

# G4S Capital Markets Day 2010

## First Session



Nick Buckles, Group CEO:

Well good morning everybody, welcome to the G4S Capital Markets Day. Welcome to everybody here in the auditorium and also welcome to those who are joining us on the phone lines.

We run one of these events every year, thanks very much for coming, I hope you're going to find it very informative. There'll be quite a lot of detail today; we thought it was important to get across the complexity of our business moving forward. No apologies for that.

But I'd like to just kick off by introducing our new Group Executive Structure, by way of introducing some of the presenters this morning as well. This new Executive Team structure is in place from the 1st of July this year. The Exec has been extended to 11 members. On the right hand side of the slide there you can see all the Group Functional Directors. Of course you all know Trevor, our Finance Director, Irene our HR Director is here, Soren our Group General Counsel is also here. You all know Debbie McGrath our Comms Director and presenting today will be Graham Levinsohn our Group Strategy and Development Director. So two new appointments there onto the Exec team.

On the left hand side our line management reports. That's been extended from two to five. Grahame Gibson you know he's presented at the last couple of Capital Markets is also on the main board and our Group COO, he is now the Regional COO for the Americas. David Taylor Smith or DTS, you'll see him in the abbreviations in the back of the pack there. He's been our Regional CEO for the UK and Ireland for a couple of years; he's also taking over responsibility for Africa and joining the Exec. Willem van de Ven has been running our Africa region since 2002; he's now coming back to Europe and going to run a newly formed European region.

And joining us in July or August is Dan Ryan a new appointment; he's coming from APL Shipping a major shipping company. And he's been running a number of different regions in Asia, culminating in his recent role as the MD of Greater China, a \$2 billion turnover business. And finally our Divisional CEO of Cash Solution Ken Niven you've met before. We run seven or eight cash businesses on a direct basis reporting through to Ken. And he's also responsible worldwide for the 70 odd Cash Solutions businesses on a sort of dotted line basis too.

So that's our new structure, it's there to improve succession planning; it's there to improve accountability and strategy implementation going forward.

So let's move onto the agenda. I'm delighted to welcome Alf Duch-Pedersen our Chairman who is going to make an introduction in a little while. He's been Chairman or Deputy Chairman of this company and previous companies for around the last 18 years, he was formally the Chairman of Falck originally, so a huge experience in this industry and business.

I'm going to give you an update on our strategy and then hand over to Ken Niven who is going to talk about Cash Solutions globally.

He'll then hand over to Grahame Gibson, as I mentioned he was formally the Group COO and Divisional President, now Regional CEO for the Americas. And he's going to focus on how strategy is being implemented in the commercial business in the US. And then we'll have a Q&A at the end of that session around these three or four presentations.

Then we'll have a coffee break, sorry also at that Q&A we'll take some questions from the phone lines too. Then we'll have a

coffee break and then after that DTS will talk about our Government business, particularly in the UK, but also how we're going to roll it out globally. And then as I mentioned Graham Levinsohn our Strategy and Development Director who's responsible for our sector strategy, our overall strategy and our international accounts will introduce the sector strategy and also introduce two of our recently recruited specialists, David Fairney who is going to talk about ports and Jorge Machnizh or George McNish as we call him, who is going to talk about oil and gas. And then finally Trevor is going to come and talk about cash flow, return on invested capital, etc. And then a Q&A session just before lunch on those five presentations there.

So now I'd like to hand you over to Alf.

Alf Duch-Pedersen, Chairman:

Yes, good morning everybody and welcome to this Capital Markets Day and no doubt the team and I have been looking forward to meeting all of you. I have another non-executive director with me, Mark Seligman who is sitting up here, so if there is something you want to discuss with us in the course of the day we are around; also to talk about G4S.

Yes, I joined G4S now in 2004 when we merged the companies, Group 4 Falck and Securicor and I have been Chairman since June 2006. Since then the Group has developed quite a lot but still under the current management, day to day strong leadership.

We have been working to fulfil the strategy which we've informed the market about and at the same time of course have been making a number of acquisitions.

On the next slide you can see we have grown. The number of people is quite a big number. It is not one of the KPIs though, but it comes with the type of business which we're in. The revenue

has doubled and the PBITA grew 18% year on year. So we've had, we think, a reasonable ride.

Looking at the Group in a little bit of a different way, the geographic footprint. Initially when we made the merger in 2004 some of us were questioning some of the countries we were in, why were we actually there? And it should be no secret that to the Group 4 people we said, well it is really something we should be doing? But looking today there is no doubt that we were in early and in most of the countries we are running good businesses and we're making very decent margins.

So being in more than 110 countries as we are today is definitely one of the big strengths of our group. We are truly a global supplier of security solutions. And it gives the possibility of leveraging many of our concepts and the way we do things into new markets all the time, pushing them in. And many of the countries are in different stages of development. So it is one of the key strengths of the Group.

If you look at the same slide so to speak when you look at the PBITA in all these areas we actually have decent margins and they are there to support the Group and indeed make money for the shareholders.

Of course there are some areas where we are quite big, the UK and US are large businesses of ours. But they are doing well and that combined, stable growth, stable profitability and that combined with the growth markets is one of the key strengths of the Group.

In the developed markets, the US and UK of course we have customers, the governments which count for more than 2% of the

business. But in no other place is that the case. Will it be that in the future? Yes definitely, we hope so.

Let's look at the EPS and indeed about the dividend. And as I've already said we had a year on year growth of 16% on the EPS and the dividend, the payout has growth per annum by an average of 31%. A strong performance, still a strong performance despite the world being in a different stage than it was when we made the merger.

And finally on the TSR, I think by any measure the shares had a good ride, whether it's against the peer group, or whether it's up against the FTSE 100. And what today is about is really for us to tell you where the next wave of growth will come from and convince you that we can continue growing and performing as we have been.

These were the introductory remarks I have for you, but I will be here all the day and now I will hand back to Nick. Thank you.

Nick Buckles:

Thanks very much Alf. So in my session - this is my agenda I'm going to go through today. I'm going to talk about our historical financial performance, not too long on that but we'll certainly talk about it. What we believe our investor proposition is, what really makes us a great investment. What we've done in terms of delivering shareholder value over the last five years and hopefully give an indication of what we're going to do in the next five years.

Also today we're going to run through some economic sensitivities. We clearly are affected by changes in economics and I'm going to take a little bit of time to take you through that today too. Look at our margin development and where we see that going in the future, a quick overview of the strategy which you've seen before, we're not changing strategy we're just

representing it and showing how it's being implemented and then by way of introducing New Markets and then the next speaker will talk about our market characteristic slides which you've seen before.

So historical financial performance, sat at around £4 billion revenue for three years. These figures are as published and also pre disposal, so they were actually published at the time, not adjusted for exchange rates, etc. We did have a strong pound during those years, which actually slowed down the growth. But then we've obviously had a weaker pound in the last two years which has helped to accelerate it.

We've now a £7 billion revenue business. And you can see during that period of time too that our margin has increased overall from 6.2% to around 7.1%. Most of the synergies from the merger had worked through by 2005, early 2006. So that half a percent plus improvement has come from operational efficiencies and mix benefit.

As you know we show our business in two main product line areas, one Secure Solutions, the other Cash Solutions. And so these charts here show the difference between the two services. Looking at turnover and organic growth first, it's been around the 8% mark on Secure Solutions for the last four years or so and dropped down to 3.5% after the recent economic downturn.

On the Cash Solutions side really starting to leverage some very strong growth, by 2008 it was around 12.5% and again due to economic issues and particularly interest rates - low interests rates that came down to 4.7%. But you can see typically in a strong or reasonable economic environment, very strong organic growth service lines.

And then dropping down to the margin, Secure Solutions very much followed the sort of Group profile in terms of margin improvement from 6.2 up to 6.8. These margins are pre Group costs; Group costs are around half a cent, six tenths of a percent of margin.

And then on the Cash Solutions side a fantastic performance there. The margins moved from around 8.9% in '05, to 11.4% last year, continuing margin improvement year on year; even in a tough economic environment.

So how do we see our investor proposition? Well we are unique in that we're the only global player, in fact even sort of continental by continental player that can provide multiple services in the Secure Solutions environment. It really is a very key differentiator for us. We can offer risk consulting services to the on the ground delivery of a number of different security services. And that really is a unique aspect of our business.

Our Cash Solutions expertise, you've seen the number the numbers don't lie we are very strong on Cash Solutions. But in addition to that our understanding of the cash cycle and the understanding of how cash markets work is unique and you'll see Ken talk a lot more about that in a while.

A big chunk of our business is with government, very good, very robust, very defensive. It's around 28 to 30%, long term contracts and we can roll that government expertise our through the organisation. And again DTS will talk more about that.

Alf touched on our strong New Markets positions; they are incredibly unique; we're in about 80 countries outside of Europe and North America. The profit contribution has gone from around 10% in '04 to around 32% in '09, a high growth business with a lot

more growth to come from rolling out services into these developing markets.

That's really reiterating the point that the Solutions approach across every market means that we can take our product expertise, particularly in developed markets and continue to roll out new services into these developing markets. So not only are they good structural growth markets in their own right, we can grow significantly ahead of the market by rolling out best practice.

The financial returns speak for themselves an interesting statistic here, which Trevor will go into more detail about, our return on invested capital we believe is around 15% and Trevor will take you through that a bit later on. And great organic growth over the last five years too.

Defensively we did very well in 2009, despite the economic environment, moving profits up around 10% pre exchange. And so we can do well even in a touch economic environment, but clearly we would prefer the economic environment to be a little better than it is.

And then finally on acquisitions, always EPS accretive but more importantly in the last couple of years they've enabled us to grow our core business even quicker. They build capability, bring us into new sectors, bring in new skills to the organisation and make sure that we can actually also rollout that expertise throughout the network.

So that's really the eight things that we believe make us different as an investment proposition.

So I won't go into too much detail on the return on invested capital, Trevor will do that. But you can see there on our adjusted basis

and the only main adjustment we make is the Securicor goodwill on merger, which we don't believe is real goodwill. We've got a really good return on invested capital. As I say, Trevor will talk more about that.

Our cash conversion has been very strong, always over 85% which is our target and even in the last year, 2009, in such a tough economic environment, a 90% cash flow generation.

And then on the right hand side, just showing double digit EPS growth, adjusted for exchange, so this is real EPS growth over the last five years.

So now moving onto what are the economic sensitivities of our business? And clearly every business has had to readdress its thoughts on the economy and its thoughts on strategy in the light of such a severe recession which we experienced in the last 12 or 18 months. But what we clearly believe and you'll see from the charts I'm about to show you that we also growth significantly above GDP, both real and nominal because of the fact that we create new markets and particularly create new markets from outsourcing. And of course there is this - always underlying issue that global security requirements will always be ever increasing in this world.

And it is also fair to say that all our businesses benefit from some sort of inflationary environment. Low inflation isn't great for our business, we prefer inflation to be - you know heading up towards mid single digits.

Another point which I've made previously but I'll reiterate, interests rates, low interests rates are fantastic for the corporate P&L, but they do quite a lot of damage to our cash in transit business through service reductions. If there's no economic

value of banking cash for retailers and there's not economic value of over filling ATMs or bank branches then clearly with very low interest rates there are going to be service reductions across the cash services piece.

And then additionally economics of outsourcing still work incredibly well on Cash Solutions without higher interest rates, because clearly there's the same cost benefits, efficiency benefits, consolidating multiple sites together - so that still works; but they are even better if we've got interest rate benefits because we can typically save banks £3 to £5 million a year on interest rate benefits through managing their cash more effectively.

And the Government, which as I say is a large chunk of what we do, relatively unaffected by changes in the economic environment; although clearly we do believe and DTS will talk about it that budgetary constraints will lead to more government outsourcing in the medium term.

We showed this chart probably about 18 months ago, which was our attempt to find any link between our organic growth and changes in GDP worldwide. And we've updated this to include a nominal GDP, i.e. with inflation in as well as real GDP. And what you can see from '96 to 2008 we couldn't really see any correlation at all between our organic growth and GDP growth worldwide.

Now our organic growth was created from remerging Group 4, Securicor, Falck, Wackenhut, so it's relatively reliable going back. And the GDP figures are generally worldwide figures excluding Brazil and China, 'cos clearly we don't have a significant business in either of those markets and it did make some difference. But what you can see again is that there's very little correlation between how we're growing and how GDP is growing worldwide.

The fall off in 2003 for our business combined was the federalisation of aviation security in the US and it took a little bit of time to climb out of that. And also the merger probably slowed down organic growth a little bit around 2004 and '5. But you can see normal economic environment, we're growing 3 or 4% above nominal GDP. And this is during a normal economic cycle, as we'd like to describe it. You can see the GDP growth is always between 2 and 4% during the period.

Then if you add 2009 on a massive fall in nominal GDP, even more than real GDP. Nominal GDP dropped from around nearly 6% to nearly minus 4 across the world and clearly that had an impact on our organic growth which fell from 10% to around 3.8%. And you might start to see that here there may be a sort of lag effect which we've talked about previously.

And then if you go into more detail on a quarter by quarter basis and now we're moving onto a weighted average GDP growth by G4S businesses. And so what we're seeing here is a real GDP growth of around 4% coming into the recession quarter by quarter, falling down to minus 4 and then climbing back up to around 3% in March this year. And then you can see a forecast of where the market, or where the IMF thinks GDP growth is going over the next year or two.

And then if you add on inflation and get to nominal GDP growth you can see it even more accentuated in the fact that there was quite a lot of inflation around in '08, around 3 or 4% overall and that really dipped to next to nothing during '09. So again you can see the trending line in terms of nominal GDP growth and again where the IMF expects that to go over the next year or two.

And then if you add G4S's quarterly organic growth onto the same chart, and again we're talking about a severe economic downturn, something that we've not seen before; you can see that we've pretty much followed down GDP change over the last 12, 18 months. And what we think that best sort of representation - I'll come onto that is we're probably around nine months behind the cycle possibly.

Why? Is a good question, our only answer will be that we tend to be one of the later supply costs to be looked at by our customers typically. Of course there are lots of other things building into our organic growth here, you know big contract wins, big contract losses, but you know, the trend is probably reasonable.

So you can see during the normal economic cycle we're growing about 3 or 4% ahead of nominal GDP and that's due to outsourcing trends and us creating new market opportunities.

And what we thought we'd do really just as an illustration is if we move forward the IMF, the GDP numbers by nine months and see what the correlation looks like, you can see there that we have pretty much followed down nominal GDP growth on a nine month lag, typically. I mean it's a little bit academic but that looks like it's the case. We're starting to bottom out and hopefully you can draw a line on this graph as best as we can, you know we're going to start to out perform nominal GDP growth again as we actually move forward six to nine months behind the cycle.

So enough of macroeconomics, I never thought I'd have to look at that again, I haven't done for the last 30 years. What about margin development? You've seen this chart before, margin moving from 6.2 to 7.1%. The point I'd like to make if you look at the right hand side of the slide here, our margins are pretty best in class. So if you look at the total margin against the peer group

we're about half a percent, seven tenths ahead. Look at Secure Solutions we're ahead and you look at Cash Solutions and we're significantly ahead.

Clearly there's going to be efficiency benefits we can continue to bring to those individual country businesses and there will be some mix benefits within those service lines, but we are pretty good when it comes to margin management. Having said that, the mix benefit of New Markets, Government and Cash Solutions are growing quicker than the rest of the business will give us mix benefits over time. And also moving to completely outsourced solutions and Graham Levinsohn will talk a lot more about that, won't have a margin impact positively in the short term - it's very much about defending our business. But certainly longer term you can definitely improve the margins within long term contract by introducing new services and more efficiencies.

The same strategy slide as we've seen before. We're the world's leading international Security Solutions group and we specialise in outsourcing of both business processes and facilities and particularly in sectors where security and safety risks are really paramount to our customers. That's not to say that we won't be involved in other sectors, clearly we will, and again Graham Levinsohn will take you through that, but it's definitely where we're going to make the most money and have the most growth is in those sectors where our customers believe security and safety is key.

We only focus on B2B and B2G markets, we've got a very small B2C element in our group and that isn't our focal point going forward. And what we're about is having partnerships with customers that will help them in their delivery of their business objectives, either help them grow their revenue, manage their

costs, manage their risk or improve their end customer service. And again Graham will talk more about this later on.

He's also going to talk a lot more about sectors and we said we're going to talk about oil and gas and ports, but also in our matrix structure. You've seen our executive structure, but also across the Group we appointed global product champions about 18 months ago, in addition to their existing and current role they take the lead in spreading best practice around certain product lines. And this list isn't exhaustive; there are other global product champions. But this has worked particularly well in our group, one of our core values is teamwork and collaboration and actually getting individuals to actually go and sell and help set up business in other countries is a really key part of our strategy.

So for example our events business in the UK managed the security at the Abu Dhabi Grand Prix and we had 1400 security officers from the Middle East supporting them. DTS will talk about how Government is rolling out. In terms of embassies, we added about seven US embassies during the year, we now do about 60 US embassies, and they are all sold out of our US business.

A key aspect of the strategy is building a worldwide security consulting group and again Graham will talk more about that. But we've got some really good examples now working through the organisation of how our product champion structure is being a success.

You've probably seen this slide before as well, this is a key slide of how we expect our strategy to manifest itself in terms of our customer relationship. And it's fair to say that a number of people had the impression of the security business five years ago that it was just a real commodity spend, no differentiation, lots of blue

collar workforce and actually very price competitive. And clearly there is some of our business which is in the left hand side of this chart where we're just operating to customer requirements and probably competing with tens, if not hundreds of other companies.

Then as you move forward and get much more involved in analysis and design of solutions for the customers you can start to offer multi service contracts and you're starting to create some differentiation. And then clearly as we have a longer term partnership based relationship with our customers we move to the right hand side where we're helping to manage the whole security and secure solutions and actually have long term output based contracts and we've become an essential part of what they do.

So our strategy is moving as much business as possible from the merely commodity end of the market to the outsourced end. And we've got some very good examples and some stats coming up of how successful we're being in that.

About 12 months ago at the last Capital Markets Day we started describing our Group in five key segments. It's still the best way to describe quickly what the key drivers are in the different aspects of our business. And these are the five we came up with, Government, Cash Solutions and then Secure Solutions split in three geographic regions. And that Secure Solutions New Markets is 20%, that's just for Secure Solutions, if you add cash in as well it's about 26%. But that's in the Cash Solutions Number.

We're not actually going to talk about New Markets specifically today so I thought I'd just take a couple of minutes to talk about New Markets and the impact on the Group and give you a couple

of examples. And then each of the speakers will talk a little bit about New Markets in their own sections.

So New Markets as I say 32% of profits now overall, about 26% of revenues if you include Cash Solutions, significantly above Group margins, the Cash margin is about 15%, the Secure Solution margin is around 8 and it's a very high growth part of our business, it's growing significantly ahead of the GDP in those markets. And that's due to the long term growth drivers you can see on the right hand side. But outsourcing is in its infancy, so there's a lot more growth that we can generate from encouraging people to outsource.

Of course they're investing in their own infrastructure, so there's always more investment going in in terms of infrastructure and of course protecting critical infrastructure is a key service we offer. Multinational customers are ever expanding into New Markets and we've got great relationships and international account strategy to build on that and we do expect double digit market growth.

In terms of competitors, we don't have any significant competitors in New Markets, certainly not on a multi country basis. And defensively the fact that our brand is so well known and we've been doing it for so long is a really good defensive quality. And of course our multi service approach, which you have to have in New Markets where you operate from manned security right through to protecting critical national infrastructure, it is key to actually developing the business.

So what I thought I'd do is just give you - this is a theoretical example of how we see a New Market developing over time. We typically enter with a manned security product and that continues to grow. We then add cash in transit as a key development once

we've got the relationship with the banks particularly. And then we add systems integration, secure facilities management. Ultimately the cash markets develop so we provide ATMs and then finally, somewhere along the line, not always the last product, but somewhere along the line we've actually got enough credibility in that market to start to offer the government outsourced services. So that's typically how a New Market is developed over time.

If I take one specific that we thought we'd look at just to give you an idea, and this is our business in Kenya. We've been operating in Kenya since 1970, so getting on for 40 years. A fairly slow burn in terms of growth until 1995, it does take a while to establish yourself in some of these markets; this is purely organic growth, incidentally. And just to give you some idea of size, in 2009 it was about a £42 million revenue business with about 15,000 employees.

In 1995 really we put a lot more investment into the business, changed the management structure and really started to drive growth. And you can see there, manned security has continued to grow over that period of time, cash in transit has shown tremendous growth; particularly in the last two or three years as we've got more acceptability on cash outsourcing. And actually that's our biggest profit contributor now in Kenya.

And interestingly in Kenya and probably three or four other countries in New Markets we offer a courier service as well, we're the only overnight parcels company in Kenya. And you can see there that's been a high growth business.

Monitoring response has pretty much stayed the same and hasn't been a growing business over the period of time. But we're also

starting and have started to do business with government and we see some big opportunities there.

So that's a real life example of how long it takes to develop a position in a New Market. So we've been doing it 40 years, we're in about 80 of them and it is a unique part of what we do.

So I'm not going to go into a lot of detail on this slide, this is really by way of introduction of Ken Niven our second speaker. Cash Solutions, a key part of the Group, 20% of the revenue, more than that in terms of profits. I'd just like to hand you straight over to Ken actually, thank you.

Ken Niven, Cash Solutions,  
Divisional President:

Well good morning everybody, I'm Ken Niven Divisional President of Cash Solutions. I've been in the company about 14 years; I joined in 1996 and all that time I've been in Cash Solutions, the solution being Securicor and then in G4S.

Now in this session I want to explain to you how I think solutions sits at the very heart of our strategy in cash. Firstly where are we in Cash? Well we're actually in 72 of the 110 G4S countries worldwide. All of these countries are at in varying stages of development, some are highly developed, particularly in Northern Europe and some are just entering the cash market.

If you take the next slide it shows, in terms of the generic development of the market; you can see that by adding layer upon layer of product it's possible to significantly improve market position. And we do believe that many countries in this group can easily double their revenue through organic growth and through using product development to arrive at that situation. And as I as walk through the presentation hopefully you'll understand my thinking to support that basis.

Now a little bit about G4S Cash Solutions, it has a revenue in 2009 of £1.3 billion. The margin was, as Nick said, 11.4% margin and that margin is significantly better than our peer group. Growth at 15% growth on the profit side. Now if you look at the graph on the right you can see how we've organically grown Cash Solutions from 2005 through to the £1.3 billion in 2009.

In terms of the key metrics of Cash Solutions, I mentioned the 72 countries, 45,000 employees, 9500 vehicles and we have 600 cash management locations throughout the world. Now some of these cash management locations are highly sophisticated, we've put a lot of investment into them and many employ hundreds of people at the one location.

In terms of our position against our immediate competition, you'll see that our organic growth is certainly stronger than the competition, which is either flat or negative. And our PBITA in 2009 is twice that, or nearly twice that, of the second best. Now that's driven by our focus on the margin of 11.4% compared to lower margins in the peer group. And this really comes from our focus on key management principles, growing management capability and leadership in the countries, which really drives productivity and cost savings in the business.

And looking at the market share on the pie chart on the right hand side, well firstly the global market we reckon to be roundabout £9 billion British pounds. G4S is number two in the global market at 15%, 4% behind the market leader.

One of the key drivers in terms of the business we're in is the commodity or the product we deal with and that's notes and coins. And I thought I'd give you an insight into how notes in circulation have grown both in the UK and in Europe over the last few years.

But before we look at the actual charts, it's probably just worth pointing out that last year was the best year ever for bank note printers. The bank note printers printed 140 billion new notes, which ultimately go into circulation and drive these graphs forward.

So the UK a compound growth of 7.6% over the last five or six years and in the Euro Zone quite significant growth over the last few years; but you do need to take a health warning on this and that is some of that growth is new countries coming into the Euro Zone.

In terms of market development, our primary purpose on market development obviously is to increase revenues and to increase PBITA. And the way we do move through the market is initially manned security, leading into cash transportation, that extends into cash processing. From cash processing and cash transportation we are equipped to move into ATM replenishment, into ATM repair and maintenance and I'll you more about that in a few minutes, and ultimately into outsourcing solutions.

Now outsourcing solutions includes all the ATM activities, cash centres, forecasting of cash and retail solutions.

So the early stages of a market in cash is we actually create the basic transportation collecting and delivering cash from banks and from retailers and gradually grow our branch network to give us a national situation in the country. And from that we move hopefully into either a number one or a number two position in the country.

Now once we have these networks in place, essentially transportation hubs across countries, we're able to build in the

same location cash counting activities, cash processing in the transportation branches.

Again as I said in the previous slide, we're able to take these two key capabilities and grow that into ATM replenishment and into ATM repair and maintenance. And all of that provides that gateway to outsourcing solutions. Once we've got all of that in place we can get into fully outsourced solutions in both the financial sectors as we have done and in the retail sector as we are doing.

So in terms of the evolution of the cash product, firstly is in basic secure transportation. We migrate cash secure transportation, usually from banks; many banks around the world still provide their own cash collections, or cash deliveries and obviously the cash counting. Also in government, in some countries government agencies - whether it's the police or a government department provides cash services. And increasingly we're seeing those banks outsourcing to commercial organisations and hopefully the governments, as they need to get additional funding, outsourcing to commercial organisations.

In cash counting, which is essentially the processing of retail deposits, deposits coming in from stores and high street retailers. We build that into our transportation hubs. And by doing so that gives a co-location efficiency benefit, it actually reduces the amount of transportation we need to make onwards to central banks.

And while we're doing that obviously it brings in great productivity improvement and also interest benefits. Nick mentioned earlier on at the moment we're not benefiting ourselves in terms of the product development from interest, but as the interest rate does increase then we'll certainly see more activity in outsourcing.

And into ATM replenishment from both transportation and the cash counting, once we're able to transport the cash, to count the cash; we're ideally equipped to replenish ATMs. That's putting cash into the ATM machines. Now normally we actually replenish ATMs not at bank branches, so these are the ATMs you typically find at retail stores, filling stations, even in transport depots nowadays.

But in some countries we're actually filling ATMs in bank branches, I can think of two examples; in Canada we do that and in the Netherlands we also do that.

And again building on our skills with the product evolution, it's just continually building on skill. Once we're able to be highly capable in ATM replenishment we move into ATM repair and maintenance and this is introducing technical services, based on ATM knowledge. A good example of this is in the UK where we've grown this activity to a level of having 400 dedicated ATM engineers who are now the biggest ATM engineering group in the UK; even bigger than the manufacturers, such as Wincor, Diebold, NCR, etc.

Outsourcing solutions, we have two main teams in outsourcing solutions. The first is in retail and the second is in cash cycle management. In retail we're just actually rolling out a new retail outsourcing proposition, it's called Cash 360. And it's essentially a secure vault, or a secure safe which has a connection to the internet. Now that internet connection allows us through our central IT systems to provide real time cash balances back to retailers and also back into our planning people.

And once the retailers get the information they can see real time the amount of cash they've got in individual stores, or clusters of

stores on a regional basis or even across their entire estate which is of great assistance to their treasury management. Also there's a secure environment in retail solutions, given the fact that it's a safe, it's a vault - it protects the staff from robbery and it also stops skimming of cash by employees in stores. So there are real security benefits by placing this into a store.

And one of the other major benefits is the fact that we actually outsource the retail store cash back office. Typically in a major supermarket there may be three or four people who count and reconcile cash. With this system the retailer does not need that back office. So it does release significant cost savings into retailers and improves staff productivity for retailers.

In the cash cycle management, which is in the financial sectors, we have cash centre outsourcing, which is the outsourcing of major cash processing areas that banks typically have run. ATM network outsourcing, we have an example of this in Asia with Standard Chartered Bank outsourcing their ATM network to us. That's a complete provision of ATMs, running the estate, forecasting the cash, repairing the ATMs and replenishing the ATMs.

And cash forecasting is used to predict the demand required in ATMs and we have some fairly smart software which we offer as part of our cash cycle management product.

Now, in terms of market development there are a number of factors that affect the market characteristics in any one country. In later slides I'm going through more detail in terms of what the impacts are, but there's government structure, there's central bank infrastructure, there's commercial banking structure, there's security regulations coming from interior ministries and all of these have an impact on cash management companies.

So no two markets of the 72 markets are exactly the same, now why is that? Firstly is the government structure and strategy, is the government structure centralised or is it decentralised? It is a federation of states, or is it one national government? And from that flows that strategies of the Central Bank and the commercial banks.

For example Germany, which has federal states has a decentralised government and a highly decentralised cash central bank activity.

The central bank activity also reflects that intent of central banks, do they want to intervene and see every note before it goes back into circulation after it has been collected from the retailer, or are they happy to have a largely hands off situation? Also how many central bank branches, does a central bank want? In some countries there may be up to 200 central bank branches. Other countries, such as the UK and Canada have one or two central bank branches, so these are really significantly different models in terms of how cash, the physical cash is handled in the country.

And commercial banking, how are commercial banks structured, are they on a regional basis or are they on a national basis. If they're on a regional basis we find that regional commercial banks tend to deal with regional CIT companies which creates fragmentation in the cash market.

And finally security regulation, these are regulations made by interior ministries, by home offices, in terms of how the cash industry, how CIT is regulated. And an obvious example is to whether our crews carry weapons or not, in many countries our crew carry weapons, in other countries they don't. In the UK they don't carry weapons. And that normally follows the rules for the

police; if the police carry weapons then our crews normally carry weapons.

And I'll explain in a slide coming up how the strategy of Government can affect levels of secure transportation. Now pulling out from all of that there are two key drivers, one is the Central Bank strategy and the other is security regulation.

The Central Bank strategy really depends on how the Central Bank and the historical legacy in a country views the need to closely control cash. And that then determines the Central Bank's infrastructure. Many branches, where there is high control - and typically there are countries in Europe and around the world which have this today; every note goes back into the Central Bank after it's been collected from a retailer and before it goes into an ATM.

On the other hand the Central Bank may not be so interested in doing that and delegate it or outsource it to commercial banks and cash management companies. And that's low intervention, increased outsourcing and very, very few Central Bank branches to support physical cash.

But what I am seeing across the globe is that central banks are moving towards less intervention and more outsourcing, more currency management delegation.

Now in security regulation some countries are reluctant even to permit private security - and this is where the government agencies provide cash management services. Now where we are permitted to operate our cash management services there is a distinction between governments who regulate businesses very heavily and those how have a light touch approach. And this then drives the framework in which we operate our business.

I mentioned earlier on that armed crews are an outcome of that. Armed crews generally mean lower operating costs, lower investment costs, lower technology and possibly lower crewing levels.

But as governments regulate our business it's less on a process basis and more on a technology basis; both in terms of our operating centres where we're being regulated to put investment in, in terms of smart end security technology and indeed in vehicles.

And a good example of this is in Ireland. Ireland in 2009 after some fairly serious robberies in the industry and kidnappings created the Private Security Authority. And the Private Security Authority created a number of regulations and we were a little bit ahead of the regulations to get the investment in place, we started in 2008 and we invested heavily in the new branch infrastructure, where we upgraded and build eight branches, we built a national control centre. One third of the vehicle fleet had to be renewed, we had fairly smart, in fact very smart onion (?) ring defence strategies around our branches.

The net result of that was in 2008 the attacks halved and they still remain at a very low level. So investment in security does pay back through reduced attacks.

Now having set the scene for the factors that can affect a cash market, I'm now moving on to look at how a cash market can develop; and particularly the UK. And here's how the UK has developed product by product. The grey line - the grey area at the bottom is the basic secure transportation and if nothing else had happened by 2009 secure transportation would have been turning over just over £175 million.

But as we've increased new products and service lines, other being cash counting - basic cash counting; as we've increased those service lines then the revenue has accelerated. With ATM coming in through the mid 1990s, cash centres from 2000 onwards and just at the top you can see the early impact of the new product in retail called Cash 360.

This is the revenue split in the UK; still over half is secured transport, a third ATM and cash centres 13%. The development in the UK was originally manned security many years ago, extended into cash transportation which followed the typical model and moved into counting retail deposits.

G4S then developed national cash services leadership and we have become number one in the UK. ATMs were rolled out in the 1970s and in the 1980s. The requirements for cash increased significantly from 1970 onwards, you can see from the slide in 1970 cash in circulation was £4 billion, 1980 £12 billion up to £33 billion in the year 2000.

And just as a side note you see in 2009 we're at £49 billion cash in circulation, which is 8% year on year growth. And that provides a significant benefit to Government through an interest free loan to the British public, all of that cash out there circulating is an interest free loan called seigniorage.

But back to the growth in cash in circulation from £4 billion to £33 billion, the Central Bank, the Bank of England couldn't cope with that, the number of cash centres throughout the UK and decided to delegate to the commercial banks and created a mechanism of interest relief for the commercial banks called Note Held To Order.

In such was the interest benefit to the commercial banks that most of them invested heavily in creating cash processing centres, putting in big infrastructures of buildings and cash counting equipment.

It was essentially a non-core activity, a back office activity to fitness sort cash before it went back into circulation and obviously to counterfeit check the cash as well.

The Bank of England decided to tighten this scheme through a new scheme called the Note Circulation Scheme in the year 2001 and this involved tighter controls and increased efficiency requirements, putting in certain caps on working stocks and so on. And the commercial banks decided then to outsource these cash centres to the commercial cash industry sector. So there was quite a move in the following three years to the commercial cash area.

All of the UK banks have now outsourced with the exception of one major and after all of this activity in the UK G4S is the only commercial cash company organisation providing outsource processing solutions.

The next steps in market development; inbound cash costs twice as much as outbound cash and this is where we're going to focus our attention, primarily in bringing in the product Cash 360. But also we will be applying lean manufacturing techniques within our organisation to speed the velocity of cash, to make cash work harder and to reduce interest charges to commercial banks.

In terms of future opportunities, you saw a chart with market position along the bottom and increasing complexity going on an upward axis. You can see all of our companies provide secure transportation, but at the top of the chart we only have nine

companies into outsourced solutions and this supports my proposition from my very first slide and that is there's a lot of growth in the 72 countries. And if you remember the product graph which grew from CIT to ATM and upwards I really do believe that we could take many of our companies around the world through the same journey and rapidly increase our organic growth.

So in summary, Cash Solutions growth through solutions, I'll leave you with these thoughts. We have five year compound growth of 11.6%, growth in 2009 while not at the same level as in previous years was still healthy in the economic circumstances. We achieved 12% in new markets and 2.7% in developed markets.

We have significant sustainable solutions opportunities and new markets and also in developed markets. This is through central banks moving to the delegated distribution models and ATM outsourced solutions.

We are rapidly transferring best practice from developed markets to new markets and all the new markets now have regional Cash Solution specialists in place to help accelerate this process. And recently we've bought a cash solutions consultancy to position us for growth. And this cash solutions consultancy works very closely with central banks, advising central banks and getting the name of G4S at the highest level in central banks.

So hopefully I've given you some insight into how we see growth through solutions in the Cash Solutions business in G4S. Thank you, Nick?

Nick Buckles:

Well thanks Ken, so much for the cashless society. Now I'd like to introduce our next speaker. Grahame Gibson going to come and

talk to you about how the US are implementing the Solutions Strategy, very technology based, a very interesting presentation. I'm not going to go through this slide, this is how we've depicted the US and UK, very similar markets in terms of dynamics. And you can see the competitive landscape there. But I'd just like to introduce Grahame who'll give you an update.

Grahame Gibson,  
Chief Operating Officer  
& Divisional President:

Thank you Nick. Good morning everybody. I have a lot to get through, so fasten your seatbelts if you want to get coffee any time soon.

A little bit about the history as to how we got to where we are today from what was basically a vanilla manned security business in the US. I'm going to talk about the solution strategy process that we've been working on over a couple of years in some detail in terms of identifying the sectors we want to focus on, what capability gaps we identified and how we filled them.

We're going to look at our G4S technology business that we've developed over the last two years in the US in a bit more detail and it's all about the journey we're on from a Manned Security business to a Secure Solutions business.

Obviously we had to change some messaging, we'll talk about that and some organisational realignment and if we've got some time at the end we can go into some of what I call, the solutions in progress case studies that you see at the end of the presentation and I can talk about them in a bit more detail.

But first the history, a number of you have been following G4S for quite some time and it really wasn't so long ago that our strategy in the US was the 'My Guard is Better Than Your Guard' strategy.

I mean that was the nature of the business in the US. And anybody that's heard Drew Levine a year ago talking about them - he's been in it for 30 years and went through it from start to finish.

But we've now had to decide how we take that forward. And I took direct control of the US at the beginning of 2008 and really this is about what has happened since that point in time. We got some consultants to sort of help us through a strategic analysis that we did Q2, 2008 and the result of that was identifying a number of key sectors that we wanted to focus on that had money to spend and particular drivers that supported it.

And we were going to use that to build that solutions capability, use the US as the test ground and then with our international account capabilities that would give us the opportunity to roll these things out to other countries.

The capability gaps that were identified in that study in Q2 2008 were really as follows; we knew we had to build a systems integration capability, we wanted to broaden our offering in the government sector from security and safety into a much broader secure facility management. We knew we needed to build in more intelligence, more ITIQ, more IT systems into the solutions that we wanted to develop for the future.

We were really short on consulting capability, we knew we had to build that and with a market of the size of the US with all its different sectors we wanted to build particular sector expertise at US level as well as Group level which you'll hear a lot about later.

Now having technology capability is one thing, but with a market the size of the US from a geographic viewpoint we also needed capacity. So we had to build a position whereby we could actually implement these solutions on a nationwide basis.

So what have we done? In two years these are all the acquisitions that we identified, negotiated with and completed. I'm delighted to say that some of these acquisitions were companies we identified during that study in Q2 2008 as really the number one priority to actually fill a particular capability gap. We got Ronco and established our position in mine action as the global market leader.

Touchcom we'll talk about a little bit later which has been fundamental to our strategy. MGM is the surveillance and investigation market leader in the US that could combine with our fairly basic consulting to build that compliance and investigations business. Armor Group you know about. Sunshine we did early in 2009 and that extended our youth offender business and business platform. And then three key acquisitions towards the end of 2009, those three Adesta, NSSC and All Star took place in November and December 2009.

And what's going to happen in the future, we still have to build our security consultancy capability in the US, so you will see other acquisitions taking place, 2010 and onwards to extend that.

And the result of all that is we can - we've extended beyond manned security, we have a consulting capability, the technology, that compliance and investigation business and we can combine all of those to design the kind of customised solutions to meet the clients needs.

This involves extensive collaboration across our business units, it gets them - you know and getting them to work together is a key priority and with the solutions we're creating now it embeds us in the client's organisation and it's clear that we can work on longer term partnerships with them.

Now let's look at technology in a bit more detail. The US security integration market, this is information that came out of the industry association studies. And it's a massive, fragmented marketplace, \$8 billion. But the important thing there I think is that three quarters of it, that's the integrated system piece, the video surveillance piece and the access control piece that's the piece of the market that we're going to be playing in. So there's lots to go for there.

And in terms of what's going on in that US marketplace, I think that it's fair to say there is a revolution taking place, it is not an evolution it has reached the point of a revolution, in that customers now they are allowing security information, signals, video data to run on their own networks to achieve cost savings there. And that's the whole convergence story that you've heard about over the last couple of years.

And equally importantly with the internet connectivity a security decision maker in a government, or in a commercial organisation in the US is now in a position to have real time control over all his issues all around the world, because of internet connectivity. And that's another key driver.

In addition, ITIQ, that's what we call it, that's basically the intelligence and how smart the solution is. This is an increasingly important differentiator; this for us is going to make the difference for the years to come. And one of the key priorities was getting that ITIQ capability within our organisation. And having completed that this sort of slide, this piece that bottom sort of summarises really what our strategy is when it comes to technology. To consult, design, deliver and support safe and secure solutions enabling customers to achieve ever greater compliance. And just focus on the word compliance there

because in an increasingly regulated world that we live in the US - compliance is a key consideration in the solutions. And risk mitigation at a reduced total cost, so that's the other driver.

Everybody now wanting better things and wants to pay less. So in all our solutions design we have to bear in mind that the customer has got to end up with a solution that's more effective but is less cost to him.

What products do we have that help us in this journey?

Symmetry is our own, that's our own intellectual property. This started with our own access control system, it is now a full security management system and that's the one that's deployed in the Pentagon for example, GCHQ, but it can cover a full sort of range of companies in the way it's deployed. We've got teams of R&D engineers that are just evolving this product day in day out.

OneFacility came with the Touchcom acquisition, that's really the heart of the Touchcom business. And there are similarly R&D engineers based at their headquarter just north of Boston, MIT people that are just developing that product month in month out.

And what we have done now is we're working on the integration of OneFacility and Symmetry as the foundation for the next generation of products. We have a state of the art video monitoring centre that we set up last year at the same facility just north of Boston that is basically taking video images, potentially from anywhere in the world, applying analytics to them and then triggering responses in whatever form is required.

And Secure Trax enterprise level software system, this also is our own technology, our own software platform that we designed ourselves. We've got engineers continuing to develop that.

There's real time event monitoring and we've got a situational management system.

Now a bit more on Touchcom and why we bought them; Touchcom brings us this ITIQ competence. It is an IT business that went into the security space. It was already a proven success as a Symmetry integrated, in other words we'd already been selling our Symmetry products to Touchcom before we acquired them and so everything had been written in to the OneFacility platform. And they create innovative solutions really joining up IT with electronic security with people, with business systems that what they do in a very consultative way.

And it is clearly now a proven software as a service recurring monthly revenue model that gives us the high customer dependency that we're looking for which is quite unusual in our space to have that recurring monthly revenue model in the US.

Adesta we completed that on the 31st of December. Adesta was identified as the systems integrator we wanted to buy in that consultancy study in 2008 and we managed to achieve that. An excellent fit with Touchcom is business to business; Adesta is primarily business to government. Touchcom bought the ITIQ and the fusion research and development.

Adesta is a pure play systems integrator, is completely agnostic to the products it uses, it just uses the best to get the job done. It brought us a lot of expertise in the port sector which we had already identified as a sector that we wanted to focus on and also the petrochemical sector as well. And this was the business that gave us that critical mass, that technology capacity as well as capability, so we could implement throughout the US the solutions that we were creating.

In addition and importantly really 2009/2010 is it's in the Homeland Security sort of stimulus sweet spot, B&B to G being in the critical national infrastructure space, being in the port space, being in the petrochem space it's getting a lot of business coming from the fact that the Obama Administration and the Fed fortunately are spending an awful lot of money out there. And we can take advantage of that.

It is Safety Act Certified which is important to us, which means we get protected from any law suits should one of our systems be attacked by a terrorist, God forbid. And the business brought very strong credentials with the systems that Adesta had already installed in places like Port of Houston, Corpus Christie you can read them there. And it is their system that Apple use for their security, which I think is really cool.

Secure Trax as I said earlier that's the product that started as a PDA centric piece of software, this is sort of enabling the security officer to actually communicate and do his job more effectively in 2006. And this was just to really have real time incident notifications at that point in time. But this - over this period has developed into an enterprise level software system that delivers as you can read there a complete real time event monitoring situational management, it stores all the information, it can do analytics and report back as well as managing the individual incident. This is a key part of our plan.

This sort of presents the architecture of that system, on the left hand side it's command and control, it's all about command and control of the security officers and the management of the incident itself. And then feeding that back into business intelligence so we can apply analytics to it and ourselves and the customer could be making judgements about the deployment of resources to get the best risk management.

A number of strategic objects we've got for Secure Trax with the ongoing development. Number one being to - really the force multiplier of a security officer having a device of this nature which is more than just a communication device. Secondly it enables us to drive contract compliance, given that you know we've got to follow the rules; not just in our contract with the customers but also all the other regulations that exist whilst operating in the US. And thirdly another key decision which was taken quite recently was to build that system on an open framework, so that we knew that Secure Trax could then interface with customers own incident management systems that they'd spent tens of millions of dollars on and obviously wouldn't necessarily want to change that.

So we are opening up that architecture to enable it to interface with customers existing systems. We've got a road map to get some deliverables done before the end of this year. The first one is that interface with the proprietary incident management systems that customers may have already invested in like PPM 2000 and others and the ability to store video on the system as well. The second one which is key is - this was developed really as a US system for the US business; but now we've recognised the demand that's going to take place internationally so we are building what we call the standalone version which basically means it can be deployed anywhere in the world. That will be ready in July that is key to us.

Thirdly the needs of different sectors are such that we can customise Secure Trax to meet particular sector requirements, so we get a healthcare version, we get a residential version, one for financial services, petrochem, etc, etc and that will be the way this thing evolves.

So we've got, we believe, the essential components in place as far as the technological component of our solution strategy is concerned. Adesta also brought us the big bid capability. They're putting out bids probably, two a week, of between \$3 and \$50 million. So you can imagine to actually do that they've got teams of people that have a very strong capability in that regard.

And in summary, to summarise the kind of journey that I'm driving through that Manned Security organisation is to get the mentality that an existing contract is there to be improved, just that we've got a customer there getting Manned Security services for five years doesn't mean we look at it again in five years time. The security officer is part of that solution delivery mechanism he's not the solution in itself. We are driving to less people, because that's the only way we can get more cost effective solutions; by introducing more video surveillance, more technology, more intelligence through the software systems.

Adesta brought us enormous communication capability, in terms of effective communications on the solutions. And when we build a solution in the US we do it in such a way that it can potentially be deployed internationally. And we're trying to create these relationships with our customers that are very much dynamic relationships, working together, working ahead to their needs of the future.

Now we had to get some messaging done as well so we had to communicate internally and externally. We've new corporate videos, a lot of work at the trade shows, ASIS is the big US trade show, it took place in Anaheim last year, the one this year is in Dallas. There's a lot of solutions messaging taking place there. The usual stuff in terms of website redesign, PR campaigns. And an organisational realignment in terms of getting the right resources within the structure to focus on solutions.

On the marketing and communications side we've got people dedicated to particular sectors in our strategic account team. We're not rolling it down at field level as well so that the regions and the area offices have got solutions people to help them design the ones for their local customers. And the international account team, which is developing all the international account relationships throughout the world, they're getting more solutions and resources in their team as well.

The solutions approach, every opportunity we get when we're in front of the customer is to work through his issues and to try and design a solution to meet those particular needs. Obviously if there is an RFP that comes out and we can't even talk to them there's very little we can do at that and we do pursue those particular opportunities as well. But wherever there is an opportunity to talk solutions, to introduce technology so it's not just about the provision of manpower, we take that opportunity.

And as you can see we - we're realigning as I said a lot of the corporate resources to actually enable us to get this done. A lot of training involved as well.

Now, I fortunately do have time, so we can talk a little bit about some of these solutions in a bit more detail. Now, no customer names here - but this will help you understand what I'm talking about.

Now that first one, customer one is the largest real estate investment trust in the US. We started selling business for that customer location by location because the way they were organised it's the individual property managers that actually took their decisions. And here we're talking about shopping malls all across the US.

They more recently then put together a bid to centralise all of that, so to actually do the security at all their shopping malls across the US. Significant budgetary pressures on those property managers, because obviously due to the economic conditions in the last couple of years they weren't getting the dollars through the shopping malls.

Our approach was to further leverage Secure Trax, it gave compliance to the property managers, it gave an incident management mechanism, it gave facility inspections, we could introduce remote video monitoring at certain locations which then allowed - video surveillance to take place back to the video monitoring centre. That reduced the number of security officers to be deployed. It also gave security 24/7 when the shopping malls were you know a little quieter a night, when often the biggest crime problems take place.

We did a pilot in California improved the concept and we won the award. So that we can now put this solution in place to every one of their shopping malls throughout the country. That solution is repeatable with any other REIT and any other shopping mall.

Customer three - that is a mass transit authority. Now this has been an existing customer for about 15 years so we have a close relationship with them, but we did only provide what I would call traditional manned security at some of their stations together with fair validation, so we had officers operating on the trains, you know, to find that guys who hadn't bought a ticket.

They have three key challenges that this point in time. The stations don't run 24 hours a day, they don't run late evening and early morning and that's when really the biggest crime issues and the biggest crime problems happen at the 18 stations. So we're

talking about vandalism, we're talking about drugs; we're talking about that kind of thing going on. But because of budgetary pressures they can't afford to have manned security there 24/7. So that was a challenge.

Secondly because of the current economic pressures from a budgetary viewpoint they have to maximise the kind of revenues that they're getting a lot of people don't buy tickets. Now the only way we did that before was our own security officer asking to see the ticket, but in the time of the ride they couldn't get through everybody; so we had to find a way of improving the efficiency of the ticketing validation.

So solution, we used remote video monitoring at the station. So that is using video analytics, pan, zoom, all the rest of it, signals going back to our video monitoring centre in Boston, triggering response, either by our own security officers or own patrol officers or the police themselves. So we've got a force multi player effect there to reduce the amount of crime. And secondly we've got a Secure Trax fare evasion ticketing system. So the security officer using Secure Trax can actually put the name of the guy who hasn't got the ticket, that goes back to central databases which says has he done it before or not. If he's done it before he's fined on the spot, if he's not done it before he's given a warning and the guy can go onto the next passenger. So we significantly increase the number of passengers that can be checked on every train to improve the revenues that go into the customers.

Pilots in place now and just to help matters they actually have two million bucks worth of DHS stimulus money to spend on technological innovation.

Once again the reason I explained this one is these kinds of problems are common throughout all mass transit systems in the

US. So we get a solution for one particular customer and we can then deploy it in other cities.

Customer four, I won't talk about that one in detail you know about that one. That's the Customs and Border Control contract that we've got on the Southwest Border for the Department of Homeland Security. That actually does have quite a bit of Secure Trax and analytics involved in the one.

Customer five, automotive. Six, now this one we talked about last year when we told you about the success we had with securing the Bank of America contract so you're probably wondering what's happened since.

We integrated all of the Bank of America, country wide, La Salle. And more latterly, at the back end of 2009 they actually didn't go out to tender at all for the Merrill Lynch security requirements. So they just gave us, they didn't give us it I mean it's not quite as simple as that. But they did not go through a procurement process. So we now have the responsibility for the whole of Bank of American in all its shapes and forms, not only in US because subsequently we signed a global frame agreement to actually deploy the solutions all around the world for them as well.

We rolled out with a Global Incident Management System, which we designed for them. Some of the top people in the bank actually wrote to me and said that was the smoothest global IT integration they had ever done and they want to thank us for that. And that establishes the framework for all the other solutions to be deployed internationally.

We have a major project to deploy the US solution in India that's going on at this point in time and other countries will follow. We have put a system in place which integrates every one of their

Access Control systems from a whole range of suppliers. And that's the advantage of OneFacility it can actually communicate with any other system that's out there, the customers don't have to change what they've got, which is key these days. They don't have to rip everything out.

And you know we're getting to the point now where it's sort of \$180 million per annum plus. And the other nice thing is that the solutions that we develop with B of A, with Merrill are really our own intellectual property as well. So those things can still be deployed for other financial institutions and they are two other major US financial institutions that we're working with at this point to actually deploy similar solutions for. So that's been a great success.

Pharmaceuticals, that one I won't talk about in any more detail, the health one I probably will. Now here is the health one, a company that operates hospitals, as you'd expect. They had in house security in all of their hospitals, different providers, wanted to pull it together. We took the Solutions approach, introduced Secure Trax, its incident management, its facility inspections, a command and control centre to pull it all together across all the hospitals; a portal with which the customer could then track all his KPIs and all the incidents that were taking place and that remote video monitoring into our video monitoring centre so that they had security control over their remote facilities for the first time.

Their chief information officer was on the selection board and they awarded it to us, which was good news. And said that it was the technology that was the differentiator and that's why they gave it to us.

Now not enormous, up to \$3 million a year, but the point is this is another one where you work with a customer, you construct a

solution and the kind of solution that's good for him is good for many others within the sector. So this is another one we can rollout and deploy with hospitals all around the country in due time.

Customer nine is a port, I can't tell you who it is. But you know we've got our focus on ports. Where's my port one? Now this port currently uses a hybrid combination of manpower, in house manpower mainly, some contract manpower with our competitors. They're spending roundabout \$7 million a year on it, some part time law enforcement.

From a technology view point they've got quite a lot of technology, but no strategic vision, no integration; they've got hundreds and hundreds of cameras but none at the waterborne side, it's all at the land side. They've got about 5 million bucks to spend on DHS grants. They have a completely dysfunctional command centre.

So that enabled us to bring in Adesta with their skills in the port sector, we've come up with a solution that they're really interested in that will now able us we believe to put in state of the art technology into this port, command and control driven, technology driven, manpower on the outside with Secure Trax that will really make a difference and they're very excited about that.

So these give you a few examples of the kind of things that we're doing now. So in summary over the last two years these are the kind of capabilities that we've built that are the building blocks for the solutions we're developing and rolling out as you can see, which focus on integrating people, process and technology. A lot has been happening in two years, thank you.

Nick Buckles: Right ready for any questions you've got for the people at the front here and then we'll go to the phone lines afterwards, straightaway over there.

Rob Plant, JP Morgan: A couple of years ago Nick you talked about moving more into facilities services, such as catering, I just wondered how that had progressed? And conversely some of the facilities services companies such as Compass have talked about moving more into related facilities services such as security. I wondered if you had seen any impact from that? Thanks.

Nick Buckles: I didn't really ever say we'd move into facilities or catering as a strategic objective. You know security is very much as the core of what we do. Clearly where we're providing end to end secure facilities management on long term contracts, for government particularly we're getting involved in running all the services. But that's very much under a ten to 25 year contract where we deliver secure FM and that's key to the government strategy particularly.

Then if you move into the commercial arena the only market worldwide we see as a bundled service market at the moment is the UK, where you do have cleaning and catering companies bundling services together with security. And that's the only market where we're saying we will compete on that basis if required to defend business and win business, but it's not a key part of our Group strategy it's just a tactic we adopt in the UK.

And then thirdly the only other area where we do do facilities and are quite happy to is in developing markets where customers ask us to basically. And we've got a pretty large facilities business across the Middle East basically.

So in terms of a competitive landscape, yes the UK had become more competitive with multi service offerings. But that's probably the only change we've seen in the last couple of years.

Kean Marden, RBS:

I've actually got three for Grahame if I may? You touched upon two other contracts in financial services in the States in addition to the Bank of America contract. I wonder if you can provide us a bit of background in terms of scale and timeline of where you are in the process there?

I'm wondering as well whether increased health costs are actually increasing demand from clients for your services out in the States and whether you see momentum building from that area?

And then finally you mentioned Adesta's large ticket bid team, has the win rate increased now that they're part of the overall group?

Grahame Gibson:

I'll take the last one first because that's the one I can remember. We've only had Adesta since December so I mean it's a few months old. But they are - you know although they're a sort of \$120 million business, you know, which implies it's relatively small when it comes to the US market the management team came from a big business background, so it is a very organised business. And they are probably - looking at opportunities at any point in time of a billion dollars and then going through go, no go, decisions on which ones to pursue are right at the front end because every one of these takes significant investment to actually pursue. Get to the point where the ones they really want to chase, where they can get a lot of design into it, rather than just responding to bids, put the bids out and they win one in three, which I think is pretty damn good. And we would want to maintain that. So that's the answer to that question.

The second one on healthcare, you mean in terms of pressure on the healthcare market forcing hospitals to become more cost effective?

Kean Marden, RBS: No it's more the addition of basically Universal Healthcare and the additional costs on man guarding.

Grahame Gibson: On us as a business?

Kean Marden, RBS: No in terms of your clients looking for less of a man guarding solution because the costs are going to go up and therefore looking more for security?

Grahame Gibson: Yeah, I mean costs are going up when it comes to manned security anyway. I mean you know wages go up, not necessarily every year, particularly after the last 12 months, but I mean generally the trend obviously is for manpower costs to come up and for technology costs to come down. So I mean it's a long time - it's quite some time ago when we sort of crossed that breakeven point in the US, which is why, you know we're introducing more and more technology, more and more IT into the solutions we're creating. And I think we're quite ahead of the game in that regard. So we're looking for those solutions at any point in time.

Will healthcare add to the costs of manpower provision? Yeah it will, there's no doubt. Do we know how much? No, we don't know yet because it is between now and January 2014 before all - you know the rollout of the Obama Healthcare Programme is going to be completed. We have about 50% of our current employees have our own healthcare, that doesn't mean to say the other 50% don't have healthcare because many of our employees have healthcare coverage either through their spouse or by former employment with law enforcement or the military.

So I think we're going to end up being in better shape than most of our competitors, because I do believe we've got more of our existing people that actually already fit in - fit with the rules.

Kean Marden, RBS:

Thanks.

Grahame Gibson:

You're welcome.

Charles Wilson,  
Goldman Sachs:

Nick, just on your slide on increased costs for partnerships, could you give really approximate percentages of where you are in each of those four bases and are you looking at a kind of margin differential around 25 basis point per segment, just really approximate will be great?

Nick Buckles:

Graham will take you through that in a little more detail in a while, so there'll be some percentages thrown up then. And the margin, I think you know I made the point earlier, in government clearly we have some higher margins on long term outsourcing contracts, and in Cash Solutions on the long term outsourcing contracts have higher margins. And so they don't always start at that point, they end at that point after - you know three years plus. But clearly the whole strategy is designed to enhance margins over the medium term. So we would always expect margins on the right hand side of the chart to be significantly higher than the left hand side in principle. Right at the back please.

Male:

There has been a lot of talk about outsourcing and efficiency in general. I'm curious to get a little or I'd like a little bit more insight, so take the 9000 vehicles within Cash, do you do bulk buying, do you do self insurance, do you do outsourcing of repair and maintenance? I'm just looking for a bit of flavour on how you approach things as business?

Nick Buckles:

We don't have very centrally driven procurement policies in the Group. In 110 countries we find there's a lot of admin involved in trying to co-ordinate supply lines across multiple jurisdictions. And indeed with sort of export levies, etc, it's not always cost effective to do so.

We do believe it or not have our uniform manufacturer, so we supply significantly most of our uniforms internally. We have procurement deals across Europe on vehicles. We've just recently done a major exercise on procuring technology solutions from multiple vendors from - we've actually come up with a short list of vendors that we use and that's designed to save about four to five million euros a year across Europe.

So I mean the short answer is we're not a global supply line business, we don't have significant external spends. You know our biggest spend by far is labour. But where we can make efficiencies, either on a continental basis or a worldwide basis we do. But it's not a key driver of our strategy.

In terms of managing vehicles, outsourcing vehicles it depends on the country. We outsource all the vehicle maintenance in the UK, we self deliver in most of the developing markets because there aren't reliable outsourcing partners. So we make - you know outsourcing judgements where and when we need to but it is not a centrally driven strategic initiative.

I mean global insurances, we run our own insurance captive so that's fairly well co-ordinated from the centre. Andrew?

Andrew:

One for Nick and then a couple of Ken. I'm just wondering how mature do you think the developed market's cash business is and what are the pluses and minuses for you strategically in terms of it being part of the Group?

- Nick Buckles: Can you start that question again, I just missed the start of it, sorry?
- Andrew: How mature do you regard the develop market's cash business and strategically can you sort of give us some positives and negatives of it being part of the Group please?
- Nick Buckles: Yeah developed market's Cash Solutions we run in seven of the countries, eight of the countries as a separate business line. There's not a lot of customer synergy, you know you can see - you'll see further on, all our customers really in Cash Solutions are financial institutions and retail and we do have a large portion of financial institutions and retail in the rest of the group but there is not a huge customer overlap.
- But the fact is in developing markets clearly you can see from all the presentations so far that you really have to be in multiple services to deliver Cash Solutions. We're still very excited about developed market Cash Solutions. You know it is very tough at the moment because we've got a lot of reductions coming through and they look at to have a mature profile in the current economic environment.
- But the fact is, and you saw it very clearly actually on the slide for the UK business, and you saw the slow down in 2009 and '10 particularly on the ATM side where ATM services have been significantly reduced because there is no cost of cash of overfilling ATMs.
- But we know how markets develop and the UK is the most developed developed market. But we still know that there are huge opportunities around Cash 360. On ATMs half the bank branches still self replenish so there is huge opportunity there as

well. And so even where with the UK where we believe we've doubled the size of the market by creating new products and solutions we still think there's a huge amount of growth strategically.

And then if you look at the chart of where we've actually taken markets through the evolution, even in developed markets there's still a large number where we haven't even started the cash centre outsourcing, or even ATM maintenance. So, you know okay we've got some issues at the moment in terms of growth because of the reductions to service. But strategically from Ken's presentation you can see there's still huge strategic growth opportunities in developed markets cash.

Andrew:

And then a follow up from that - or I just wondered if you could revisit the potential for the retail 360 product please? I think on previous Capital Markets Days you've put up some sort of cost analysis for the retailers, does that analysis still hold up and where are you in terms of building an order book and sales pipeline?

Nick Buckles:

Yeah, I think I'll pass that one over to Ken.

Ken Niven:

The numbers in the main still hold up. Where are we? We've rolled out to a number of countries, we have the system operational in Canada, we have it operational in the UK, the Netherlands, Belgium, Sweden, Finland, Greece, Cyprus and in South Africa. And that's all linked back into a central hub in the UK, so quite a lot of technology supporting it. And the great thing about that model is we could bolt on country by country into the central hosting system in the UK.

In terms of major customers, we have a series of pilots with Marks and Spencer in the UK, Tesco has gone live with the pilot last

week, and we're with Home Depot in Canada. So we have the infrastructure rolling out across countries and we've also got some of the world's major retailers actively looking at the product.

So I think there is obviously a lot more to come but I think we are well positioned for us moving the product along.

Nick Buckles: I think it's fair to say that it has taken longer to get some traction in the businesses than we planned to two or three years ago. But it's taken a while to get the system working effectively. It is working effectively now. But it also takes quite a while for a retailer with 600 odd branches to make a decision to actually outsource that. So it's got to go through pilot and then rollout, so it's a much longer sales process than we possibly envisaged.

Andrew: Can you give us a feel for what size - of a major retailer if they were to adopt it would be, one of the big chains?

Nick Buckles: I mean it typically doubles the size of a CIT contract and a CIT contract for a retailer is about £3 to £4 million a year.

Andrew: Something like £10 million, okay and then just continuing on the cash, just in terms of how the management structure works with Ken taking responsibility for the cash business overall, how does that work with the guys who are responsible for the regional businesses in Asia and Africa. Have you got a sort of matrix there? Or is Ken more about developed markets and the geographic stuff in developing markets is down locally?

Nick Buckles: From the chart you can see he runs clearly a number of cash businesses and has the global responsibility for Cash Solutions product champion which we showed. And really the global responsibility works through each regional having a regional Cash Solutions director that reports into the regional president or

regional CEO to be. And they themselves have a dotted line responsibility for the cash businesses in those regions.

So very much the country structure and the line structure is the predominant one, but there's a dotted line structure the same as there would be for HR, Finance, etc, for Cash Solutions throughout the organisation right down to country level.

Ken's main responsibility, the two main responsibilities he does have day to day for the global business, one is security, so cash security reports to him and he is responsible for monitoring and auditing the security in the 72 business. And secondly the whole product development and making sure that when we develop products they can be rolled out through 70 jurisdictions. And he does it through these indirect relationships with the regional Cash Solutions managers basically.

Andrew:

Thanks.

Nick Buckles:

Jaime? It's probably the last one we can have this session I'm afraid, but we'll have another session later.

Jaime Brandwood, UBS:

Just two quick questions then. Firstly a lot of references to DHS grants in the US with some of your potential customers. Have you actually done the exercise of tallying up all DHS grants that might be out there that could represent an incremental market opportunity for you?

Grahame Gibson:

We chase the money, yeah when the opportunity comes up for parts of the business where we know we're best suited. So the government facing businesses like Adesta, like our WSI government services business and our unclassified government

services business, look out for the opportunities that have got the stimulus money behind them.

To be honest not a lot has rolled out yet, there's a lot still to come, 2010, 2011 mainly in support of both - one critical infrastructure, putting in broadband for instance all around the country, a lot in hospitals, in dedicated communications networks for the hospitals and an awful lot in the ports which you will hear about when David Fairnie talks to you about the ports opportunity.

Jaime Brandwood, UBS:

But specifically in terms of Wackenhut and its acquired subsidiaries the sort of addressable security opportunities at the moment, maybe tens of millions of incremental money rather than hundreds of millions of incremental money?

Grahame Gibson:

Tens of millions.

Nick Buckles:

And by the way we're G4S now in the US.

Jaime Brandwood, UBS:

Sorry. And the second question, just in terms of the overall strategy in North America Secure Solutions, so a lot more talk about technology today and clearly implications there for growth opportunities. What about implications for margins in North America Secure Solutions which are still some way below the Group average?

Nick Buckles:

They're a little below, I mean you can see the size of the technology piece in the US it's still, even with Adesta it's still a relatively small proportion. But clearly technology companies have higher margins so clearly the margin for the US should increase over time as those businesses grow quickly and in fact get bedded down in the numbers.

But actually in terms of the Manned Security business it's more a defensive mechanism. You don't actually - you know even in the B of A example there, it's 180 million of revenue, I think the technology component is only three to four million. It doesn't really impact on the Manned Security; it is much more about bringing it all together.

So I don't think - I mean Grahame correct me if I'm wrong, I don't think the Manned Security margins are going to significantly increased, but you will see the technology piece improving the overall margin because it's a bigger element of the mix basically.

Jaime Brandwood, UBS:

And also as you say just helping to improve your retention with the customer?

Nick Buckles:

Well our customer retention is very good anyway and that's one of the issue, I mean the US customer retention is 95% plus and even during the recession it has still been 95% plus, it's just that customers are spending less with us basically.

Grahame Gibson:

It's that customers are contracting, many of them.

Jaime Brandwood, UBS:

I'll just do one last one, any update on NASA?

Nick Buckles:

No, another couple of weeks hopefully. That was a question about NASA, I think the judges have gone away to think about it haven't they Grahame?

Grahame Gibson:

Yeah, there was a meeting between the lawyer and the Supreme Court Judge, on the Federal Court of Claims on April the 20th. And she will come back within four weeks after April the 20th - so it's any time now.

Nick Buckles:

I'd just like to check if there are any questions on the phone lines?

Telephone Operator: There are no questions on the phone.

Nick Buckles: No, good, okay. That concludes our first session.

END