital	3,583	6.25%	1,000	2,583	
Loan, Östgöta Enskilda Bank	Working capital	222	7.05%	222		
2 loans, Nordea Bank Finland	Working capital	4,997	3.51%	650	3,908	439
Bank overdraft facility, Svenska Handelsbanken	Working capital	39,959	4.96%	39,959		
Bank overdraft facility, Sparbanken 1826	Working capital	18,637	6.03%	18,637		
Bank overdraft facility, Sörmlands Sparbank	Cash handling	46,410	3.53%	46,410		
Bank overdraft facility, Swedbank	Working capital	7,629	4.52%	7,629		
Bank overdraft facility, Nordea Bank Finland	Working capital	904	4.50%	904		
Hire-purchase agreement to finance equipment	Working capital	17,834	2.55%-5.06%	6,966	10,868	
Finance leases	Working capital	198,110	3.75%-7.20%	75,847	122,263	
Total variable interest		380,678		220,207	159,542	929
TOTAL		380,678		220,207	159,542	929

All security described in Note 35 has been pledged for the above liabilities.

Panaxia has two covenants with banks. The Parent Company has a covenant with Svenska Handelsbanken from July 2009 that contains the following grounds for cancellation of the Group's credit from the bank:

- a natural person owns more than 50% of the shares in Panaxia Security AB,
- a legal entity acquires a stake in Panaxia Security AB such that it is regarded as a parent company,
- the equity/assets ratio is less than 25%,
- the interest coverage ratio is less than 2 or
- total equity is less than SEK 200 million.

After the Group's ratios fell short of the requirements in its covenant with Handelsbanken at 31 December 2009, Panaxia and the bank together performed an analysis of the Group's financial situation, after which

Handelsbanken granted Panaxia a waiver at 30 June. The earnings posted by the Group at 30 September 2010 were insufficient to reach the covenant targets agreed for the ratios, so Panaxia has applied for a new waiver from the bank. Discussions concerning the covenant are underway with the bank. At 31 December 2010, the total debt to the bank was SEK 56.7 million.

The second covenant applies to Panaxia Kontantservice AB, which has pledged to continuously provide Sörmlands Sparbank with information about the company's earnings, position and insurance, always use the specified accounts for the flows financed via the credit and not to open new floating charges without the approval of the bank.

Sörmlands Sparbank has extended the credit for the cash handling operations to 31 March 2011. At the same time, discussions are underway with several banks about future financing, and several actions have been taken to adjust cash flow routines to reduce the need for credit. At 31 December 2010, the total debt to the bank was SEK 46.4 million.

29 Deferred tax liabilities

Deferred tax liabilities, SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Related to excess amortisation/depreciation and untaxed reserves	7,078	7,363	0	0
Related to temporary differences	0	0	0	0
Related to temporary differences in non-current assets	5,657	7,803	0	0
Total	12,735	15,166	0	0
Deferred tax liabilities to be paid within one year	0	0	0	0
Deferred tax liabilities to be paid more than one year later	12,735	15,166	0	0

Gross change in deferred tax liabilities, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	15,166	21,022	0	0
Acquisition of subsidiaries	0	354	0	0
Disposal of subsidiaries	0	-826	0	0
Recognised in the income statement	-2,431	-5,384	0	0
Closing balance	12,735	15,166	0	0

30 Other current liabilities

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Advances from customers	6,211	5,720	0	0
Accrued salaries and holiday pay	49,796	45,478	3,285	3,327
Accrued social benefit charges	24,429	25,467	2,068	1,990
Other accrued expenses	6,876	10,109	986	137
Money in cash handling held in trust	211,857	41,804	-	-
Other current liabilities	80,366	66,469	1,417	2,141
Total	379,535	195,047	7,756	7,595

31 Contingent liabilities

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Guarantees pledged for Group companies	-	-	80,175	107,745
Total	-	-	80,175	107,745

32 Pledged assets

SEK 000s	Group		Parent Company	
	311210	311209	311210	311209
Floating charges	145,600	145,600	0	0
Equipment pledged with retention of title	24,074	29,356	0	0
Pledged shares in subsidiaries	234,211	196,207	102,712	112,570
Real estate pledged	3,650	17,650	0	0
Total	407,535	388,813	102,712	112,570

All assets pledged constitute security for the liabilities disclosed in Note 28.

33 Cash flow statement

Adjustments for non-cash items, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Amortisation/Depreciation	86,024	86,830	2,335	1,127
Provisions for doubtful receivables	43,000	0	0	0
Gain/Loss on sale of shares in subsidiaries	0	-1,361	0	0
Impairment losses on shares in subsidiaries	0	0	48,289	0
Other items not affecting cash flow	-11,195	0	0	0
Total	117,829	85,469	50,624	1,127

Investments in property, plant and equipment, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Purchases, Panaxia Security AB (publ)	4,025	10,777	4,025	10,777
Purchases, Panaxia AB	7,651	16,644	-	-
Purchases, PanAlarm AB	47	5,100	-	-
Purchases, Panaxia Logistik AB	1,121	1,445	-	-
Purchases, Panaxia Kontantservice AB	1,187	1,591	-	-
Purchases, Panaxia Bevakning AB	1,577	927	-	-
Purchases, Hans Granlunds Åkeri AB	345	15	-	-
Purchases, UAB Trikampis žiedas	312	1,377	-	-
Total	16,265	37,876	4,025	10,777

Investments in intangible assets, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Panaxia Bevakning AB	820	-	-	-
Total	820	-	-	-

Disposal of property, plant and equipment, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Building, Gävleborgs Kyl och Fryshus AB	16,700	0	-	-
Equipment	0	5,990	-	-
Total	16,700	5,990	-	-

Acquisition of subsidiaries, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
UAB Trikampis žiedas	-	5,384	-	5,384
less acquisition for promissory note	-	-1,242	-	-1,242
less cash and cash equivalents acquired	-	-883	-	-
Total	0	3,259	0	4,142

Disposal of subsidiaries, SEK 000s	Group		Parent Company	
	2010	2009	2010	2009
Skyddsteknik i Malmö AB	-	5,000	-	-
less cash and cash equivalents in subsidiaries disposed of	-	-273	-	-
Total	0	4,727	-	-

34 Business combinations

2009: At 1 December 2009, 50% of the shares in the Lithuanian security company UAB Trikampis žiedas was acquired for SEK 5,384 thousand, of which SEK 4,142 thousand was paid in cash. The remainder of the purchase consideration, SEK 1,242 thousand, is additional consideration to be paid after performance targets are met. Through this acquisition, the Group added income of SEK 2.2 million in 2009 and profit of SEK 64 thousand. If the acquisition had been made at 1 January 2009, the Group's sales had been SEK 26.5 million more, all other things being equal. For 2010, income totalled SEK 21.9 million. At the time of acquisition, the net assets acquired were as follows.

UAB Trikampis žiedas (SEK 000s)	Carrying amount	Fair value
Property, plant and equipment	8,771	8,771
Intangible assets	61	1,431
Stock/Work in progress	1,494	1,494
Current receivables	16,273	16,273
Cash and cash equivalents	883	883
Borrowings	-9,175	-9,175
Other liabilities	-9,559	-9,559
Deferred tax	-	-360
Total assets less liabilities	8,748	9,758

Non-controlling interests	-4,374	-4,374
Total	4,374	5,384

Direct costs in conjunction with all acquisitions have been expensed.

2010: Payment of the additional consideration of SEK 1,242 thousand for the shares in UAB Trikampis žiedas was contingent on the company achieving a specific earnings target in 2009. This target was not achieved, so the additional consideration was reversed in the final accounts at 31 December 2010.

35 Business disposals

2009: At 31 March 2009, PanAlarm AB sold all shares in Skyddsteknik i Malmö AB for SEK 5,000 thousand cash. PanAlarm AB generated a capital gain of SEK 3,100 thousand on the sale. The gain in the consolidated accounts was SEK 1,361 thousand after goodwill impairment of SEK 1,300 thousand. At the time of the disposal, the net assets sold were as follows.

<u>Skyddsteknik i Malmö AB (SEK 000s)</u>	
Property, plant and equipment	554
Stock	221
Current receivables	3,003
Cash and cash equivalents	273
Current liabilities	-2,794
Total assets less liabilities	1,257

The net cash flow on the sale of Skyddsteknik i Malmö AB was as follows.

<u>SEK 000s</u>	<u>2009</u>
Sale proceeds	5,000
Investing activities	-273
Financing activities	0

36 Related-party transactions

2009: In December 2008, Panaxia Security AB received a loan of SEK 73.2 million from Laccord Ltd² for the acquisition of PanAlarm AB (publ). At 31 March 2009, the Group transferred receivables from G4S valued at SEK 59.9 million to Laccord Ltd. The receivables were transferred at full face value. The receivables were used to settle part of the liability to Laccord, after which the remaining liability to Laccord is SEK 13.3 million. In June 2009, the remainder of the loan from Laccord was repaid, except for SEK 1.3 million that was repaid in December 2009. The loan carried interest at market rates. The original claim of SEK 59.9 million decreased SEK 11.9 million, corresponding to the value-added tax on the invoices on which the transferred amount was

²Laccord Ltd is owned by Thomas Gravius and Carolina Damos. Thomas Gravius is CEO of Panaxia Security AB (publ), and Carolina Damos is a member of the Board of the company.

based. The amount was reduced because the services invoiced were not subject to VAT but had erroneously been invoiced with VAT included.

Skyddsteknik i Malmö AB was sold to PanAlarm's former president Björn Schröder following the approval of the AGMs of PanAlarm AB and Panaxia Security AB in April 2009.

2010: In 2009, Laccord Ltd and Anders Eklund owned shares in 1,618 STRICT AB (publ). In 2009, STRICT acquired Green Exit AB and Skyddsteknik Norden AB. The latter company owns Skyddsteknik Sverige AB (formerly Skyddsteknik i Malmö AB). Laccord sold its shares in 1,618 STRICT AB in February 2010. At 31 December 2010, Anders Eklund controlled 9.1% of the shares in STRICT, directly or through partly owned companies. The Panaxia Group's business relationships with companies in the STRICT group are no longer regarded as transactions with related parties.

As a consequence of the claim pending against G4S, Laccord Ltd has pledged that all payments from G4S will go to Panaxia first, until Panaxia's total claim has been settled, before Laccord is entitled to payment of the receivables it took over.

Laccord Ltd has stood surety for Panaxia Kontantservice AB in relation to the company that took over the operations from Green Exit AB for a total of SEK 14.6 million.

Besides the transactions disclosed here and those done between the Group's companies, there are no transactions with related parties.

37 Events after the end of the reporting period

As part of the transformation of the Panaxia Group's logistics business, in March 2011 Panaxia Security AB (publ) agreed to sell all shares in Hans Granlunds Åkeri AB. The agreement includes the transfer of several heavy vehicles that will be used in the divested haulage business. The total purchase consideration, to be paid in cash, is about SEK 28 million. Beyond this agreement, negotiations continue concerning parts of Panaxia Logistik AB.

The Board of Panaxia Security AB (publ) has decided to divest those parts of the guarding business that do not naturally belong in Panaxia's core business. Those parts of the guarding business in which the Group will continue to be active are bank security, security for retail merchants and event security.

All shares in Panaxia Bevakning AB were sold to Håkan Isaksson Holding AB on 1 March 2011. In conjunction with the transfer, Panaxia Bevakning AB will again be registered as Nordisk Bevakningstjänst AB. The total purchase consideration is SEK 30 million.

Håkan Isaksson, who owns Håkan Isaksson Holding AB, is on the Board of Directors for Panaxia Security AB (publ), so the sale of the shares is contingent on approval by the AGM of Panaxia Security AB (publ).

Signatures

The Board of Directors and Chief Executive Officer pledge that the consolidated financial statements were prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and give a true and fair view of the Group's financial position and earnings. The annual report was prepared in compliance with generally accepted accounting principles in Sweden and gives a true and fair view of the Parent Company's financial position and earnings.

The directors' report for the Group and the Parent Company includes a fair review of the progress of the operations, financial position and results of the Group and the Parent Company and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group. The annual report and consolidated accounts will be presented to the Annual General Meeting for adoption on 14 April 2011.

Stockholm, 24 March 2011

Anders Eklund
Chairman

Carolina Damos
Director

Åke Ekström
Director

Gunnar Forss
Director

Håkan Isaksson
Director

Yvonne Lemmouh Karlsson
Director

Kjell Stenberg
Director

Thomas Gravius
Chief Executive Officer

We submitted our audit report on 24 March 2011.

PricewaterhouseCoopers AB
Sten Håkansson
Authorised Public Accountant

Audit report



To the Annual General Meeting of Panaxia Security AB (publ) Corp. reg. no. 556696-0687

We have examined the annual report, consolidated accounts and accounting records as well as the CEO and Board of Directors' administration of Panaxia Security AB (publ) for 2010. The Company's annual report and consolidated accounts are included in the printed version of this document on pages 17–62. The Board and CEO are responsible for these accounts and the administration of the Company as well as for the application of the Annual Accounts Act when preparing the annual report and the application of International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express our opinion on the annual report, consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual report and the consolidated accounts are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board and CEO and the significant estimates made by the Board and CEO when preparing the annual report and the consolidated accounts as well as evaluating the overall presentation of information in the annual report and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances at the Company to be able to determine the liability, if any, to the Company of the CEO or any Board member. We also examined whether or not any member of the Board or the CEO had in some other way acted contrary to the Companies Act, the Annual Accounts Act or the Company's articles of association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report was prepared in accordance with the Annual Accounts Act and gives a true and fair view of the Company's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements were prepared in compliance with IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and earnings. The directors' report is compatible with the other sections of the annual report and the consolidated accounts.

We recommend that the AGM adopt the income statements and balance sheets of the Parent Company and the Group, deal with the earnings in the Parent Company in accordance with the proposal in the directors' report and discharge the members of the Board and the CEO from liability for the financial year.

Without modifying our statements above, we wish to draw attention to the fact that the terms of the loan agreement with Svenska Handelsbanken have been violated, which is apparent in Note 28. Thus Svenska Handelsbanken has grounds for cancelling the Group's credit facilities. As is clear from the directors' report, negotiations with the bank are underway. The Group's credit facility with Sörmlands Sparbank has been cancelled and must be concluded by 31 March. In our opinion, the circumstances described above indicate that a prerequisite for the Company being able to continue to conduct its business operations is that the proposed issue of new shares is completed as planned. As described in the directors' report, the Group has a dispute with G4S. The Group's claim, about SEK 37 million, was presented as a whole to G4S in March 2011. There is uncertainty as to how the dispute will be resolved.

Stockholm, 24 March 2011

PricewaterhouseCoopers AB
Sten Håkansson
Authorised Public Accountant

Auditor's opinion about the corporate governance report



To the Annual General Meeting of Panaxia Security AB (publ) Corp. reg. no. 556696-0687

The Board of Directors are responsible for the corporate governance report for financial year 2010 on pages 13–16 and for the report having been prepared in accordance with the Swedish Annual Accounts Act.

As a basis for our opinion concerning whether the corporate governance report was prepared and is compatible with the annual report and the consolidated accounts, we have read the corporate governance report and assessed its statutory content based on our knowledge of the company.

We believe that a corporate governance report has been prepared and that its statutory information is consistent with the annual report and consolidated accounts.

Stockholm, 24 March 2011

PricewaterhouseCoopers AB

Sten Håkansson
Authorised Public Accountant

Board, auditor and management

Board

All members of the Board were elected for the period until the 2011 AGM.

Anders Eklund

Chairman of the Board
Member of the Board since March 2006
Chairman of the board of PanAlarm AB (publ), member of the boards of several unlisted companies
Born 1945
Own and related parties' shareholdings: 1,270,000

Carolina Damos

Member of the Board since March 2006
Head of Administration, Panaxia Security AB (publ)
Born 1975
Own and related parties' shareholdings: 0¹

Åke Ekström

Member of the Board since April 2009
Treasury and deputy director of Risk Management and Security at Sparbanken 1826
Born 1948
Own and related parties' shareholdings: 450,000

Gunnar Forss

Member of the Board since March 2006
President of Gunnar Forss AB, Vemdalen Rekreation AB, Vemdalen Rekreation Mark AB, Vemdalen Rekreation Skalspasset AB, member of the boards of several unlisted companies
Born 1954
Own and related parties' shareholdings: 195,000

Håkan Isaksson²

Member of the Board since April 2010
CEO and Chairman of the Board of Håkan Isaksson Holding AB
Born 1966
Own and related parties' shareholdings: 21,677,852

Yvonne Lemmouh Karlsson

Member of the Board since April 2007
Former ombudsman for the Swedish Transport Workers Union, board member of Panaxia Bevakning AB
Born 1944
Own and related parties' shareholdings: 1,000,000

Kjell Stenberg

Member of the Board since March 2006
Member of the boards of Taurus Energy AB (publ), Kindwalls Bil AB, WntResearch AB (publ), AB Wilhelm Kindwall, Cad. Esthetics AB and Denzir Production AB and member of the boards of several unlisted companies
Born 1946
Own and related parties' shareholdings: 9,753,721

Auditor

PricewaterhouseCoopers AB
The managing auditor is Sten Håkansson, Authorised Public Accountant
Appointed by the AGM held in April 2010 for the period until the 2014 AGM.
Own and related parties' shareholdings: 0

¹Laccord Ltd, Laccord AB and Gravius & Damos Partners AB are owned by Thomas Gravius and Carolina Damos.

²Håkan Isaksson declined to be reelected by the 2011 AGM.

Management

Thomas Gravius

Chief Executive Officer
Born 1966
Employee since 1993
Own and related parties' shareholdings:
11,796,592¹

Lars-Olof Ahlström

Head of Logistics
Born 1969
Employee since 1993
Own and related parties' shareholdings:
1,500,000

Yerko Baez

Head of Surveillance
Born 1969
Employee since 1993
Own and related parties' shareholdings: 112,500

Carolina Damos

Head of Administration
Born 1975
Employee since 1999
Own and related parties' shareholdings: 0¹

Åke Forsberg

Head of IT
Born 1966
Employee since September 2008
Own and related parties' shareholdings: 0

Joakim Hellmouth

Head of HR
Born 1966
Employee since September 2009
Own and related parties' shareholdings: 2,000

Göran Lundmark

CFO and Treasurer
Born 1952
Employee since November 2005
Own and related parties' shareholdings: 450,000

Stefan Rydholm

Head of Security
Born 1957
Employee since March 2009
Own and related parties' shareholdings: 0

Johan Räikkönen

Head of Sales
Born 1970
Employee since January 2009
Own and related parties' shareholdings: 0

¹Laccord Ltd, Laccord AB and Gravius & Damos Partners AB own a total of 122,483,831 shares in Panaxia Security AB (publ). The companies are owned by Thomas Gravius and Carolina Damos.

Addresses

Parent Company/Head office

Panaxia Security AB (publ)
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556696-0687

Subsidiaries

Panaxia AB
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556466-3333

Panaxia Logistik AB
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556211-2572

Panaxia Kontantservice AB
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556686-0325

PanAlarm AB
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556620-4144

Gävleborgs Kyl och Fryshus AB
Linta Gårdsväg 5
SE-168 74 Bromma
Phone +46-8-25 50 30
Fax +46-8-26 33 50
Corp. reg. no. 556041-4111

UAB Trikampis žiedas
Ulonų g. 5
LT-08240 Vilnius
Lithuania
Phone +370-5275 7400
Fax +370-5275 7404
Corp. reg. no. 123415782
VAT LT234157811