

Securing Your World

G4S plc

Annual Report and Accounts 2009



We develop and provide business processes and services to help our customers across a diverse range of sectors – in areas where managing security and safety risks are a key consideration

G4S plays an important role in society. We make a difference by helping people to operate in a safe and secure environment where they can thrive and prosper and we believe that this role can only grow in importance.

Operating in more than 110 countries and the world's second largest private employer, G4S is the world's leading security solutions group.

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Who we are

G4S is the world's leading international security solutions group which specialises in outsourcing of business processes and facilities in sectors where security and safety risks are considered a strategic threat.

What we do

We are global experts in the assessment and management of security and safety risks for buildings, infrastructure, materials, valuables, people and society.

We develop long term strategic partnerships with customers in key sectors where we can help them to deliver their own business objectives – either increasing their revenues, reducing costs, managing risks, protecting critical assets or improving their service delivery to the customers they serve.

We do that by understanding the environments in which our customers operate, the pressures they face and the issues that matter to them.

By understanding the bigger picture and applying our expertise and knowledge derived from providing security solutions in diverse regulatory environments in more than 110 countries around the world, we turn our customers' security challenges into opportunities.

In summary

Our goal is to build long term relationships with our customers where we can help them to:

- grow their revenues
- manage their costs
- manage their risks or protect their assets
- improve the service they provide to their customers.

 **Chief Executive's interview** on pages 04-07

Our people

With more than 595,000 employees, we take great pride in the important work carried out by our staff who do everything they can to ensure the security and safety of our customers and their assets.

(Full-time equivalent employees at year end December 2009)



208,283

Asia



18,648

Europe



06,311

Africa



52,915

North America



47,495

Latin America
and Caribbean



51,350

Middle East

Our values

G4S aims to act responsibly in how it manages relationships with customers, communities, employees and other stakeholders. Our group values describe what G4S stands for:

Best people

We always take care to employ the best people, develop their competence, provide opportunity and inspire them to live our values.

Teamwork and collaboration

We collaborate for the benefit of G4S as a whole.

Customer focus

We have close, open relationships with our customers that generate trust and we work in partnership for the mutual benefit of our organisations.

Integrity

We can always be trusted to do the right thing.

Expertise

We develop and demonstrate our expertise through our innovative and leading edge approach to creating and delivering the right solution.

Performance

We challenge ourselves to improve performance year-on-year to create long-term sustainability.

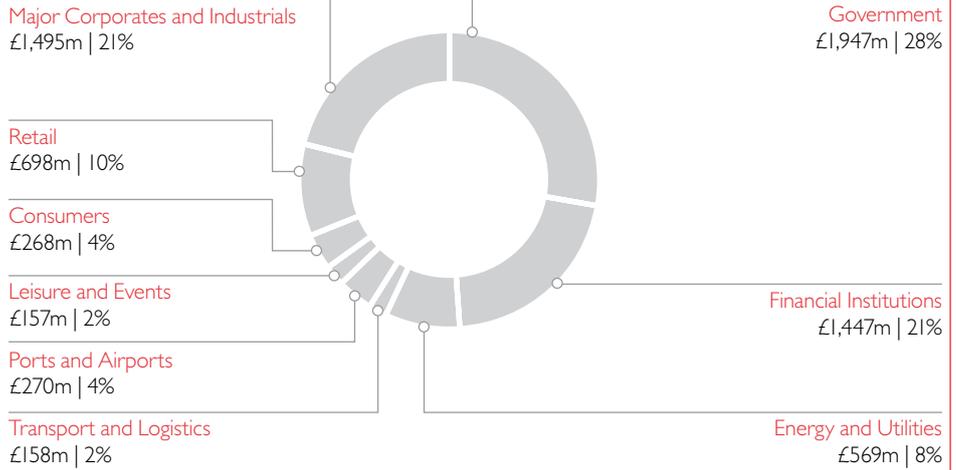
Each value has a senior executive "champion" within the group responsible for ensuring that value becomes a key part of how G4S does business.

Our sectors

G4S has a broad range of customers around the world but our strategic focus is on sectors where safety and security are key. This sector expertise and focus will enable us to build long term partnerships with customers and help drive growth across the businesses:

 **Selected profiles** on pages 08-21

Turnover by sector 2009

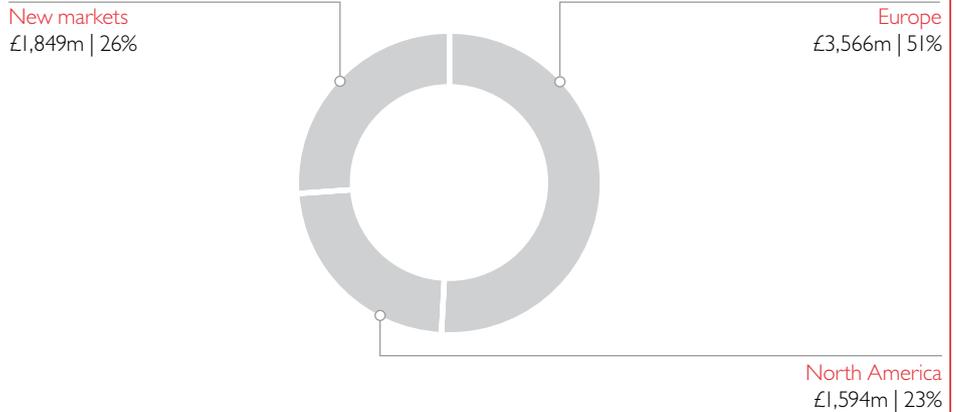


Our regions

G4S has a broad geographic reach giving it a unique and diverse global geographic footprint:

 **Divisional review** on pages 22-27

Turnover by geography 2009



Our segments

Our businesses can be broadly segmented into:

Secure solutions – Government

Protection of critical national infrastructure; care and justice services, secure facilities and border protection.

 **Our work in the Government sector** on pages 08-11

Cash solutions

Outsourcing of cash cycle management for central banks, financial institutions and retailers.

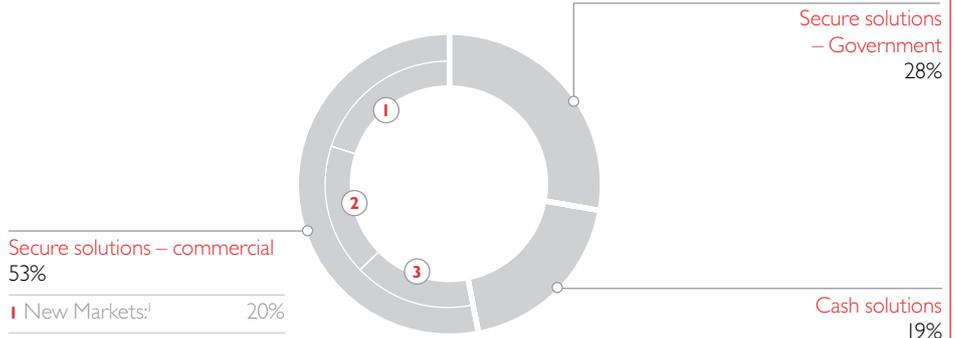
 **Review for Cash solutions** on pages 26-27

Secure solutions – commercial

Integrated security solutions for commercial customers such as risk consulting, manned security and security systems.

 **Review for Secure solutions** on pages 22-25

Group turnover by segment 2009



- | | |
|-----------------------------|-----|
| 1 New Markets: ¹ | 20% |
| 2 UK & North America: | 17% |
| 3 Continental Europe: | 16% |

¹ Includes Eastern Europe

2009 performance overview

Overview
Business review
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Our investment proposition

G4S has strong market positions in structural growth markets such as Government, cash solutions and New Markets. Since its foundation in 2004 it has had a strong track record of performance and delivery within a prudent financial structure.

Integrated security solutions

We are able to design and manage security solutions that bring together our in house capabilities in project management, risk consultancy, secure facilities management, physical security, intelligent systems and high quality security trained personnel to solve the security challenges of a broad range of customers across the world.

Unrivalled cash solutions expertise

Understanding and managing the cash cycle of a country is a core skill of the group. Central banks, commercial banks and retailers outsource their cash management to G4S as we have the capability and experience to drive substantial efficiencies in the system whilst achieving the maximum return for our customers over the long term.

Government partnerships

Government outsourcing is a strong, long term source of growth as public sector spending remains under pressure and governments look to the private sector to provide cost effective solutions. Government contracts, which currently represent around 28% of group revenues, tend to be long term strategic partnerships with recurring income.

Strong new market positions

Our global presence, market positions and experience of working in less developed markets is unrivalled in almost any industry. It means that we know what it takes to be successful in these markets and are well positioned to maximise the structural growth opportunities as they develop over time. In many cases we are able to drive that development forward to the benefit of our customers and our business.

The solutions approach

Each of the individual areas of the business is a driver of value for the group, but when they come together they truly make a difference. Exporting our Government expertise into new countries, leveraging our cash solutions model across New Markets and using our global risk management and security capabilities to protect some of the world's best known brands across international markets, drives even greater value for our investors.

Financial highlights

Despite a difficult economic backdrop, G4S delivered another year of strong performance in 2009, with good organic growth, margin improvement and exceeded its cash conversion target of 85%.

 **Financial review** on page 32

+3.7%

Organic turnover growth up 3.7%

£7.01 billion

Group turnover up 7.4% to £7,008.6 million

20.2p

Adjusted earnings per share up 22% to 20.2p

+10%

PBITA up by 10.0% to £500.3 million

+27%

Operating cash flow up 27% to £449.9 million, 90% of PBITA

+11.7%

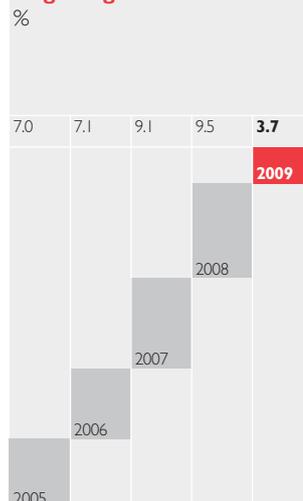
Recommended total dividend per share up 11.7% to 7.18p

Group KPIs

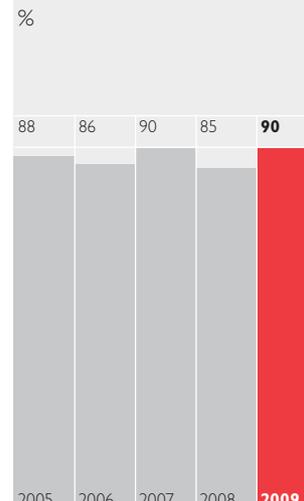
The key financial performance indicators for G4S operational management are PBITA margin, cash conversion (operating cash flow as a % of PBITA) and organic growth. All these indicators have shown a positive upwards trend during the past five years.

Other non-financial measures are specific to particular markets or individuals and cannot therefore be amalgamated into group-wide key performance indicators.

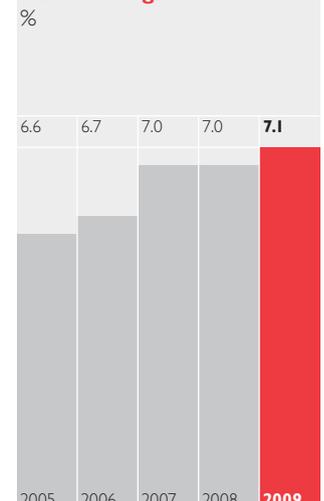
Organic growth



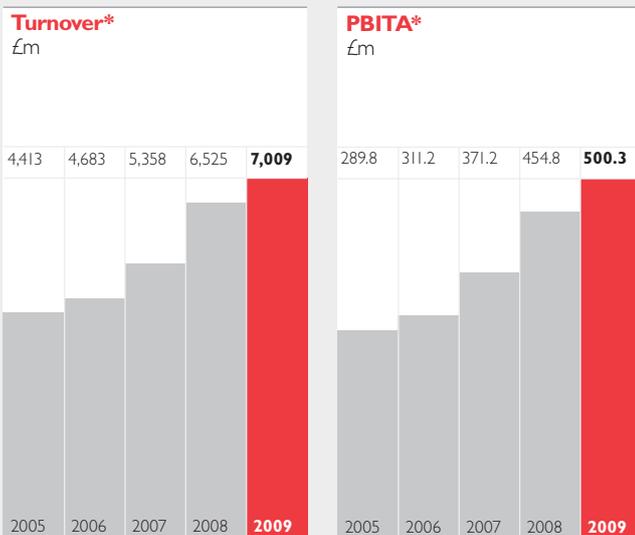
Cash conversion



PBITA margin



Chairman's statement



Strong and sustainable

G4S has delivered a robust performance in 2009, our sixth year of sustained revenue, profit and margin growth. This has been achieved through our strong growth in markets such as Government, cash solutions and New Markets. In what has been a challenging economic environment, there has been continued strong focus on cost control and debtor and cash management. At the same time the management team has been implementing its strategy both organically and via capability adding acquisitions in key sectors to drive accelerated growth and development in the business.



*2005 to 2008 at 2009 exchange rates and excluding all businesses disposed of during the period.

Dear shareholder,

It is very pleasing to be able to report another strong performance in what has been a difficult year for so many businesses. Such results do not happen by chance and I would therefore like to pay tribute to everyone in the group who has worked so hard to continue to drive our business in the right direction. This has involved implementing cost-saving measures where necessary, but also in pushing ahead with plans for future growth and development.

Elsewhere in this report, our chief executive talks about the way the group's strategy is being delivered. I have no doubt that our policy of developing solutions for our customers over longer term relationships will allow us to continue to build on the strong foundations which have been laid throughout the group over the last few years. Our recent acquisitions, including All Star International, Adesta, Hill & Associates and NSSC, have been targeted particularly at capability-building in security-related solutions niches, but the integration of earlier acquisitions such as GSL and ArmorGroup over the last year has helped us to develop a broad spectrum of solutions which we are able to offer to more of our customers in more of our markets.

The financial outcome of all this effort has been particularly creditable in 2009, with both revenue and margin increased. Profit before interest, taxation and amortisation increased by 10.0%* to £500.3m whilst turnover was up 7.4%* to £7,008.6m. Organic growth was 3.7% and the group profit margin increased to 7.1%. Adjusted earnings per share increased by 22% to 20.2p.

The directors are therefore recommending a final dividend of 4.16p or DKK 0.3408 per share, payable on 4 June 2010, which, with the interim dividend of 3.02p or DKK 0.2599 per share paid on 30 October 2009, makes a total dividend of 7.18p or DKK 0.6007 per share for the year ended 31 December 2009. This represents an increase of 11.7% over the total dividend for 2008. The board intends to maintain a progressive dividend policy in line with the group's underlying performance.

The developments during the year have not all been purely financial however. In 2009 we published our first ever Corporate Social Responsibility report. We said that this was just a first step in a continuing journey and I am pleased to be able to say that the equivalent report this year shows how we are progressing on the issues of corporate citizenship. These are issues which no responsible company should ignore and our board is increasing its focus on this area, with one of our non-executive directors, Mark Elliott, chairing a newly formed CSR Committee whose job it will be to ensure implementation of appropriate policies.

As the world's second largest private employer, it is also vital that we have strong and open relationships with our employees and those they choose to represent them, so it is pleasing to report that the implementation of our ethical employment partnership with UNI is being rolled out in yet more of the countries in which we operate.

The performance of the board is also a matter about which we have given careful thought. We have conducted detailed reviews of the manner in which the board and its main committees have functioned and, whilst the outcome of those reviews has been generally satisfactory, we know we must avoid complacency. We have therefore increased the interaction between non-executive directors and the group's businesses and made some changes to the composition of the board's committees. We have also decided that we should refresh the composition of the board itself over the next year or so.

Whilst commenting on the board, I must also mention with great sadness the death in January 2010 of our former chairman, Jørgen Philip-Sørensen. He was of course much more than simply a former board member. His family helped create the very notion of a private security industry and Philip himself did an enormous amount to develop the business which has become G4S. He was also chairman of this company from its foundation in 2004 until I took over that role when he retired in 2006; but even in retirement he took a close interest in the group and remained as our President Emeritus. We will miss him.

Looking ahead, there can be no doubt that in many parts of the world in which we operate, the economic climate will remain difficult for some time to come. Nevertheless, as our strategy continues to be implemented, we will be able to form more, stronger, longer and more valuable relationships with our customers and I remain optimistic therefore that the company will continue to perform well in the year ahead.



Alf Duch-Pedersen
Chairman

*To show a fair comparison, constant exchange rates are assumed.

Chief Executive's interview

Progress and prospects

The underlying performance of the business was very strong in 2009 demonstrating both the breadth and international diversity of our business mix. Looking forward, by leveraging our expertise in existing markets and broadening our capability into new, complementary, areas we can drive growth and deliver continued improvements.



Strategy

How would you summarise the group strategy?

We are very clear about our strategy and what we need to do to drive accelerated growth and development in the business. We must differentiate ourselves in our markets by using our expertise and geographic presence to drive outsourcing and to minimise commoditisation of traditional security services. This will ultimately lead to longer term, recurring revenue and outsourcing partnerships with customers in key segments.

G4S plays an important role in societies around the world and we will continue to help our customers improve their security, increase their revenues, reduce their costs and improve the service that they provide to their end customers.

We are able to use our developed market cash cycle expertise and track record to drive changes in policy around the management and flow of cash in New Markets to encourage central bank and financial institution outsourcing.

We can demonstrate to governments that the private sector has a significant role to play in securing the world that we live in and in delivering services that have historically been under government control. In most cases, it can be done more efficiently by the private sector and at reduced cost to the government, and therefore the taxpayer, at a time when public sector spending is under significant pressure.

We invest in the development of our managers to ensure that we have the expertise to continue to drive the strategy forward and ensure high quality succession planning.

We continue to acquire capability-building businesses which bring sector or market specific expertise to the group and add value to our service offering and business model.

We can continue to build on our good reputation and excellent brand to differentiate ourselves from our competitors and build alliances with key international customers.

By leveraging our existing expertise in specific markets and broadening our capability into new, complementary areas, we can drive growth and deliver continued improvements in our business performance.

Strategy

Our strategy will lead to longer term, recurring revenue and outsourcing partnerships with customers in key segments

How well do you think the G4S strategy is understood by investors?

The market understands us well in terms of the key sectors and segments of our business which hold the most value.

Perhaps what we need to communicate more clearly is the fact that, whilst each of those areas are strong in their own right, they are even better together – as a whole.

Exporting our developed markets government expertise into other countries, driving the development of cash solutions in New Markets and developing secure solutions for multi-national customers across numerous countries are huge opportunities for our business and drive greater value for our investors.

Performance

How would you sum up the group performance in 2009?

The underlying performance of the business was very strong in 2009, particularly given the economic crisis and the impact of exchange rates on the overall result. Earnings for the year were up 22% on the previous year and even if you exclude the impact of exchange rate movements, earnings were up by 12%.

There was definitely a slow-down in organic growth as the economic downturn took effect. In essence, it removed any opportunities for inflationary growth due to the global decline in RPI, meaning that price increasing was almost impossible. However, I am pleased to say that our volume growth was very strong and ahead of the market.

Our cash generation was also strong and we incurred no significant bad debts – a real achievement given the state of the global economy during the year. We controlled capital expenditure well whilst still investing in areas such as IT, security technology, state-of-the-art vehicles and premises.

Performance

The underlying performance of the business was very strong in 2009

Performance

Profits for the year were up 12% excluding currency impacts

Chief executive's interview continued**Which parts of the group performed well?**

The real highlights were in the cash solutions businesses, the New Markets countries and across the government sector – all areas where we have strong competitive advantage and the expertise to drive market-leading growth.

Even in businesses which struggled to deliver the financial results that we expected, they still outperformed their competitors in their own markets and contributed to the overall success of the group by sharing expertise and helping to spread best practice across the organisation. They also worked extremely hard to control the cost base to minimise the impact on profit margins.

Overall, 2009 was a tough year. However we were able to hit our short-term performance targets by carefully managing the cost base and we continued our commitment to the long-term strategy by investing in strategic, capability-building acquisitions and hiring sector experts to drive business development in key strategic sectors over the longer term.

Which parts of the group didn't perform to your expectations?

There were no specific under-performers. Improvements could be made in some businesses which did not meet our internal profit margin targets in places such as Continental Europe, where businesses have been unable to pass on substantial cost increases such as wage rises mandated by governments and regulators. We are working hard to make sure this balance is corrected over time and that margins in these businesses are in line with our expectations in the future.

Economy**How did the economic crisis affect the business?**

Generally, our business is resilient to economic pressures, but the depth of the recent crisis is unprecedented in modern times. The global fall in inflation meant that there was a lack of growth in some developed markets. The rapid and substantial fall in interest rates had some effect on the cash outsourcing model in some markets as the drivers to manage the cash cycle more efficiently became less important to the banking and retail sectors. Many of our customers were under pressure to reduce the cost of security significantly, whilst not compromising their security standards – this is both a challenge and an opportunity for us.

Economy

Generally our business is resilient to economic pressures but the recent crisis is unprecedented in modern times

Economy

We focused on managing our debtors and driving operating and overhead efficiencies

One of the challenges we have, particularly in an economic downturn, is to manage the trade-off between organic growth, profit margin percentage and debtor management. We have to accept that there is a balance to be had and whilst growth for us in 2009 was slower than the previous year, we did very well on driving profit margins and cash flow performance.

What measures did you have to take to minimise the impact of the crisis?

We focused heavily on managing our debtors and driving efficiencies in the operation and overheads. We implemented pay freezes in economies where forecast RPI was below 3% and RPI only-based pay awards elsewhere.

We increased our headroom and our range of funding sources by issuing a corporate bond of £350m in May 2009. This required us to put in place a credit rating which we did through Standard and Poor's. Our rating is BBB and our headroom at 31 December 2009 was £614.7m, which is a very comfortable level.

How do you think the economic outlook is going to affect the business performance in the next 12 months?

We are expecting the challenges of 2009 to continue into 2010. We hope to be emerging from the recession in terms of GDP growth, RPI growth and interest rates towards the end of the year, giving us a springboard into 2011.

We believe that pressure on public sector spending will further drive the need for governments to outsource specific areas to the private sector which is an opportunity for us.

Outlook**What is going to be your biggest challenge or biggest risk in 2010?**

A lack of economic improvement – a prolonged period of deflationary environments with low interest rates could be a risk to the business performance. Others might be managing the business reputation against a backdrop of increasing risks such as global terrorism and balancing the risk and reward of being responsible for outsourced services in the government sector.

Our biggest challenge is keeping our people motivated and focused on the long-term strategy delivery despite the ongoing short-term trading pressures.

Outlook

Pressure on public sector spending will drive government outsourcing – an opportunity for us

What targets are you setting for yourself and the business in 2010?

We are targeting profit growth well ahead of worldwide GDP growth. Over the longer term we are targeting improvements in our post tax return on invested capital which we believe is a good, strategic measurement of performance. As economies improve, we expect organic growth to return to high single digit levels.

What other developments are in the plan for 2010?

Some of the areas that we intend to focus on even more in the future are compliance, ethics, environmental impact and our reputation. We want to make sure that our policies in these areas are fully understood throughout the organisation and are put into practice by our employees around the world. This is particularly true for some acquisitions – we need to ensure that they live up to G4S standards very quickly once they have become part of the group.

We have recently established a Corporate Social Responsibility (CSR) Committee to focus on these issues, chaired by Mark Elliott, one of our non-executive directors. The committee will ensure that our CSR strategy remains an integral part of the group plan and monitor compliance with our policies across the group.

How would you summarise the general outlook for the group in the mid term?

The economic pressures from last year will continue into 2010 and we will continue to focus on minimising their impact. We have shown that we can do this whilst driving the strategy forward – and this will be an ongoing focus for 2010.

However, we expect good organic growth from continued outsourcing in key sectors, to leverage our expertise in cash solutions to drive change in key markets and to utilise our secure solutions approach to take on more multi-national customers across the world – turning their security challenges into opportunities.

Whilst the challenges of 2009 will continue into 2010 we are confident that we have the expertise, the opportunities and management to perform well in the year ahead.



Nick Buckles
Chief Executive Officer

Outlook

We are targeting profit growth well ahead of worldwide GDP growth in 2010

The G4S strategy is to focus on sectors where security and safety are key considerations and where we have significant competitive differentiation.

The next sections highlight the market opportunities and G4S capability in some of the key sectors.



Securing the delivery of government services and promises – at home and abroad



Sector profiles

Government

As a trusted partner to governments worldwide, we secure borders, protect embassies, rehabilitate offenders and keep some of the world's most important buildings safe and secure.

Customer needs and drivers

Increased outsourcing

A sharper global focus on security in the past decade has led to government outsourcing across a number of markets. A history of successful outsourcing within developed markets has bolstered a belief in competition and confidence in private sector involvement.

Competition raising standards

Governments require high quality operational delivery and evolving standards within a structure that demonstrates cost effectiveness to the taxpayer. Outsourcing has allowed competition that has driven performance up and costs down. It has also enabled performance benchmarking with the public sector and new ways of thinking to be introduced to the benefit of both private and public sector operations.

Scale of opportunities

Government contracts accounted for around 28% of total G4S revenues in 2009. We anticipate further government outsourcing opportunities will arise in developed markets as pressure on public spending intensifies, and government departments seek to manage their budgets without compromising on service delivery standards or the integrity of vital front line public services.

Market overview

Strong position

Government contracts provide defensive, long-term relationships which have traditionally seen double digit growth. Our pedigree in the government sector within developed markets has honed our skills in bidding for and managing complex government contracts. We are now taking our UK and US government expertise into developing markets. Our geographical footprint, coupled with this expertise, gives us a unique competitive advantage in this sector; and we see significant opportunities to drive government outsourcing in new markets.

Spotlight on justice

In the UK, where currently 89% of prisons are operated by the public sector, the Government has announced a number of initiatives this year to increase the share of prisons run by the private sector such as recommending that new prisons be privately operated and introducing others to private sector benchmarking. We believe there are further opportunities within the global justice market as other countries outsource parts of their justice system to improve performance and cut costs.

Case study | Government

Mangaung Prison

We helped build innovation into South Africa's Mangaung Correctional Centre, the second largest private prison in the world. Here we balance the safe and secure accommodation of nearly 3,000 maximum-security offenders with our duty for care, rehabilitation and community outreach.

As part of the design, build and finance consortium, we ensured the complex was built to allow "development and rehabilitation" and community initiatives. The end result, complete with school, chapel, education facilities and access to activities such as agriculture, has created an environment where the opportunities for effective long-term rehabilitation are not limited by size or scope.



Government continued

Capabilities

Homeland security

Managing homeland security is a priority for governments around the world. Effective border protection, from immigration support to entry point security, is central to this – a field in which G4S has proven its capabilities across widely differing terrains and cultures.

Foreign affairs

Our global footprint and diversity allows us to work with governments around the world on a range of security and capability requirements to ensure they can conduct their foreign affairs effectively – with the security upon which they rely – to ensure international relationships can be fostered and flourish.

Defence

We support defence organisations around the world, providing practical and results-driven solutions for our clients which result in better protection of their key assets – including people, equipment, facilities and reputations – alongside cost savings and improved performance.

Justice

As a leading supplier of security solutions to the justice departments of governments globally, we manage prisons and rehabilitation facilities, and further support the justice sector through providing electronic monitoring of offenders in the community, court and police services, and immigration services.

Energy and utilities

We have unrivalled experience of protecting critical supply chains and assets in industries including oil and gas, electricity, water, nuclear power, renewable energy, chemical supplies and telecommunications.

Emergency services

From effective crisis management to specialist training and recruitment, we help emergency service providers around the world respond to changing circumstances and ensure long-term effectiveness.

Local/state government

G4S is a trusted partner of local and state governments around the world, enabling them to deliver their services more securely against a backdrop of diverse and complex security challenges.

Non-government organisations (NGOs)

We have a 20-year pedigree in providing a range of services to international peace and stability organisations, allowing them to carry out effective and sustainable stabilisation and post conflict reconstruction, from humanitarian aid delivery to mine clearance and disposal.

Case study | Government

GCHQ

GCHQ is a vital part of Britain's intelligence machinery, playing a crucial role in the defence of the UK. As part of the consortium responsible for design, build and management of GCHQ's accommodation, G4S has been entrusted with one of the UK's most comprehensive and secure facilities management contracts.

Around 350 G4S staff deliver a full service contract including IT, energy and utility management, logistics, mailroom, and site, visitor and accommodation management, to 4,500 workers across a site the size of 17 football pitches.



Case study | Government

Electronic monitoring

G4S is the world's largest provider of electronic monitoring services, monitoring the movements of 35,000 offenders worldwide every day – 12,000 of them in the UK.

National Audit Office statistics show that an electronically monitored curfew is just one fifth of the cost of a prison term in Britain. As a robust alternative to custody, curfews not only reduce pressure on the prison population but also provide other benefits.

Case study | Government

US Border Patrol

Our ability to deliver a workforce that possess similar qualifications to the federal agents, and secure transport expertise, has allowed us to provide a flexible service to nine locations across a 1,993-mile border separating the US and Mexico.

Our customer benefits from a government-approved provider using a high calibre workforce that requires 208 hours of training per employee to meet the contract's special requirements. Our flexible response capability to scale up or down allows the customer to release federal enforcement personnel for other duties.





Optimising the cash cycle and assuring the customer experience



Sector profiles continued

Financial institutions

As protector of banks' most precious assets we help money make the world go around through efficient cash cycle management and protection of assets and people across the globe.

Customer needs and drivers

Strong pedigree

With origins in cash handling going back many decades, our UK cash solutions expertise has allowed us to develop long-standing relationships with central and retail banks in the 65 countries in which we operate our cash management services.

Attuned to customer needs

Our banking customers want to maximise the efficiency of all their operations, from how hard their cash works for them to how their buildings and employees are protected. Our banking customers want partners who can operate their cash cycle at maximum efficiency, high productivity, and optimum security, so their money is kept moving around the economy, always available to consumers and not sat in bank deposits incurring central bank interest charges.

Market overview

Pressures are opportunities

The banking sector in most markets has experienced unprecedented turmoil in the last year, particularly in the UK, Europe and US. This has resulted in an increased willingness by banks to outsource, as pressured banks look to maximise operations as cost effectively as possible.

Smart technology

Meanwhile the cash cycle is becoming increasingly slick and sophisticated as product innovations and new technology is embraced to ensure cash is constantly available to consumers, and the cost of cash is minimised for banks. This is driving cash forecasting business opportunities as banks look to their cash management partner to forecast amounts needed to keep ATMs working and minimising the amount of notes sat idly in unused machines. Technological advances are also driving opportunities in ATM technology, servicing and diagnostics.

Solutions in action

As a result customers are looking at new areas of outsourcing. We believe this will lead to more opportunities in a number of areas, from technology solutions to more support of in-branch operations, where our advance into supporting bank branches will aid the move of a growing number of banks to create "branches of the future". The more developed Western markets hold strong opportunities for outsourcing, however we see evidence that within emerging and New Markets, commercial banks are increasing their interest in outsourcing developments.

Case study | Financial institutions

Nedbank

Nedbank, South Africa's fourth largest bank, has trusted G4S for the last 10 years to meet the multiple security challenges of protecting bank assets and its employees across its network in a country with a complex crime environment. At Nedbank, the G4S solution encompasses every aspect from visitor and site safety across 16 sites housing 4,500 employees, to protecting senior personnel against threats faced by international business professionals as they travel around the world.



Case study | Financial institutions

Bank of America

Our technology and financial institutions expertise allows one of the world's largest banks to focus on its 59 million customers, while we take care of Bank of America's security. Our unique approach for Bank of America has given the US's most extensive bank branch network complete security coverage, incident reporting and business intelligence across 6,100 locations in 30 states. By combining the sector knowledge of our security officers with the latest technology, we have become an integrated partner helping our customer drive its performance up and costs down.



Case study | Financial institutions

London cash centre

G4S's London cash centre sets the industry standard for speed, security and efficiency in cash cycle management and in doing so, plays a vital part in keeping cash flowing around the heart of the UK's economy. The development of G4S's state-of-the-art cash centre has been an important addition to the city's economic infrastructure. The site handles 72,000 services every month, managing cash flow through banks, ATMs and retailers across the city. This allows cash to be processed on demand to drive maximum efficiency for customers and maintains the levels of service reliability required to ensure the health of the UK's cash flow.



Protecting retail assets and ensuring efficiency

Case study | Retail

Jewelry Television

Our expertise in secure transportation, and our global logistics capability, ensures more than five million packages are delivered to more than 20 countries from 300 vendors worldwide for the USA's largest online and television channel jewellery retailer. This integrated partnership with our client has allowed Jewelry Television to benefit from improved cost control, total visibility of the process, less exposure to risk and shrinkage, and improved security and customer service.



Sector profiles continued

Retail

We've taken the skills that have led us to be one of the world's most trusted cash management outsourcers for banks and tailored them to protect retailers' valuables and help them re engineer the way they manage their cash cycle.

Customer needs and drivers

Widening security landscape

Retail customers want high calibre security offerings that deliver value for money. Traditionally retailers have sought to outsource protection of their stores, and employees, but now they are looking to partners who can help them manage their back office processes and their takings more efficiently too.

Solidity of cash

Cash has existed for five millennia, and remains king in the 21st century. Globally it is the preferred method of payment among consumers. According to Retail Banking Research's "Future of Cash and Payments" report, 77.5% of Europe's 388 billion retail payments in 2008 were made using cash.

Paying at a cost

We estimate the average retailer can spend up to 1.7% of turnover managing cash. In the fiercely competitive retail sector where margins are becoming ever tighter and every penny counts, our retail customers continue to look for ways to minimise those costs.

Market overview

Smarter solutions

We believe continued competition to increase sales and minimise costs will drive retailers to further outsource and embrace emerging technology to increase efficiency, reduce risk, provide accurate sales data, and ensure retail staff are maximising customer sales rather than focusing on cash management and logistics.

Revolutionising retail

We believe 2010 will be the start of a decade of innovation in cash management as new offerings such as our CASH360 product enable retailers to minimise losses through fraud and theft and improve back office efficiency, thereby making cash an even more cost-effective method of payment for businesses to process. With new software developments we also see opportunities for more improved real-time cash data to be available to our retail customers, just as it is for our banking customers.

Case study | Retail

CASH360

Our unique retail cash management solution CASH360 makes Marks & Spencer's cash cycle more efficient, allowing one of the UK's most popular retailers to concentrate on its customers. CASH360, developed in-house by G4S with the retail market in mind, allows us to run retailers' back office cash management for optimal efficiency, security and to minimise potential losses.

Drawing on existing G4S expertise in secure cash management, technology solutions and logistics, CASH360 exploits opportunities for improved accuracy, security and productivity for retailers while allowing retailer employees to focus on serving their customers, not counting cash.



The image features four large, curved, metallic pipes that dominate the frame. They are arranged in a parallel, slightly overlapping fashion, curving from the bottom left towards the top right. The pipes have a dark, metallic finish with visible horizontal joints. The background is a clear blue sky with scattered white clouds. The overall composition is dynamic and industrial.

Protecting crucial supply chains and critical national assets

Sector profiles continued

Energy and Utilities

We are a vital behind the scenes cog of energy and power providers worldwide, helping protect vital supplies, keeping vulnerable energy workforces safe, and ensuring power businesses run at maximum efficiency in more ways than one.

Customer needs and drivers

Security in focus

With ever growing pressure on energy providers to secure supplies for years to come, through investment in new production plants and protection of vital resources, security has come to the fore in the energy and utilities sector.

Regulatory business drivers

The market for security across much of the energy market has been led by regulation, particularly of nuclear power which has been an area of double-digit profit growth for us.

Combined response

Increased regulation is driving a focus on cost efficiency, robust asset protection and a focus on intelligence and risk led security capabilities, together with experience of security provision within challenging and unpredictable environments.

Scale of challenge

Security challenges within the energy and utilities arena can be diverse – from protecting the copper and metal contained within electricity cables to oil or nuclear facility risk assessment and pipeline protection.

Market overview

Global demand

With scepticism over the benefits of emerging alternative energy sources, and the lack of infrastructure in many continents, the draw on the world's oil and gas reserves will continue to grow. The sector has also been highlighted in a recent Chatham House report as requiring \$6.5tr of investment in exploration and production over the next 20 years to meet projected demand.

Oil and gas in focus

The Middle East – the world's largest reservoir for oil reserves – is the core for future oil production. Middle Eastern countries are currently responsible for nearly one-third of global oil production. With 60% of proven world oil reserves and 41% of proven world reserves of natural gas in the Middle East, we believe our expertise in this area, together with our global footprint and experience of operating in diverse geo-political regions, will be a competitive strength.

Alternative energy sources

In developed markets such as the US and UK, there is focus on nuclear energy as nations look towards what they believe are more low carbon energy solutions. Here regulation is driving an increased demand for not only a physical security presence but involvement in design of new facilities, security systems integration, and partners with approved regulatory training.

Case study | Energy and Utilities

EDF Energy

Power giant EDF Energy works with us to look after many of its sites across the UK, where our response ranges from site based security officers to deployments securing assets against metal theft, protecting against protestor activity, and providing meter reading.



Case study | Energy and Utilities

Hoover Dam

The lives and livelihoods of millions of Americans depend on the Hoover Dam – a magnificent example of critical national infrastructure. The Hoover Dam helps prevent widespread flooding, provides water to arid states, and its hydroelectric power generators makes a significant energy contribution. With our state-of-the-art Symmetry Enterprise Security Management System in operation at the Hoover Dam, all aspects of its security operations are controlled and co-ordinated with the same precision as the dam itself.



Case study | Energy and Utilities

South Texas Project Nuclear Operating Company

Working closely with our South Texas Project customer has allowed G4S to come up with a service that combines the expertise of our security officers with technology and risk expertise to protect a key US nuclear facility during normal operation and a challenging expansion project.

The South Texas Project's trust in our ability to manage its current security programme has led us to also provide developmental security consultancy for the construction of two adjoining new reactor facilities, which present difficult security challenges and compliance with new defensive requirements.



Ensuring the safety of travellers
and the efficiency of the
international transport system

Sector profiles continued

Ports and Airports

We ensure the safe passage of travellers, crew and cargo and the efficiency of the international transport system through a full range of aviation operations spanning 61 airports and 81 airlines across 34 countries, and at 20 ports worldwide.

Customer needs and drivers

Terror threat drivers

Compliance with new and emerging security legislation and counter-terrorism measures is driving customer needs for operators of airports and ports globally. Customers want optimum security levels, superior customer service levels and a flexible service that is very cost effective.

Customer pressures

The aviation sector has suffered extensively as a result of the global economic crisis. Airlines collectively lost around \$11bn in 2009, as they were particularly affected by the 20% drop in business passengers (source: IATA) who ordinarily provide a substantially higher yield than economy passengers. This decrease in passenger numbers has led to reduced capacity which has in turn affected airports.

Market overview

Growth predictions

Global aviation demand predictions suggest the sector will grow in the next 12 months. Passenger numbers are still increasing in the Middle East and Chinese domestic markets. Airport infrastructure is not expected to keep up with passenger growth over the next ten years, potentially resulting in a shortfall of capacity in the order of one billion passengers. Airports and airlines will be looking more to cost-effective, flexible security providers who have consulting capability, new technology integration expertise and who can redesign systems and interfaces.

Legislation-led port investment

In the ports sector, compliance with international security standards and evolving ports legislation is driving customer requirements. With 480 million containers being moved around the world every year, container and port facility security is an area of growing focus. US government legislation on higher security standards for any global port that wants to export to the US by 2012 is driving substantial investment in this area.

Scale of opportunities

Key opportunities for the port sector lie with the large international private port operators, who have collectively committed more than \$25bn of investment in building new green/brown field terminals globally to expand their portfolios and capacity.

Our response

These international operators collectively manage or own in excess of 300 port terminals globally. In 90% of cases they outsource their security requirements, and here we believe our historical development of security protection of physical locations with integrated systems, and our unique global footprint, will be a competitive advantage.

Case study | Ports and Airports

Oslo Airport

Last year we saw the safe passage of 18.1m passengers through Oslo Airport, where our focus on delivering for our customer has contributed to the airport being heralded as one of the most efficient and punctual airports in Europe by both the Air Transport Research Society and Association of European Airlines.



Case study | Ports and Airports

Gothenburg Port

Our intelligent security systems ensure Scandinavia's largest port, Gothenburg, is well protected against terrorism and adheres to global maritime security laws. With 11,000 arrivals at the port each year and 43 million tonnes of cargo traffic, we ensure the port is safe, secure and working at optimum level within international maritime security laws.



Case study | Ports and Airports

Adesta

Our acquisition of US-based Adesta will help position G4S in the US seaports market, as well as support our growth in the chemical security space. Adesta's market penetration in US seaports – together with its expertise in cutting-edge technology integration – will help us deliver a solution that integrates all seaport security related activities. Adesta's strengths are viewed as an attractive and complementary fit to help us expand our sector presence and build our technology capabilities.



Creating a safe environment for recreation and exploration

Case study | Leisure and Events

The Championships, Wimbledon

The Championships, Wimbledon, is probably one of the most high profile and prestigious sporting events in the world and G4S plays a huge role in the success of the iconic tennis tournament. G4S provides an event management solution for The Championships, and each year preparations begin many months before the first volley on court.

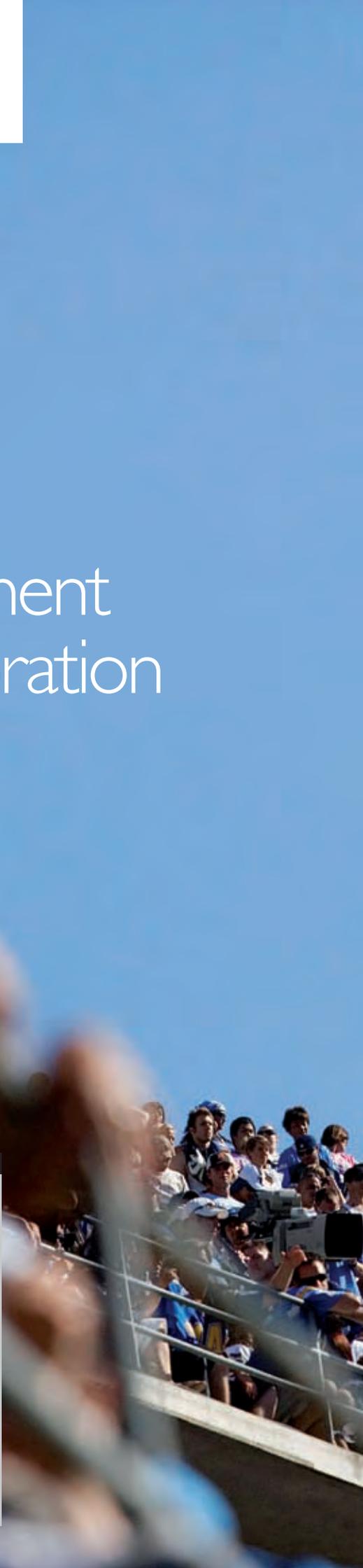


Case study | Leisure and Events

Africa International Youth Football Tournament

Our events expertise allowed young football hopefuls in Sierra Leone to realise their dream of playing their international opponents at home, in a country that has been starved of high class sporting events due to the perception it is unsafe.

The FC Johansen Football Club staged the five-day international against eight specially invited teams from South America, Europe and Africa, to give people in Sierra Leone the opportunity to watch high standard football on their home soil. It also gave young local players the opportunity to display and compare their skills in front of a home crowd and observers from Europe and other parts of Africa.



Sector profiles continued

Leisure and Events

As an experienced partner to flagship international sporting and music events, we ensure safety and security at some of the most exciting events in the entertainment calendar.

Customer needs and drivers

Customer experience

In the events world, security is inextricably linked to customer service. Customers are keen to ensure event-goers enjoy a first class experience within a safe and secure environment.

Business drivers

In a market dictated largely by the appearance fee percentages paid to performers and participants, customers want a cost-effective service that does not compromise on the ethics of safety and security.

Capable partners

They also want a security partner that can demonstrate flexibility, continued development in customer service, an understanding of counter terrorism measures, and attention to detail at operational, tactical and strategic levels.

Leisure pressure

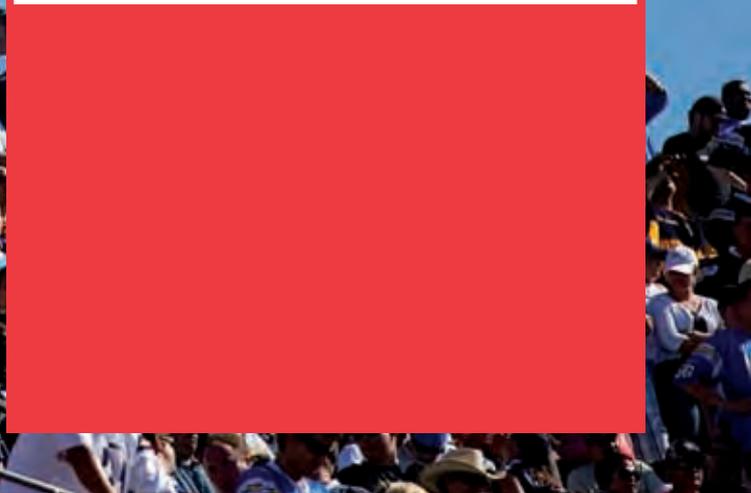
The events industry has previously been shown to be resilient against recession however current financial constraints have affected specific sectors such as sports and hospitality.

Live music's resilience

The live music sector remains buoyant with major outdoor events retaining strong ticket sales, which in turn generates more detailed planning needs and higher levels of staffing.

Growth opportunities

Recent successes in Ireland and the Middle East, and other international collaborations, have shown the potential offered to G4S by the events industry. Our UK events expertise has been coupled with regional capabilities to demonstrate our offering, particularly in new and emerging markets where event security has traditionally not been an area of focus.



Divisional review

Secure solutions

Profile

The secure solutions business covers a broad range of solutions for both commercial and government customers. G4S's secure solutions strategy is to use our risk management and security expertise to encourage greater outsourcing of commercial and government facilities where security and safety are strategic issues in areas such as ports, airports and the oil and gas sector (see pages 16 and 18). This will result in an increased number of long-term strategic customer partnerships across the group.

Services

G4S provides a wide range of secure solutions including:

Risk management and consultancy services

Secure facility outsourcing

Electronic monitoring of offenders

Secure repatriation of immigration detainees

Manned security services

Electronic security systems

Monitoring and response services

Management of juvenile and adult custody facilities

Aviation security services

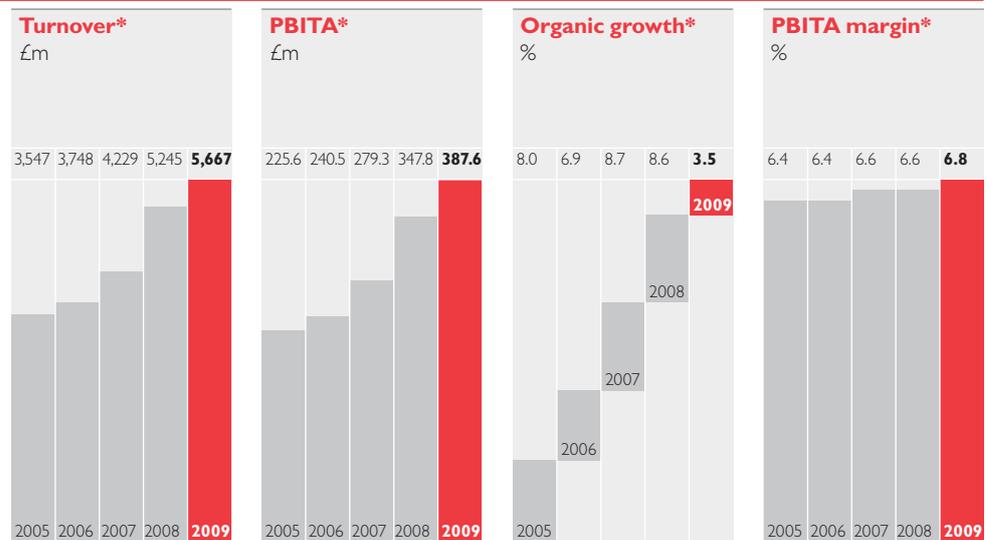
Fire protection and emergency response

Security training services

Project management

KPIs and financial highlights

During 2009, the secure solutions business achieved good organic growth of 3.5% and margins were up on the same period last year to 6.8%.



*2005 to 2008 at 2009 exchange rates and excluding all businesses disposed of during the period.

Strategy

Use our expertise and geographic presence to differentiate our business

Drive outsourcing and minimise commoditisation of traditional security services

Offer an integrated security solution to customers

Develop longer term, recurring revenue and outsourcing partnerships in key sectors

Key operational highlights

Growth achieved across all regions in 2009

Strict cost control and improved business mix helped grow margins from 6.6% in 2008 to 6.8% in 2009

The government sector, the largest of G4S key customer groups, grew 16% in the UK and 11.5% overall in 2009

New Markets grew strongly at 8.6% and improved margins to 8.2%

The secure solutions business continued its strong performance with good organic growth of 3.5% and margins improved to 6.8%.

	Turnover £m		PBITA £m		Margins 2008		Organic growth 2009
	2009	2008	2009	2008	2009	2008	
Europe*	2,637.0	2,449.1	176.6	158.7	6.7%	6.5%	2.7%
North America*	1,495.3	1,449.5	84.8	83.3	5.7%	5.7%	0.0%
New Markets*	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%
Total secure solutions*	5,667.4	5,244.8	387.6	347.8	6.8%	6.6%	3.5%
Exchange differences	–	(508.8)	–	(30.9)			
At actual exchange rates	5,667.4	4,736.0	387.6	316.9			

*At constant exchange rates

Europe

	Turnover £m		PBITA £m		Margins		Organic growth 2009
	2009	2008	2009	2008	2009	2008	
UK & Ireland*	1,139.3	942.6	97.3	78.0	8.5%	8.3%	7.4%
Continental Europe*	1,497.7	1,506.5	79.3	80.7	5.3%	5.4%	-0.5%
Total Europe*	2,637.0	2,449.1	176.6	158.7	6.7%	6.5%	2.7%

*At constant exchange rates

Organic growth in Europe was 2.7% compared to 8.3% in 2008. Margins improved to 6.7% helped by a strong performance in the UK government segment.

UK & Ireland

There was good organic growth of 7.4% in the UK & Ireland and margins strengthened further to 8.5%. This was despite a serious economic downturn in Ireland which saw revenues decline more than 14% and margins decline to less than 2%. Key contract wins in 2009 included an extension to HMP Parc prison, the renewal of a national meter-reading contract with a major utility provider, an extension of the Electronic Monitoring contract for parts of the UK, a new Electronic Monitoring contract for Northern Ireland and a PFI contract to provide facilities management services at the Dublin Criminal Courts complex which opened in November 2009.

UK & Ireland

The UK & Ireland region grew 7.4% organically in 2009, despite a decline of more than 14% in Ireland

Continental Europe

Contract retention in Continental Europe remained high at more than 95%

Continental Europe

The Continental Europe region faced the biggest challenges of the economic downturn as mandatory, above inflation, wage rate increases were implemented in some countries. However strict cost control, including significant cost cutting in the Baltics, which saw revenues decline by 17%, limited the profit impact. Overall organic growth was -0.5% and margins were slightly below the prior year at 5.3%. The security systems business, which accounts for around 30% of Continental European secure solutions revenues, performed well in a very difficult environment maintaining revenues and margins overall. Strong performers included the Netherlands due to good performances in the aviation and justice services sectors, Norway as a result of a positive impact from aviation and the Statoil contract and Romania as a result of a new contract win with Petrom.

Contract retention in the region was high at more than 95% and we believe we have gained market share with our solutions strategy outperforming single service providers.



“The UK & Ireland secure solutions businesses performed very robustly in 2009, helped by particularly strong growth in the Government sector and despite a serious economic downturn in Ireland.”

David Taylor-Smith
CEO, G4S Secure Solutions, UK & Ireland

Divisional review continued

Secure solutions continued

North America

	Turnover £m		PBITA £m		Margins		Organic growth 2009
	2009	2008	2009	2008	2009	2008	
North America*	1,495.3	1,449.5	84.8	83.3	5.7%	5.7%	0.0%

*At constant exchange rates

Organic growth in North America was flat. If the loss of a large contract in the commercial nuclear sector is excluded, organic growth was 2.8%. Margins were unchanged at 5.7%.

In the United States there was no growth in the commercial sector due to contract wins and renewals being offset by service reductions for some customers. Customer retention was excellent at more than 90%.

New contract awards in 2009 included electronic monitoring of offenders in the community for Cook County, and secure solutions contracts with City of Houston, City of Chicago and TD Ameritrade.

Contract renewals and extensions included a secure solutions contract for Bank of America locations nationwide (see page 13), Merrill Lynch worldwide, an extension to the protective services contract at the Savannah River nuclear site for a minimum of five years and protective and emergency services for NASA at 14 locations across the United States.

In 2009, the US business made three important strategic acquisitions – Adesta, which will significantly enhance capability in seaport security and the chemical and petrochemical industries in North America and internationally; All Star, which broadens G4S North America's US government outsourcing capability and share of the government sector; and lastly NSSC, which has risk consulting and security solutions expertise focused on the chemical and nuclear power sectors.

In Canada the organic growth rate of 2.1% was in line with the prior year and continued cost focus meant that margins were improved. In February 2010, G4S was awarded a contract by the Canada Border Services Agency to help secure the Canada border.



“In 2009, the G4S North America secure solutions business made significant progress in strategy implementation, acquiring niche capability in sectors such as seaport security, nuclear power and chemical industry security and government outsourcing. We were also delighted to renew two of the larger contracts in the portfolio with Bank of America and NASA.”

Grahame Gibson
COO and Regional President, North America

North America

Customer retention was excellent at more than 90%

North America

The US business made three important strategic acquisitions – Adesta, All Star and NSSC

New Markets

	Turnover £m		PBITA £m		Margins		Organic growth 2009
	2009	2008	2009	2008	2009	2008	
Asia*	522.0	455.9	41.1	36.0	7.9%	7.9%	5.6%
Middle East*	424.5	374.1	38.5	31.1	9.1%	8.3%	13.4%
Africa*	305.6	265.9	29.0	23.8	9.5%	9.0%	6.8%
Latin America & Caribbean*	283.0	250.3	17.6	14.9	6.2%	6.0%	9.4%
Total New Markets*	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%

*At constant exchange rates

In New Markets, organic growth was excellent at 8.6% and margins were higher than the prior year due to improved performance particularly in Africa and the Middle East. The New Markets businesses have also benefited from the implementation of the group's key sector strategy – focusing on areas such as oil and gas, events and aviation. New contracts won during 2009 in these sectors included Baghdad International and Qatar airports, the FIFA Club World Cup tournament in UAE, the Abu Dhabi and Macau Grand Prix and we are currently mobilising several large contracts in Papua New Guinea for the oil and gas industry.

Asia

Organic growth in Asia was 5.6% and margins were 7.9%. India, the largest market in the region, achieved double digit revenue growth and improved margins. The outlook for the Asia region looks encouraging in 2010, despite the loss of the DIAC (immigration management) contract in Australia. Macau declined 13% in 2009 but is expected to improve in 2010 as investment is returning to the casino industry.

Towards the end of the year new security rules were introduced which will allow foreign ownership of manned security companies in China. Licences are expected to be issued during the second half of 2010 and this is a positive development for the medium term. G4S also acquired Hill & Associates, Asia's leading risk consultancy firm, which will provide additional risk consultancy and risk management capability across the region.

Middle East

In the Middle East, growth continued to be excellent across the region with improved margins of 9.1%. Qatar and UAE performed particularly strongly, mainly as a result of the new airport contract in Qatar and federal wage legislation in UAE.

Africa

Africa performed very strongly with organic growth of 6.8% and margins of 9.5%. This was helped by strong organic growth in Nigeria, Morocco, Kenya and the care and justice services business in South Africa and a continued focus on higher margin work in South Africa secure solutions which has reduced its contract portfolio by 20%.

Latin America & Caribbean

Overall, the Latin America & Caribbean region has performed well helped by a number of large contract wins in Argentina, Ecuador and Peru, giving organic growth of 20.7%, 38.9% and 14.3% respectively. Overall for one region organic growth was 9.4% and margins were 6.2%.



“Considering the world economic situation in 2009, I believe the region delivered a good performance achieving double digit organic growth and creating over 33,000 new jobs.”

David Hudson

Regional President, North Africa, Middle East and Southern Asia (NAMESA)



“We managed to maintain growth levels and improve profitability.”

Willem Van de Ven

Regional President, G4S Sub-Saharan Africa



“G4S Latin America and the Caribbean had a very strong year in 2009. Star performers were Ecuador, Peru, Argentina, Trinidad and Chile.”

Jeff Morrow

Regional President, Latin America and the Caribbean

New Markets

Organic growth was excellent at 8.6%

Divisional review continued

Cash solutions

Profile

The cash solutions business is the management of cash for financial institutions and retailers. Our deep understanding of the cash cycle ensures that money is moved safely and efficiently around an economy at a considerable cost saving to our customers, and allows them to focus on their core businesses.

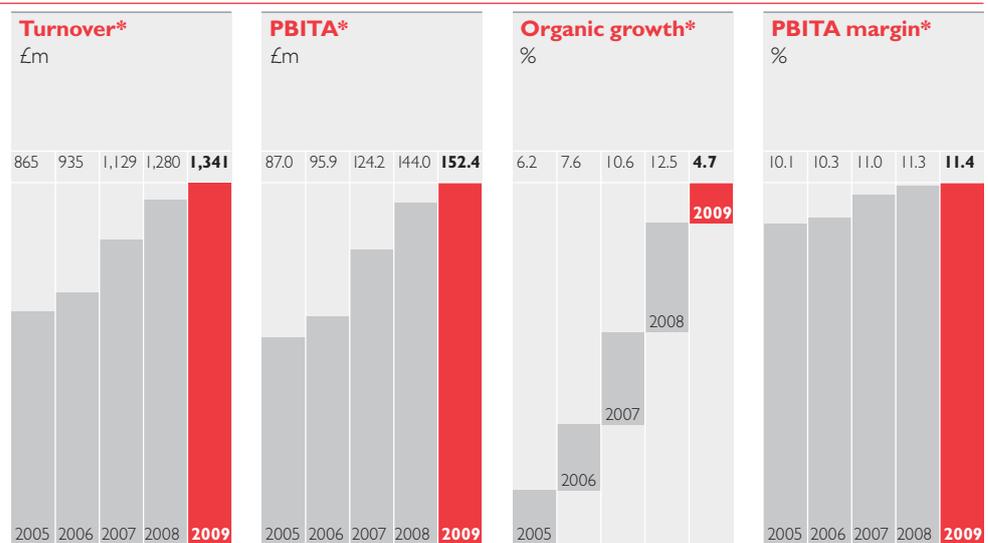
Services

G4S provides a wide range of secure logistics including:

- Financial institution cash outsourcing
- ATM network management
- ATM cash management services
- ATM engineering services
- Retail cash management solutions – CASH360
- Data and document management services
- Cash logistics
- Secure international transportation of cash and valuables

KPIs and financial highlights

The cash solutions business continued its very strong performance with organic growth of 4.7% and margins of 11.4%.



*2005 to 2008 at 2009 exchange rates and excluding all businesses disposed of during the period.

Divisional strategy

- Play a key role in the management of the cash cycle on behalf of central banks, commercial banks and retailers, leaving them to focus on their core business
- Use our developed market cash cycle expertise and track record to encourage central bank and financial institution outsourcing in New Markets
- Introduce innovative technology such as CASH360 (see page 15)

Key operational highlights

- Growth was achieved in all regions
- Strict cost control helped cash solutions margins improve to 11.4% from 11.3%
- New Markets grew strongly at 12%
- The first CASH360 sales have been achieved

The cash solutions business performed well with organic growth of 4.7% and margins of 11.4%.

	2009	Turnover £m 2008	2009	PBITA £m 2008	2009	Margins 2008	Organic growth 2009
Europe*	929.2	904.8	102.0	98.9	11.0%	10.9%	2.5%
North America*	98.8	95.9	4.1	0.9	4.1%	0.9%	3.3%
New Markets*	313.2	279.2	46.3	44.2	14.8%	15.8%	12.0%
Total cash solutions*	1,341.2	1,279.9	152.4	144.0	11.4%	11.3%	4.7%
Exchange differences	–	(87.4)	–	(10.4)			
At actual exchange rates	1,341.2	1,192.5	152.4	133.6			

*At constant exchange rates

Europe

Organic growth in Europe was 2.5% and was impacted by lower interest rates, lower inflation and a reduction in some services by customers, but cost control measures ensured margins improved to 11.0%.

In the UK & Ireland, the cash solutions business performed well with good organic growth and margins holding firm. The fifth “super branch” cash management centre in the UK was opened in London in January 2009. SMI, a leading international cash management consultancy business, was acquired early in 2009 to add to the group’s existing cash management and consultancy capability. SMI acts as a consultant to central banks on bank note security and central bank processes. The first CASH360 sales have been achieved in the UK with a strong pipeline of pilots.

Elsewhere in Europe, organic growth was affected by a reduction in transportation and ATM services but continued strong growth was achieved in Greece, Romania and Latvia.

North America

In North America the business in Canada, stabilised under the new management team, improving profit margins from 0.9% in 2008 to 4.1% in 2009. The Canadian cash solutions business also achieved positive turnover growth for the first time since 2006.

New Markets

Organic growth in New Markets was excellent at 12.0% with margins lower at 14.8% due to the re-negotiated tolls contract in Colombia and the impact of some significant robberies in Saudi Arabia. South Africa, one of the largest new markets for cash solutions, performed very well amidst challenging market conditions. Excellent growth and strong margins were achieved in UAE and Malaysia. New cash flow forecasting software has been introduced in Malaysia which will help customers reduce the cost of cash.

Europe

Acquisition of SMI, a leading international cash management consultancy business



“In 2009, the G4S cash solutions business worked closely with its retail and financial institution customers to provide effective and low cost cash management solutions during the economic crisis. We believe these relationships and strong market positions will ensure our continued growth in the medium and long term.”

Ken Niven

Divisional President, G4S Cash solutions



“We had good results from our Malaysian and Indonesian cash solutions businesses, both benefiting from financial institution outsourcing which seems to be gaining pace at the moment.”

Ted Devereux

Regional President, Asia Pacific

North America

The new management team in Canada have improved profit margins from 0.9% to 4.1%

New Markets

Organic growth in New Markets was excellent at 12%

Corporate Social Responsibility

Delivering performance through responsible behaviour

G4S plays an important role in society. We make a difference by helping people to operate in a safe and secure environment where they can thrive and prosper. Our size and scale means we touch the lives of millions of people across the globe and we have a duty and desire to ensure the influence we have makes a positive impact on the people and communities in which we work.

As one of the world's largest global employers, we have a responsibility to ensure that our employees are cared for and are given every opportunity to develop and flourish as a result of being part of G4S.

Integrity is one of the group's core values – being a responsible business partner, employer, customer and supplier is an important part of our strategy and forms an essential foundation on which we carry out our business.

Responsible behaviour gives us licence to operate in existing markets and helps to build our reputation in new ones. To underline the importance of corporate responsibility we published our first stand-alone corporate social responsibility report for 2008 and continued to invest in the systems and processes we need to strengthen our performance in this area.

We manage four key corporate responsibility issues described in brief below, in more depth in the rest of this section of the report, and in greater detail in the 2009 CSR report.

Safeguarding our integrity

How we set expectations and make sure that we attain high ethical standards.

Securing our workforce

Keeping our people safe is our main priority – but we also need to ensure that we source the right people for the right roles and that our people feel listened to and supported in their working lives.

Securing our environment

Reducing resource usage lowers our impact on the environment and helps us increase the efficiency of our operations.

Securing our communities

We can make our business stronger through investment in stable, safe communities where our staff live and work.



More in our **Corporate Social Responsibility report 2009**

More on **Risk** on page **38**

CSR management

CSR related issues have been a key part of our business philosophy since the creation of G4S in 2004 as part of our Integrity Value Stream Working Group – a group set up to ensure compliance with the group's ethical performance standards.

In January 2010, we established a CSR Committee, chaired by G4S non-executive director, Mark Elliott, to ensure that CSR issues remain at the forefront of the group's strategy and that we continue to have a positive impact on people and communities, whilst contributing to a sustainable future for our business and everyone connected to it.

The CSR Committee meets quarterly and reports into the Audit Committee in order to ensure that our CSR strategy remains aligned to issues such as risk management, audit and compliance.



Stakeholder engagement

During 2009 we have developed our communication and engagement with key stakeholder groups to ensure that our strategy is aligned to their needs and that as our CSR programmes develop, we seek input and advice from those around us.

G4S engages with a wide range of stakeholders including:

Customers: The very nature of our work requires us to understand customers' business issues and risks, and provide an appropriate solution.

Employees: In 2009, G4S conducted one of the largest ever employee surveys – receiving responses from 169,000 employees in 107 businesses.

Investors: In 2009, G4S held two group meetings for CSR investors, including one hosted by Lord Condon, our non-executive deputy chairman and senior independent director as well as responding to enquiries from investors and ethical investment advisers.

Industry associations: Many G4S managers and employees play an active role in industry bodies and associations such as the Ligue Internationale des Societes de Surveillance, the international association of leading security companies, and the European Works Council to improve standards and share best practice.

Policies and standards

To ensure good governance, we set group-wide standards in critical areas such as finance, HR, security and communications, reflecting the G4S values and business strategy. In order to deal with major cultural and legal variations around the world we leave space for businesses to localise their approach to implementing these standards, but without compromise to the standards themselves.

CSR goals

Our main focus in 2009 has been on ensuring that the KPI measurement systems we have introduced are embedded in the business and are providing us with accurate and meaningful data on which we can build our CSR strategies. This will enable us to set realistic targets in the future and monitor accurately our progress against them.

Our targets include:

Environment: Introducing carbon reduction measures to enable us to achieve an annual carbon intensity reduction of 4.5% each year to 2012.

Diversity and inclusion: Aiming for all businesses to have carried out an assessment of their current position on diversity and inclusion by the end of 2010.

Diversity and inclusion: Targeting at least 20% female participation in our high potential management development programmes.

Health and safety: Conducting a complete review of the H&S strategy in every business by the end of the year.

Employee engagement: Ensuring that all front-line employees have the opportunity to take part in a feedback survey at least once every two years.

Audit and compliance: Conducting a full annual on-site internal audit of each of our major business units and an internal audit at least every three years for all other businesses.

Community investment: Carrying out an assessment of our current community investment and impact by the end of the year, with a view to increasing our investment over time.

Performance and progress in 2009

Safeguarding our integrity

Business ethics

We believe that having a clear business ethics policy is essential to reinforce our principles throughout the organisation and help make them a reality wherever we operate.

The G4S Business Ethics Policy was first introduced over five years ago, and since then has been continually developed to ensure it remains current and comprehensive. The 2009 policy is available on the G4S website and describes the standards that we apply in our dealings with employees, customers, suppliers, shareholders and governments, covering topics such as:

- Our approach to being a good corporate citizen, including human rights, the environment and local communities
- Our standards of business practice, covering issues such as bribery and corruption, treatment of customers, suppliers and competitors
- Our approach to corporate governance, compliance with the law, accounting standards and reporting
- Our commitments to our employees, incorporating international labour standards, health and safety and diversity and inclusion

Each year, we ask all senior leaders in G4S to personally reaffirm their commitment to the policy, and in 2009, to ensure that the policy is more broadly understood throughout the organisation, it was cascaded throughout the business so that every employee could be made aware of the standards of behaviour that are expected of them and their colleagues.

The mechanisms used to embed these principles vary according to local laws and cultures and include practices such as:

- An employee induction programme
- Employee handbooks
- Establishing employee training programmes
- Promotion of local business ethics and conduct policies
- Discussions with employee representatives
- Reinforcement via communication channels such as newsletters and team briefings
- The appointment of chief compliance officers in some businesses



“Not only has the company engaged in constructive negotiations with labour organisations, to resolve disputes and work out structures to handle labour rights issues in challenging environments, but it has also demonstrated an excellent approach to investor dialogue during the process.”

Jakob König, Analyst
GES Investment Services

Corporate social responsibility continued

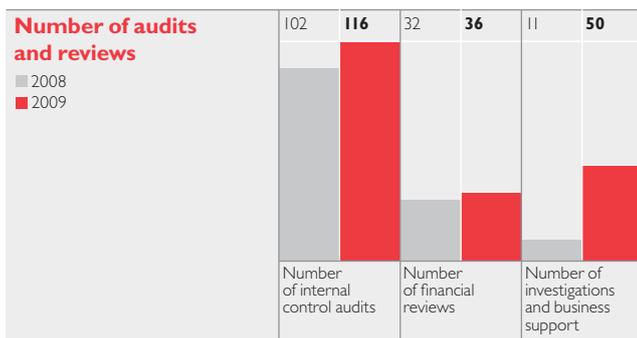
Compliance

Failure to demonstrate integrity to our wide range of stakeholders could damage our reputation and impact upon our ability to grow and develop our business in line with the group strategy, therefore monitoring compliance with our policy on ethical business practices is a key part of ensuring we live up to our "integrity" goals.

Sources of information that allow us to monitor compliance and to support the maintenance of our ethical standards include:

- Internal audit
- Global whistle-blowing facility
- External audit
- Ongoing management reporting, including the G4S risk management process

The chart below shows the internal audit activity during the last two years in terms of assignments completed in different areas:



In 2009, due to extra staffing we were able to increase the number of internal control audits by 14% and financial reviews by 13% compared to 2008.

The increase in the number of investigations and business support work reflects an additional 43 off-site reviews to increase assurance over small businesses not visited during the year.

Securing our workforce

It is vital in an organisation of the size and complexity of G4S to have clear standards to ensure that all employees are treated with respect, dignity and fairness, wherever in the world they work, in line with the G4S values.

We firmly believe that compliance with these HR standards forms the basis of a strong relationship with employees based on trust. Such a relationship is a prerequisite for engaging employees in the business and gaining their commitment to perform at their best for the benefit of customers and G4S.

Our HR standards cover issues such as:

- Performance appraisals
- Training, development and succession
- Recruitment, selection and screening
- Health and safety
- Diversity and inclusion
- Transparent and fair procedures for disciplinary matters, grievances and redundancies
- Reward and recognition
- Labour relations and freedom of association
- Local line and HR managers are responsible for ensuring compliance with these standards

Safety

The nature of our business means that many G4S employees operate in hazardous environments where crime or violence present particular issues for society, and as a result they can become victims of attacks by third parties. Tragically, 36 G4S employees died in 2009 as a result of such attacks. While this figure is significantly lower than in 2008, when 54 employees died, we remain committed to investing time, resource and energy to find new ways to protect our employees as they carry out their critical roles in society, and setting the benchmark for health and safety across the industry.

To support our health and safety strategy, we have defined standards with which all G4S businesses must comply, going substantially beyond the legal requirements in many parts of the world. These cover areas such as setting strategy and policy, measuring and reporting on KPIs, involvement with stakeholders, identifying health and safety risks and reviewing performance.

This expertise is being further enhanced with the appointment of a global health and safety adviser from the International Organisation of Employers to help us ensure that G4S benchmarks well against other multi-national employers.

Employee engagement

We believe that employee engagement is an important driver of sustainable business performance as employees who are fully engaged will do their very best at work and care passionately about delivering first-rate service for our customers.

To generate strong levels of employee engagement we therefore take care to create an environment where people feel proud of G4S, feel valued as individuals, and have the opportunity to undertake work that they find enjoyable and fulfilling.

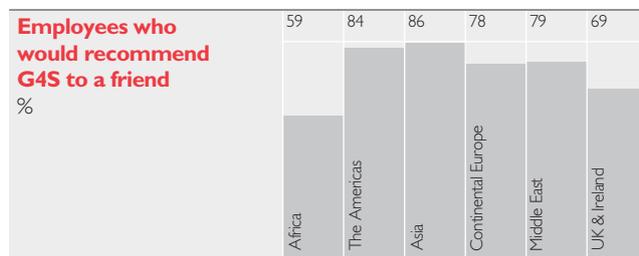
This strategy is reinforced by a range of global standards which have been designed to ensure all businesses work to continually improve levels of engagement among their employees and help reinforce our position as a leading global employer.

Engaging our workforce helps create a virtuous circle, with increased employee motivation and loyalty generating higher levels of productivity and customer service, which delivers a positive and prolonged impact on our bottom line, leading in turn to increased job security and more diverse career opportunities.

We therefore expect all managers to treat each employee as a unique individual, and encourage our employees to actively engage with G4S and create an environment where we can work together to look after our mutual long-term interests.

Employee feedback

To help embed our employee engagement strategy, in 2009 we undertook our first global employee survey in which we asked our people around the world how they viewed G4S as an employer. By the end of the year, over 169,000 employees in 107 businesses had taken the opportunity to share their view – a response rate of almost 30% and an excellent result given the significant proportion of remote workers in G4S. We believe this to be one of the largest global surveys of its kind and are very proud that our colleagues around the world took the time to share their views on working with G4S.

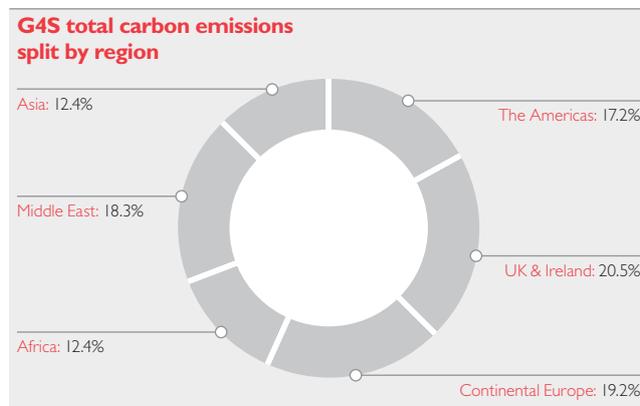


Labour relations

2009 saw the global labour relations climate in the group move forward significantly as the company began to implement its Ethical Employment Partnership (EEP) with UNI, the global union federation. Signed in late 2008, the EEP is designed to drive improvements in employment standards across the security industry while helping to ensure that employee and union rights are respected throughout the group, resulting in a positive impact on employees, their families and their communities.

Securing our environment

Reducing resource usage lowers our impact on the environment and helps us increase the efficiency of our operations. We have made significant progress over the last two years in measuring carbon emissions and setting carbon intensity reduction targets. We calculate that during 2009, G4S businesses emitted some 628,000 t/CO₂e.



In March 2009, G4S established a three-year environmental strategy which can be summarised as follows:

- Systematically measure the carbon emissions of the group for at least 90% of the business
- Comply with all relevant legislation and codes of conduct
- Seek environmental business opportunities which comply with the G4S business strategy
- Implement carbon reduction technologies to reduce carbon intensity measured against our revenue by 4.5% per year from 2010 to 2012
- Develop an organisation to support the G4S Climate Action & Environmental Policy
- Communicate the G4S Climate Action & Environmental Policy and Objectives to key stakeholders

Engaging with employees on climate issues

In 2009, G4S launched "The Big Think" to highlight the issues surrounding climate change and encourage our employees to think about the steps, however small, that they can take themselves to help limit climate change. As a major global employer we believe that our staff are critical to the success of our Climate Action Programme and their individual actions can result in wide-ranging and effective energy efficiencies.

Securing our communities

The group provides funding for four major, long-term community-based initiatives around the world as part of our commitment to being a good corporate citizen. These include a children's home in Shanghai, a tree-planting programme in Malawi, Gifts 4 Schools in Jamaica and a school for underprivileged children in Delhi.

In addition, in every country where we operate, we seek to make a positive impact on the local communities where our staff, customers and suppliers live and work. Around the world we encourage our businesses to invest in community projects, whether directly with cash or through staff volunteering, fundraising and provision of G4S services.

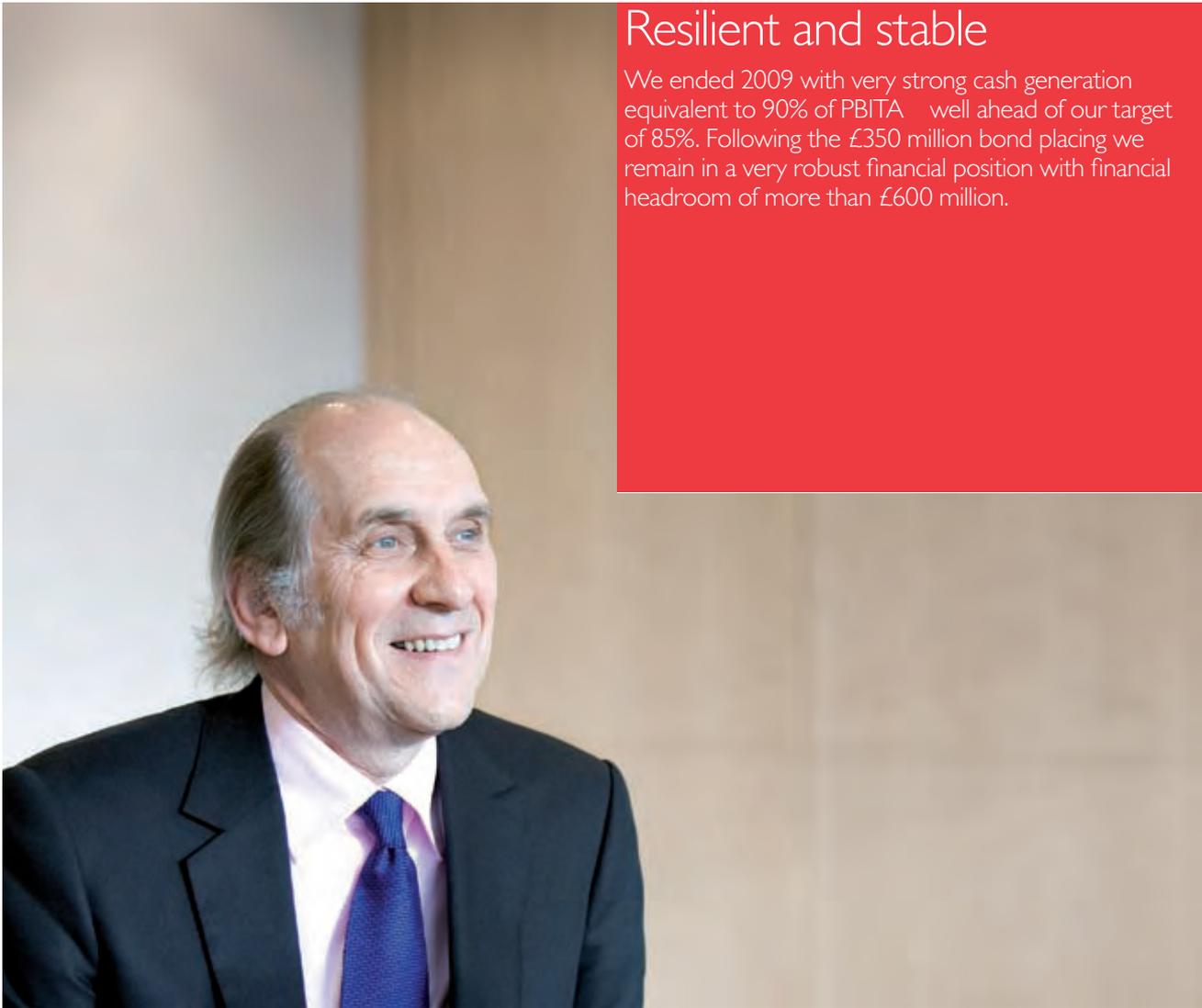
Many of G4S' specialist business activities deliver immense community benefits. Our mine action teams remove unexploded ordnance from former conflict zones across the world, making them safe for farming, housing and economic development. Staff in our prisons in the UK, US, Australia and South Africa run programmes dedicated to helping offenders turn away from a life of crime after release from custody, benefiting the communities to which they return.

Focusing on children and young people

Different countries across the world face different challenges to their societies and social wellbeing. With operations in more than 110 countries, we are very aware of the many worthy causes and projects which deserve our support. Our general strategy is for our business units to support local programmes and charities which reflect the issues faced by their local communities. Therefore, G4S provides funding, volunteers and services to a broad range of organisations in the communities in which our employees live and work. As well as directly benefiting the communities concerned, this action improves our engagement with our staff and deepens our relationships with our customers.

The majority of our local programmes focus on the health, education, welfare and support of children and young people, although some G4S businesses focus on the elderly, the poor and other disadvantaged or vulnerable groups.

Financial review



Resilient and stable

We ended 2009 with very strong cash generation equivalent to 90% of PBITA – well ahead of our target of 85%. Following the £350 million bond placing we remain in a very robust financial position with financial headroom of more than £600 million.

Basis of accounting

The financial statements are presented in accordance with applicable law and International Financial Reporting Standards, as adopted by the European Union ("adopted IFRSs"). The group's significant accounting policies are detailed in note 3 on pages 64 to 69 and those that are most critical and/or require the greatest level of judgement are discussed in note 4 on page 70.

Operating results

The overall results are commented upon by the chairman in his statement and operational trading is discussed in the operating review on pages 8 to 27. Profit from operations before amortisation of acquisition-related intangible assets (PBITA) amounted to £500.3m, an increase of 21% on the £415.0m in 2008 and an increase of 10.0% at constant exchange rates.

Associates

Included within PBITA is £1.2m (2008: £3.4m) in respect of the group's share of profit from associates, principally from the business of Space Gateway in the US which provides safety services to NASA.

Acquisitions and acquisition-related intangible assets

Investment in acquisitions in the year amounted to £153.2m. This comprises a cash outlay of £157.5m, deferred consideration of £6.2m offset by a £10.5m tax refund relating to earlier years. This investment generated goodwill of £82.3m and other acquisition-related intangible assets of £51.9m.

The group undertook several acquisitions in the year, the most significant of which were Adesta LLC, a leading US systems integrator in the design and operation of security systems and command and control centres for government and regulated services acquired on 31 December 2009 for \$66m and All Star International, one of the premier facilities management and base operations support companies providing services to the US Government, acquired on 23 November 2009 for \$59.9m.

Other acquisitions included the purchase of controlling interests in SecPoint Security Limited, a secure solutions business in Ghana; Sunshine Youth Services, a juvenile justice business in the US; CL Systems Limited, a cash solutions business in Greater China; SMI, a cash solutions business in the UK; NSSC, a US risk consulting business to the nuclear power industry and the public sector and Hill & Associates, Asia's leading provider of specialist risk mitigation consulting services.

The group also completed the minority buy-outs of certain businesses in New Markets during the year.

The largest acquisition in 2008 was the purchase of the Global Solutions group ("GSL"), an international leader in the provision of support services for governments, public authorities and the private sector, based in the UK, on 12 May 2008.

Other significant acquisitions in the prior year included ArmorGroup, an international provider of defensive, protective security services, headquartered in the UK; Touchcom, a security consultancy and design business in the US; RONCO, an international provider of humanitarian mine action and ordnance services, specialised security and training, headquartered in the US; MJM Investigations, a provider of insurance fraud mitigation and claims services in the US; Rock Steady, providing event security in the UK; Travel Logistics, a provider of passport and visa services in the UK; and Progard, the market leader in professional security services in the Republic of Serbia.

In addition, the group acquired the 49% of its business in Macau that it did not already own, and completed the purchase of the remaining minority interest in the multi-service businesses in the Baltic States.

The contribution made by acquisitions to the results of the group during the year is shown in note 17 on pages 80 to 83.

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £83.2m. Goodwill is not amortised. Acquisition-related intangible assets included in the balance sheet at 31 December 2009 amounted to £2,043.9m goodwill and £361.2m other.

Investment in acquisitions in the year amounted to £153.2 million net

At constant exchange rates PBITA increased by 10.0%

PBITA increased 21% to £500.3 million

Financial review continued

Financing items

Finance income was £81.7m and finance costs £196.0m, giving a net finance cost of £114.3m. Net interest payable on net debt was £89.1m. This is an increase of 10% over the 2008 cost of £81.0m due principally to the impact of exchange differences. The group's average cost of gross borrowings in 2009 was 4.7% compared to 5.5% in 2008. The cost based on prevailing interest rates at 31 December 2009 was 4.5% compared to 4.6% at 31 December 2008.

Also included within financing are other net interest costs of £6.2m (2008: £7.2m), including the unwinding of the discount on put options over minority interests, and a net cost of £19.0m (2008: net income of £3.7m) in respect of movements in the group's net retirement benefit obligations.

Taxation

The taxation charge of £100.0m provided upon profit from operations before amortisation of acquisition-related intangible assets, represents a tax rate of 26%, compared to 27% in 2008. The group believes that an effective tax rate of around this level is sustainable going forward as a result of the ongoing rationalisation of the post-merger group legal structure and the elimination of fiscal inefficiencies. The amortisation of acquisition-related intangible assets gives rise to the release of the related proportion of the deferred tax liability established when the assets were acquired, amounting to £23.3m. Potential tax assets in respect of losses amounting to £449.7m have not been recognised as their utilisation is uncertain.

Disposals and discontinued operations

The group disposed of its manned security business in France on 28 February 2009. In addition, during the year the group disposed of a number of small businesses, including the captive insurance business in Luxembourg on 23 December 2009, as well as discontinuing the systems installation business in Slovakia.

During the prior year the group disposed of its secure solutions businesses in Germany on 15 May 2008 and of its security systems business in France on 31 July 2008.

The loss attributable to discontinued operations comprises a profit of £5.6m in respect of post-tax trading of discontinued businesses and a loss of £12.5m in respect of the disposals made in the current year.

The result from discontinued operations in 2008 comprises a loss of £11.7m in respect of trading of both the 2008 and the 2009 disposals, a £12.0m profit in respect of disposals, an impairment of £29.4m in respect of the carrying value of the group's manned security business in France and a £1.6m profit in respect of adjustments to prior year disposals.

The net cash proceeds from business disposals received in 2009 were £8.3m.

The contribution to the turnover and operating profit of the group from discontinued operations is shown in note 6 on pages 71 to 74 and their contribution to net profit and cash flows is detailed in note 7 on page 75.

Profit for the year

Profit for the year was £219.2m, compared to £164.9m in 2008. The increase represents the £85.3m increase in PBITA less the £29.8m increase in net interest cost, the £15.4m increase in amortisation of acquisition-related intangible assets, the £6.4m increase in the tax charge less the £20.6m decrease in loss from discontinued operations.

Minority interests

Profit attributable to minority interests was £16.7m in 2009, slightly higher than the £13.7m for 2008, reflecting minority partner shares in the group's organic and acquisitive growth, less a reduction in minority shares in net profits consequent upon the group increasing its interests in certain subsidiaries.

Earnings per share

Basic earnings per share from continuing and discontinued operations was 14.4p compared to 11.1p for 2008. These earnings are unchanged when calculated on a fully diluted basis, which allows for the potential impact of outstanding share options.

Adjusted earnings, as analysed in note 16 on page 79, excludes the result from discontinued operations, amortisation of acquisition-related intangible assets and retirement benefit obligations financing items, all net of tax, and better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future performance. Adjusted earnings per share was 20.2p, an increase of 22% on 16.6p for 2008.

Dividends

The directors recommend a final dividend of 4.16p (DKK 0.3408) per share. This represents an increase of 13.0% upon the final dividend for the year to 31 December 2008 of 3.68p (DKK 0.3052) per share. The interim dividend was 3.02p (DKK 0.2599) per share and the total dividend, if approved, will be 7.18p (DKK 0.6007) per share, representing an increase of 11.7% over the 6.43p (DKK 0.5624) per share total dividend for 2008.

The proposed dividend cover is 2.8 times (2008: 2.5 times) on adjusted earnings. The group's intention is that dividends continue to increase broadly in line with normalised adjusted earnings.

The tax rate in 2009 was 26% compared to 27% in 2008

Profit for the year was £219.2 million compared to £164.9 million in 2008

The directors recommend a final dividend of 4.16p, up 13.0% on 2008

Cash flow

The primary cash generation focus of group management is on the percentage of operating profit converted into cash. From 2007, the group's target conversion rate was raised from 80% to 85%. Operating cash flow, as defined for management purposes, was as follows:

	2009 £m	2008 £m
PBITA	500.3	415.0
Less share of profit from associates	(1.2)	(3.4)
PBITA before share of profit from associates (Group PBITA)	499.1	411.6
Depreciation and amortisation of intangible assets other than acquisition-related	136.2	116.1
(Profit)/loss on disposal of property, plant and equipment	(0.3)	2.1
Movement in working capital and provisions	(15.4)	(15.3)
Net cash flow from capital expenditure	(169.7)	(161.3)
Operating cash flow	449.9	353.2
Operating cash flow as a percentage of group PBITA	90%	85%

Capital expenditure relative to the depreciation charge can vary from year to year due to the timing of asset replacements. It was 125% of depreciation in 2009, compared to 139% in 2008. Overall operating cash generation for the year was good, as a result of the maintenance of financial discipline across the organisation.

The management operating cash flow calculation is reconciled to the net cash from operating activities as disclosed in accordance with IAS7 Cash Flow Statements as follows:

	2009 £m	2008 £m
Cash flow from operating activities (IAS 7 definition)	509.2	373.0
Net cash flow from capital expenditure	(169.7)	(161.3)
Add-back cash flow from discontinued operations	12.7	27.2
Add-back additional retirement benefit contributions	29.9	32.3
Add-back tax paid	67.8	82.0
Operating cash flow (G4S definition)	449.9	353.2

The additional retirement benefit payments in 2008 included a one-off payment of £5.4m in respect of the acquired GSL scheme.

The group's free cash flow, as defined by management, is analysed as follows:

	2009 £m	2008 £m
Operating cash flow	449.9	353.2
Net interest paid	(86.7)	(80.0)
Tax paid	(67.8)	(82.0)
New finance leases	(19.7)	(17.1)
Free cash flow	275.7	174.1

Free cash flow is reconciled to the total movement in net debt as follows:

	2009 £m	2008 £m
Free cash flow	275.7	174.1
Cash flow from discontinued operations	(12.7)	(27.2)
Additional retirement benefit contributions	(29.9)	(32.3)
Net cash outflow on acquisitions	(153.5)	(629.7)
Net cash (outflow)/inflow from disposals	(9.5)	31.1
Net cash flow from associates	2.4	12.2
Dividends paid to minority interests	(18.0)	(11.9)
Share issues less share purchases	(7.1)	268.0
Dividends paid to equity holders of the parent	(94.2)	(75.0)
Net cash flow from hedging financial instruments	(10.2)	(65.9)
Movement in net debt in the year	(57.0)	(356.6)
Foreign exchange translation adjustments to net debt	(28.7)	(186.2)
Net debt at 1 January	(1,347.7)	(804.9)
Net debt at 31 December	(1,433.4)	(1,347.7)

Net debt represents the group's total borrowings less cash, cash equivalents and liquid investments. The components of net debt are detailed in note 39 on page 105.

Adjusted EPS was 20.2p, an increase of 22% on 16.6p for 2008

Operating cash flow was £449.9 million

Operating cash flow as a percentage of operating profit was 90%

Financing and treasury activities

The group's treasury function is responsible for ensuring the availability of cost-effective finance and for managing the group's financial risk arising from currency and interest rate volatility and counterparty credit. Treasury is not a profit centre and is not permitted to speculate in financial instruments. The treasury department's policies are set by the board. Treasury is subject to the controls appropriate to the risks it manages. These risks are discussed in note 33 on pages 95 to 97.

Financing

The group's funding position is strong, with sufficient headroom against available committed facilities and very little debt maturing before 2012.

The group's primary source of finance is a £1.1bn multi-currency revolving credit facility provided by a consortium of lending banks at a margin of 0.225% over Libor and maturing on 28 June 2012.

The group also has US\$550m in financing from the private placement of unsecured senior loan notes on 1 March 2007, maturing at various dates between 2014 and 2022 and bearing interest at rates between 5.77% and 6.06%. The fixed interest rates payable have been swapped into floating rates for the term of the notes, at an average margin of 0.60% over Libor.

On 15 July 2008, the group completed a further \$514m and £69m private placement of unsecured senior loan notes, maturing at various dates between 2013 and 2020 and bearing interest at rates between 6.09% and 7.56%. The proceeds of the issue were used to reduce drawings against the revolving credit facility. \$265m of the US dollar receipts have been swapped into sterling for the term of the notes.

On 9 March 2009, the group obtained a BBB credit rating from Standard & Poor's. This credit rating supported the group's inaugural transaction in the public bond market, a £350m note issued on 13 May 2009 bearing an interest rate of 7.75% and maturing in 2019.

At 31 December 2009, the group had other short-term committed facilities of £45m and uncommitted facilities of £515m.

The group's net debt at 31 December 2009 of £1,433.4m represented a gearing of 99%. The group headroom at 31 December 2009 was £614.7m. The group has sufficient capacity to finance current investment plans.

Interest rates

The group's investments and borrowings at 31 December 2009 were, with the exception of the issue of private placement notes in July 2008 and public notes in May 2009, at variable rates of interest linked to Libor and Euribor, with the group's exposure being predominantly to interest rate risk in US dollar and euro. The group's interest risk policy requires treasury to fix a proportion of this exposure on a sliding scale utilising interest rate swaps. The maturity of these interest rate swaps at 31 December 2009 was limited to five years. The market value of the Loan Note-related pay-variable receive-fixed swaps outstanding at 31 December 2009, accounted for as fair value hedges, was a gain of £39.0m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross-currency swaps outstanding at 31 December 2009, accounted for as cash flow hedges, was a gain of £8.7m.

Foreign currency

The group has many overseas subsidiaries and associates denominated in various currencies. Treasury policy is to manage significant translation risks in respect of net operating assets using foreign currency denominated loans, where possible. The group no longer uses foreign exchange contracts to hedge the residual portion of net assets not hedged by way of loans. The group believes cash flow should not be put at risk by these instruments in order to preserve the carrying value of net assets, given the changed liquidity environment following the global credit crisis. At 31 December 2009, the group's US dollar and euro net assets were approximately 75% and 87% respectively hedged by foreign currency loans.

Exchange differences on the translation of foreign operations included in the consolidated statement of comprehensive income amount to a loss of £64.7m (2008: gain of £100.9m). These differences are net of a £28.7m loss (2008: £186.2m) on the retranslation of net debt and a £10.2m cash outflow (2008: £65.9m) from forward exchange contracts.

The market value of forward contracts outstanding at 31 December 2009 was a loss of £0.1m.

The group obtained a BBB rating from Standard & Poor's in March 2009

The group's headroom at 31 December 2009 was £614.7 million

Cash management

To assist the efficient management of the group's interest costs and its short-term deposits, overdrafts and revolving credit facility drawings, the group operates a global cash management system. At 31 December 2009, more than 110 group companies participated in the cash pool. Debit balances of £146.9m and credit balances of £147.5m were held within the cash pool. The group met the conditions of IFRS allowing balances within this cash pool to be offset for reporting purposes.

Retirement benefit obligations

The group's primary defined benefit retirement schemes are those operated in the UK, but it also operates such schemes in a number of countries, particularly in Europe and North America. The latest full actuarial assessments of the UK schemes were carried out at 31 March 2007 in respect of the Group 4 scheme (approximately 8,000 members), at 5 April 2006 in respect of the Securicor scheme (approximately 20,000 members) and at 31 March 2005 in respect of the GSL scheme (approximately 2,000 members) acquired during the prior year. These assessments and those of the group's other schemes have been updated to 31 December 2009. The group's funding shortfall on the valuation basis specified in IAS19 Employee Benefits was £328m before tax or £236m after tax (2008: £286m and £206m respectively).

The valuation of gross liabilities increased during 2009 largely due to a decrease in the appropriate AA corporate bond rate in the UK from 6.3% to 5.7%, and compounded by an increase in inflation from 3.1% to 3.6% in the UK. However, the value of the assets held in the funds increased by £143m which helped to partly offset the increase in liabilities during 2009.

The group believes that the short-term volatility in reported retirement benefit obligations, in response to movements in asset prices and financial circumstances, is of limited relevance in the context of liabilities which are exceptionally long term in nature and furthermore that, over the long term, investment returns on the retirement benefit scheme assets will be sufficient to fund retirement benefit obligations. However, in recognition of the regulatory obligation upon pension fund trustees to address reported deficits if they arise, the group anticipates that additional cash contributions will continue to be made at least at a level similar to that in 2009. The three schemes in the UK have combined under one trustee body with effect from 1 January 2009 and will all be formally actuarially assessed at 5 April 2009.

The group's funding shortfall for its defined benefit retirement schemes was £236m after tax.

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate Governance Statement on pages 47 to 49.

Going concern

The directors are confident that, after making enquiries and on the basis of current financial projections and available facilities, they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.



Trevor Dighton
Chief financial officer

Group principal risks

Our risk assessment and management process

The group operates around 150 businesses spread over more than 110 countries and across a range of product areas. Most of the risks identified below are market specific and so the diversity of the group's operations means any particular issue should have a limited impact.

The group operates a management structure that is appropriate to the scale and breadth of its activities, and the internal audit department operates under a wide remit to ensure strict adherence to group authorisation procedures and control standards as outlined here.

Risk Management Process

Audit Committee overview



Risk and potential impact

Price competition

The security industry comprises a number of very competitive markets. In particular, manned security markets can be fragmented with relatively low economic barriers to entry and the group competes with a wide variety of operators of varying sizes. Actions taken by the group's competitors may place pressure upon its pricing, margins and profitability.

Major changes in market dynamics

Such changes in dynamics could include new technologies, government legislation or customer consolidation and could, particularly if rapid or unpredictable, impact the group's revenues and profitability.

Security can be a high profile industry. There is a wide and ever-changing variety of regulations applicable to the group's businesses across the world, with a recent development being an increase of restriction of foreign ownership in some countries. Failure, or an inability, to comply with such regulations may adversely affect the group's revenues and profitability.

Cash losses

The group is responsible for the cash held on behalf of its customers. Increases in the value of cash lost through criminal attack may increase the costs of the group's insurance. Were there to be failures in the control and reconciliation processes surrounding customer cash these could also adversely affect the group's profitability.

Onerous contractual obligations

Should the group commit to sales contracts specifying disadvantageous pricing mechanisms, unachievable service levels or excessive liability, it could impact its margins and profitability.

Defined benefit pension schemes

A prolonged period of poor asset returns and/or unexpected increases in longevity could require increases in the current levels of additional cash contributions to defined benefit pension schemes, which may constrain the group's ability to invest in acquisitions or capital expenditure, adversely impacting its growth and profitability.

Inappropriate sourcing of staff

The group's greatest asset is its large and committed workforce. However, were the group to source inappropriate staff, whether as permanent employees, temporary workers or sub-contractors, the result could be detrimental to the group's reputation and could adversely affect the group's growth and profitability.

Poor operational service delivery

Should the group fail to meet the operational requirements of its customers it could impact its reputation, contract retention and growth.

Financing

If, due to adverse financial market conditions, insufficient or only very costly financial funding were available, the group might not be in a position to implement its strategy or invest in acquisitions or capital expenditure, adversely impacting its growth and profitability. This includes possible bank bankruptcy, loss of headroom particularly from movement of exchange rates, unavailability of bank, bond or other sources of financing and downgrading of the G4S credit rating.

Mitigation

<ul style="list-style-type: none"> – Group management continually monitors competitor activity to ensure that the group can react quickly to any competitor actions which would directly affect the group's results. – All business plans and strategic planning includes competitor and SWOT analysis and the pricing strategy for contracts is managed through business unit and regional price approval levels. Significant price reductions require group capex committee approval. 	<ul style="list-style-type: none"> – The group will be undertaking a project to refine the customer measurement system during early 2010 which should further enhance competitor analysis.
<ul style="list-style-type: none"> – The group performs strategic and business planning at group, division, region and business unit level to ensure that specific local regulation requirements are met. Monthly business unit trading reviews ensure that market changes are identified quickly and actions taken to maintain performance and ensure that business objectives continue to be achieved. 	<ul style="list-style-type: none"> – The group also monitors local markets and engages with local governments around the world involving the group legal department where appropriate to ensure adherence to regulatory requirements, to identify any restrictions that could adversely impact the group's activities and take appropriate actions.
<ul style="list-style-type: none"> – The group has formal systems and policies in place documenting physical security procedures and security directives and adheres to a security framework to help reduce the risk of cash losses. – The group also operates captive insurance business units to mitigate against the financial risk of losses and attacks. – All transactions are subject to strict authorisation limits and regular reconciliations of cash balances are performed for both cash in ATMs and cash held on customers' behalf. 	<ul style="list-style-type: none"> – In addition there is regular reporting of any cash losses/attacks and audits of security are performed in branches. – Recently the group has implemented a number of actions around recruiting regional cash reconciliation managers to increase the frequency and profile of cash reconciliations throughout the group.
<ul style="list-style-type: none"> – Any new contracts entered into are subject to defined approval process criteria. Standard contracts with standard terms and conditions are used where possible. Non-standard contracts which expose the group to material risk (e.g. unlimited liability) are subject to risk assessment and depending on the level of risk exposure are referred for regional and group legal department review. 	<ul style="list-style-type: none"> – The group maintains a contract risk database and management system to monitor the ongoing risks involved. The contract management system was subject to a major upgrade during 2009.
<ul style="list-style-type: none"> – The performance of the group's pension schemes and deficit funding plans are reviewed regularly by both the group and the trustees of the schemes taking actuarial and investment advice as necessary. 	<ul style="list-style-type: none"> – The results of these reviews are discussed with the board and appropriate action is taken. Please refer to note 34 to the group accounts for further details of the group's retirement benefit plans and upcoming valuations.
<ul style="list-style-type: none"> – The group has standard recruitment policies and procedures in place to ensure that only appropriate staff are recruited. These include formal vetting procedures carried out during application with formal sign-off that the group standards have been met before a new staff member, temporary worker or sub-contractor is able to commence work. 	<ul style="list-style-type: none"> – Steps have been taken to further tighten controls and increase independent monitoring of business unit compliance with these standards. For 2010 onwards a formal business unit compliance review by regional human resources management has been instigated. – Particular attention is given to acquired businesses to ensure that they meet the group standards.
<ul style="list-style-type: none"> – Group-wide operational procedures and standards are in place and enforced in all business units. There is also a robust supervision structure which allows management to monitor the progress and delivery of the group's contracts and customer relationships. 	
<ul style="list-style-type: none"> – The group treasury department monitors and follows policies to mitigate against liquidity, refinancing and currency/exchange rate risks. Refer to note 33 to the group accounts for more details. 	<ul style="list-style-type: none"> – The group's historical main source of funding has been a revolving bank facility of £1.1bn that is due for renewal in 2012. Recently the group has sought to diversify its sources of finance by issuing a number of private placement bonds both in the US and more recently in the UK. These have spread out the refinancing requirements over the next ten years to ensure the group has access to sufficient funds to meet its business and strategic plans.

Board of directors



1 Alf Duch-Pedersen (63)

Chairman

Chairman of the Nomination Committee

Alf was appointed to the board in May 2004 and became its chairman in June 2006. He is also chairman of the Nomination Committee. Alf's career has involved managing multinational companies based in both Scandinavia and the UK, and covering a range of industries from manufacturing and financial services to food and food products. He was president and chief executive of Tryg-Baltica A/S from 1991 to 1997 and fulfilled the same roles at Danisco A/S from 1997 to 2006. He is now chairman of the board of Danske Bank A/S.



4 Mark Seligman (54)

Non-executive director

Chairman of the Audit Committee

Member of the Remuneration Committee

Mark was appointed to the board in January 2006 and is the chairman of the Audit Committee and a member of the Remuneration Committee. Having qualified as a chartered accountant with Price Waterhouse, Mark spent 12 years with SG Warburg before joining BZW in 1995. Then, following the takeover of BZW, he became Head of UK Investment Banking at CSFB and subsequently deputy chairman of CSFB Europe. In 2003, he became chairman of UK Investment Banking for CSFB and in 2005 became a senior advisor to Credit Suisse Europe. He is an alternate member of the Panel on Takeovers and Mergers, chairman of the Industrial Development Advisory Board and a non-executive director of BG Group plc.



7 Thorleif Krarup (57)

Non-executive director

Member of the Audit Committee

Thorleif was appointed to the board in May 2004 and is a member of the Audit Committee. A former chairman of TDC (Tele Danmark Corporation) and former group chief executive of Nykredit A/S, Unibank A/S and Nordea AB, Thorleif is currently chairman of Exiqon A/S, Sport One Danmark A/S and Nutri Pharma ASA. He is also deputy chairman of H. Lundbeck A/S, ALK-Abello A/S and LFI A/S and a director of the Lundbeck Foundation.

2 Nick Buckles (49)**Chief executive**

Nick was appointed to the board in May 2004 and was the company's deputy chief executive and chief operating officer, before becoming chief executive in July 2005. Nick joined Securicor in 1985 as a projects accountant. In 1996, he was appointed managing director of Securicor Cash Services (UK) and became chief executive of the security division of Securicor in 1999. He was appointed to the board of Securicor plc in 2000 and became its chief executive in January 2002. Nick is also a non-executive director of Arriva plc.

5 Trevor Dighton (60)**Chief financial officer**

Trevor was appointed to the board in May 2004. An accountant, he joined Securicor in 1995 after a previous career which included posts in both the accountancy profession and in industry, including five years in Papua New Guinea, three years in Zambia and seven years with BET plc. He joined Securicor's vehicle services division in 1995, was appointed finance director of its security division in 1997 and became its deputy group finance director in 2001. He was appointed to the board of Securicor plc as group finance director in June 2002. Trevor became the company's chief financial officer in July 2004.

8 Grahame Gibson (57)**Chief operating officer**

Grahame was appointed to the board in April 2005. He joined Group 4 in 1983, starting as Finance Director (UK) followed by a number of senior roles, including Deputy Managing Director (UK), Vice President (Corporate Strategy), Vice President (Finance and Administration), Vice President Operations (Central & South Eastern Europe and UK) and Chief Operating Officer of Group 4 Falck. In July 2004, he became the group's divisional president for Americas & New Markets. Grahame became chief operating officer in July 2005 and is also regional president for North America secure solutions.

3 Mark Elliott (60)**Non-executive director****Member of the Remuneration and Nomination Committees**

Mark was appointed to the board in September 2006 and is a member of the Remuneration and Nomination Committees. Based in the USA, he worked for IBM between 1970 and 2008, having occupied a number of senior management positions including General Manager, IBM Europe, Middle East and Africa, where he was responsible for the company's operations in more than 110 countries. Mark is now the non-executive chairman of QinetiQ Group PLC and a non-executive director of Reed Elsevier PLC and Reed Elsevier Group plc, a member of the supervisory board of Reed Elsevier NV and chairman of Reed Elsevier's remuneration committee. He also serves on the Deans Advisory Council and the Technology Advisory Council at Indiana University.

6 Lord Condon (63)**Deputy chairman and senior independent director****Chairman of the Remuneration Committee****Member of the Audit and Nomination Committees****Senior independent director**

Lord Condon was appointed to the board in May 2004. He became deputy chairman of the board in September 2006 and is chairman of the Remuneration Committee, a member of the Audit and Nomination Committees and the senior independent director. Paul joined the Metropolitan Police in 1967 and, after holding various senior appointments in the police force, including a period as Chief Constable of Kent, he served as Commissioner of the Metropolitan Police between 1993 and 2000. He was created a life peer in 2001 and is an advisor to international sports governing bodies and a member of the Advisory Board of Vidient Systems Inc.

9 Bo Lerenius (63)**Non-executive director****Member of the Audit and Remuneration Committees**

Bo was appointed to the board in May 2004 and is a member of the Audit and Remuneration Committees. After a diverse early business career, he served as chief executive of Ernstströmgruppen AB, a Swedish building materials company, between 1985 and 1992 when he joined Stena Line AB, where he was chief executive and vice chairman. In 1999, he became group chief executive of Associated British Ports Holdings plc. He is now the non-executive chairman of Mouchel Group Plc and a non-executive director of Land Securities Group plc and Thomas Cook Group Plc, chairman of the Swedish Chamber of Commerce for the United Kingdom and a senior advisor to the infrastructure fund of Swedish venture capital group EQT.

Executive management team



1 Nick Buckles

Chief executive officer

Nick has worked in the security industry for 25 years, focusing throughout this time on the commercial and strategic aspects of all areas of security services.

After a variety of commercial roles throughout the group, he was responsible for driving significant profit improvements in many Securicor businesses throughout the 1990s as a business unit managing director and divisional chief executive of the security division. He was also instrumental in the development of Securicor's security sector focus, becoming Group Chief Executive in 2002, and in bringing together Group 4 Falck and Securicor to create the new combined group. Nick became Chief Executive of G4S in July 2005. Nick is Chairman of the Ligue Internationale des Sociétés de Surveillance, the international association of leading security companies.

2 Trevor Dighton

Chief financial officer

Trevor has worked in the security industry for 24 years. After several years in both the accountancy profession and commerce working in the finance function and general management, he joined BET in 1986 as finance director of their Security and Communications Division.

Trevor joined Securicor in 1995 and, following a number of years as finance director of the security division, he was appointed to the board of Securicor plc in June 2002 as group finance director. He became chief financial officer of G4S in July 2004.

Trevor is a Fellow of the Chartered Institute of Management Accountants.



3 Grahame Gibson

Chief operating officer and divisional president – secure solutions

Grahame has been involved in the security industry for 27 years, having joined Group 4's UK operating company in 1983 as Finance Director.

Since that time, Grahame has held a number of operational, management and board positions in the UK, USA, Denmark, the Netherlands and Austria.

His broad experience of the security industry and management of businesses across a diverse range of cultures has been invaluable to the group throughout its development. Grahame joined the board of G4S in April 2005.

Grahame is a board member of the Ligue Internationale des Sociétés de Surveillance.

4 Ken Niven

Divisional president – cash solutions

Ken has 14 years' experience in the security industry, having joined Securicor in 1996 as operations director of the UK cash services business where he was later promoted to managing director and was instrumental in the development of new product areas, including cash centre outsourcing and establishing Securicor's independent ATM network.

Ken was appointed to his current role in July 2004 and is responsible for the group's cash solutions division, which includes all of the major cash solutions business units, and for sharing cash solutions best practice throughout the entire organisation. Ken joined the security industry following a successful career within the logistics management industry where he held senior roles at Express Foods, Excel Logistics and Coca-Cola.

Ken is President of ESTA, the European cash services association, and is a member of the Chartered Institute of Logistics and Transport.



5 Søren Lundsberg-Nielsen

Group general counsel

Søren began his career as a lawyer in Denmark and since 1984 he has had a wide range of legal experience as General Counsel for international groups in Denmark, Belgium and the US before joining Group 4 Falck in 2001 as General Counsel. Søren has been involved in a wide range of successful mergers and acquisitions during his career, including the acquisition of Wackenhut and the merger of Group 4 Falck and Securicor. Søren now has overall responsibility for all internal and external legal services for G4S as well as the group's insurance programme.

Søren is a member of the Danish Bar and Law Society, a board member of the Danish Blood Donation Society, member of the Advisory Board of the Danish UK Chamber of Commerce and author of the book "Executive Management Contracts", published in Denmark.

6 Irene Cowden

Group HR director

Irene has spent her career in HR management, specialising in employee relations, organisational development, talent management and compensation issues. She has been involved in major change projects including the cultural and integration aspects of mergers and acquisitions as well as large scale organisational change involving workforce restructuring, working in partnership with major trade unions.

Irene has worked in the security industry for 32 years and has held director level positions at business unit, divisional and corporate level. She was appointed to the Board of Securicor plc in 2002 as Group HR Director.

Irene is a member of the Chartered Institute of Personnel and Development (MCIPD).

Report of the directors for the year ended 31 December 2009

The directors have pleasure in presenting their Annual Report together with the audited financial statements of G4S plc and the consolidated financial statements of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 31 December 2009.

G4S plc has its primary listing on the London Stock Exchange and a secondary listing on the NASDAQ OMX exchange in Copenhagen.

1 Principal activities of the group

G4S plc is a parent company with subsidiaries, associated undertakings and joint ventures.

The principal activities of the group comprise the provision of secure solutions (including manned security services, care and justice services and security systems) and cash solutions (including the management and transportation of cash and valuables) as well as the undertaking of other outsourced business processes in sectors where security and safety risks are considered a strategic threat.

2 Group results

The consolidated result for the year is shown in the consolidated income statement on page 58.

Details of the development and performance of the group's business during the year, its position at the year end, future developments, principal risks and uncertainties, prospects of the group and other information which fulfils the requirements of the Business Review are contained on pages 4 to 39 and are incorporated in this report by reference. The Corporate Governance Statement set out on pages 47 to 49 is also incorporated in this report by reference. The group's financial risk management objectives and policies in relation to its use of financial instruments, and its exposure to price, credit, liquidity and cash flow risk, to the extent material, are set out in note 33 to the consolidated financial statements on pages 95 to 97.

3 Dividends

The directors propose the following net dividend for the year:

- Interim dividend of 3.02p (DKK 0.2599) per share paid on 30 October 2009.
- Final dividend of 4.16p (DKK 0.3408) per share payable on 4 June 2010.

Shareholders on the Danish VP register will receive their dividends in Danish kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish kroner, in which case they should apply in writing to the Registrars by no later than 5 May 2010.

4 Significant business acquisitions, disposals and developments

In January 2009, Wackenhut Valores SA was disposed of in Panama.

In January 2009, Gottschalk Feuerschutzanlagen GmbH & Co. KG was disposed of in Germany.

In February 2009, G4S disposed of G4S Holdings (France) SAS, the holding company for the group's French security services businesses.

In February 2009, Secura Monde International Limited and Shiremoor International Engineering Limited were acquired in the UK.

In March 2009, the business and assets of ADT Security Services were acquired in Taiwan.

In April 2009, the business and assets of Sunshine Youth Services were acquired in the US.

In May 2009, the company issued £350m, 7.75% bonds due 13 May 2019.

In June 2009, Archive Solutions Limited was acquired in Kenya.

In June 2009, the business and assets of Pacific Security Alarm were acquired in Guam.

In June 2009, the Fogl Knight group was acquired in Australia.

In September 2009, 83% of Control Systems Argentina SA was acquired.

In November 2009, a number of companies in the Hill & Associates group were acquired, primarily in the Asia Pacific region.

In November 2009, Champions of the West, Inc. (trading as All Star International) was acquired in the US.

In December 2009, Adesta LLC and Adesta LP were acquired in the US.

In December 2009, Nuclear Security Services Corporation was acquired in the US.

5 Capital

The authorised and issued share capital of G4S plc at 31 December 2009 is set out on page 104 (note 37 to the consolidated financial statements). There were 1,410,568,639 shares in issue as at 12 March 2010.

Information concerning the company's shares held under option is set out on page 104 (note 37 to the consolidated financial statements).

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's Annual General Meeting. The resolutions are set out in the Notice of Meeting on pages 120 to 121 and further explanation is provided on pages 123 to 127. At 31 December 2009 the directors had authority in accordance with a resolution passed at the company's Annual General Meeting held on 26 May 2009 to make market purchases of up to 140,000,000 of the company's shares.

The company does not hold any treasury shares as such. However the 5,543,818 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 105 (note 38 to the consolidated financial statements) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written off to profit and loss during the year amounted to £5.8m (2008: £3.5m).

7 Payment of suppliers

It is the company's and the group's policy to pay suppliers in accordance with the payment terms negotiated with them. Thus, prompt payment is normally made to those suppliers meeting their obligations. The company and the group do not follow any formal code or standard on payment practice.

At 31 December 2009 the trade creditors of the company represented 31 days (2008: 26 days) of annual purchases.

At 31 December 2009 the consolidated trade creditors of the group represented 37 days (2008: 40 days) of annual purchases.

8 Employees

In 2009 the first group-wide employee survey was carried out, offering employees the opportunity to provide feedback on their experience of working for the group. Every employee was asked a number of questions about their involvement, development and engagement with the group, and more than 169,000 employees responded – almost a third of the total workforce. Around the world, employees responded positively to being involved in such a constructive process and the overall feedback was very encouraging with four out of five employees who responded saying they would recommend G4S as an employer to a friend. Having now analysed the feedback in detail, each business is in the process of developing an action plan to encourage even greater levels of engagement by the time the survey is repeated in 2011.

During the year the company also began rolling out the Ethical Employment Partnership which it entered into at the end of 2008 with UNI, the global union federation. The agreement is designed to drive improvements in employment standards across the security industry while helping to ensure that employee and union rights are respected throughout the group, and has already resulted in a positive impact on employees, their families and their communities. The first phase of implementation covered South Africa and India, involving around a quarter of the group's employees, and in both cases the new level of social dialogue has been well received as employees start to see tangible benefits affecting their everyday lives.

Attracting and retaining talented individuals continues to be essential to the success of the group and the diversity of its workforce helps it meet its customers' expectations. The overall approach of the group to diversity and inclusion is to ensure that it appoints, promotes and develops employees in accordance with their talents and aptitudes, regardless of any disability. To encourage loyalty and retain employees' skills, the group also aims to retain existing employees who become disabled wherever possible. Further details of the group's approach to employee engagement and social dialogue are included in the group's separate Corporate Social Responsibility Report.

9 Political and charitable contributions

The group remains committed to the support of charities, the community, job creation and training. Charitable contributions by the group during the year amounted to £311,000 (2008: £313,000). The purposes for which such contributions were made and the amount donated to each purpose were: child welfare: £117,000; health and medical: £38,000; NGOs: £38,000; poverty relief: £5,500; local communities: £50,500; environment: £21,000; prisoner welfare: £29,000; and sports: £12,000.

The company and its subsidiaries have made no contributions during the year to political parties carrying on activities, or to candidates seeking election, within the EU.

One of the company's subsidiaries in the US has however made contributions totalling \$3,000 in aggregate to a number of candidates and organisations seeking election or carrying on activities in the US.

10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 12 March 2010 of the ordinary shares in the capital of G4S plc:

Skagen Stichting Administratiekantoor	171,939,961 (12.19%)
BlackRock, Inc.	91,587,666 (6.49%)
Legal & General Group Plc	51,880,641 (3.68%)

Report of the directors continued**11 Auditor**

A resolution to re-appoint KPMG Audit Plc, chartered accountants, as auditor to the company and for their remuneration to be fixed by the directors will be submitted to the Annual General Meeting.

12 Directors

The directors, biographical details of whom are contained on pages 40 and 41, held office throughout the year.

The directors retiring by rotation are Alf Duch-Pedersen, Nick Buckles, Lord Condon and Mark Elliott who, being eligible, offer themselves for re-election. The board believes that they possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company and that they should be re-elected at the Annual General Meeting.

Of those directors proposed for re-election, Alf Duch-Pedersen, Lord Condon and Mark Elliott do not have contracts of service and Mr Buckles' contract of service has no unexpired term since it is not for a fixed term.

The contracts of service of the executive directors are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

The company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006 and have been in effect since 3 November 2006. A copy of the form of indemnity is available on the company's website. In addition, indemnities have been granted by the company in favour of certain of the directors of certain of the group's subsidiaries in Germany and the Netherlands. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including their family's interests) in the share capital of G4S plc and of the directors' remuneration are set out on pages 50 to 55.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

None of the directors had a material interest in any contract significant to the business of the group during the financial year.

By order of the board

Peter David

Secretary
5 March 2010

The Manor
Manor Royal
Crawley
West Sussex
RH10 9UN

Corporate governance statement

The board's statement on the company's corporate governance performance is based on the Combined Code on Corporate Governance published in June 2008 ("the Combined Code") which is available on the Financial Reporting Council's website (<http://www.frc.org.uk/corporate/combinedcode.cfm>).

The Combined Code requires companies to disclose how they apply the code's main principles, and to confirm that they comply with the code's provisions or, where they do not comply, to provide a careful and clear explanation of their non-compliance which aims to illustrate how their actual practices are consistent with the code's principles and contribute to good governance.

a Application of Combined Code principles

The board comprises the non-executive chairman (Alf Duch-Pedersen), a non-executive deputy chairman (Lord Condon), four other non-executive directors, the chief executive (Nick Buckles), the chief financial officer (Trevor Dighton) and the chief operating officer (Grahame Gibson). The board considers all the non-executive directors to be independent. The senior independent director is Lord Condon.

All continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment by the board and will submit themselves for re-election at least every three years.

Membership of the three board committees is as follows:

Audit Committee

Mark Seligman (chairman from May 2009)
 Lord Condon (joined November 2009)
 Thorleif Krarup (chairman until May 2009)
 Bo Lerenius

Remuneration Committee

Lord Condon (chairman)
 Mark Elliott
 Bo Lerenius
 Mark Seligman

Nomination Committee

Alf Duch-Pedersen (chairman)
 Lord Condon
 Mark Elliott

Mr Seligman, who is the member of the Audit Committee with recent and relevant financial experience, became chairman of the Audit Committee following the company's Annual General Meeting on 26 May 2009, taking over that role from Mr Krarup, who remains a member of that committee. Lord Condon joined the Audit Committee in November 2009. The terms of reference of each of the above committees are available on the company's website.

It is intended that the chairmen of the three committees will be available to answer questions at the Annual General Meeting which is an important opportunity for communication between the board and shareholders, particularly private shareholders. Following each resolution at the Annual General Meeting, the meeting is informed of the numbers of proxy votes cast and the same information is subsequently published on the company's website.

There were nine board meetings during the year ended 31 December 2009. One of the meetings was also an extended, two-day board and strategy session, at which presentations on the development and implementation of the company's strategy were made to the board by senior executives. One of the board meetings was held at a subsidiary company's offices in the USA to enable the board to have greater interaction with some of the businesses in one of the group's main markets. All members attended each of the board meetings except that Mr Dighton and Mr Elliott were each absent from one meeting and Mr Krarup was absent from two. Non-executive directors also attended meetings and conferences held by various regions and business units in order to gain a closer understanding of the group.

At each meeting, the board receives reports from the chief executive, the chief financial officer and the company secretary, an HR report which includes summaries of developments on HR and health and safety matters and an investor relations report which includes analysts' reviews and any comments received from major shareholders since the previous board meeting. After meetings of the board committees, the respective committee chairmen report to the board on the matters considered by each committee. In addition, the board receives monthly management accounts.

There are nine board meetings scheduled for the current year, including a one-day strategy review session.

There is a detailed schedule of matters reserved to the board which was reviewed and revised during the year and is now set out under twelve separate categories: strategy and management; structure and capital; financial reporting and controls; internal controls; contracts; communication; board membership and other appointments; remuneration; delegation of authority; corporate governance matters; policies; and other. By way of example, board approval is required for major investments, including the acquisition or disposal of any business worth more than £5m; any changes to the group's long-term objectives and commercial strategy; and the annual operating and capital expenditure budgets.

Corporate governance statement continued**a Application of Combined Code principles** continued

Each of the directors has disclosed to the board any situations which apply to them as a result of which they have or may have an interest which conflicts or may conflict with the interests of the company. In accordance with the company's articles of association, the board has authorised such matters. The affected directors did not vote when their own positions were considered. Where the board deemed it appropriate, such authorisation was given subject to certain conditions. The board reviews such matters on a regular basis.

In the year under review, the Audit and Remuneration Committees both met four times and the Nomination Committee met three times. All members attended each of the meetings except for Mr Elliott who was absent from one meeting of the Nomination Committee.

The performance of the board and its committees has been evaluated using a questionnaire-based self-assessment process which was introduced and informed by the external consultancy which conducted an evaluation of the performance of the board and the board's committees in 2008. In addition the chairman held individual meetings with each of the directors to discuss their performance and their view of the board as a whole. Reports generated by this process have been considered by the board, the chairman and by each of the Audit and Remuneration Committees and a number of actions have been agreed as a means of improving performance. As a result, more presentations will be made to the board by operational managers, even more board participation in strategy development will be facilitated and the board will give greater direction to the board committees. The Remuneration Committee concluded that it should provide more explanation of its activities and the Audit Committee is to give greater guidance on the issues which are to be presented to it.

The chairman held meetings with the non-executive directors without the executives present and a review of the performance of the chairman by the non-executive directors, without the chairman present, was led by the senior independent director.

The chief executive and the chief financial officer hold regular meetings with individual institutional shareholders to discuss the group's strategy and financial performance, although price sensitive information is never divulged at these meetings. It is intended that all the directors will attend the company's Annual General Meeting and will be available to answer questions from shareholders.

The Nomination Committee is responsible for making recommendations on board appointments and on maintaining a balance of skills and experience on the board and its committees. During the year it has carefully considered the skills and experience available on the board and concluded that, whilst the current blend provides the right array of knowledge and understanding, the time is right to plan for the future needs of the board. External search consultants have therefore been engaged to assist with the process of refreshing the non-executive element of the board using a description of the role and capabilities required drawn up by the committee and approved by the board. The board itself has also given careful consideration to the succession planning process for the group's senior executive management.

Audit Committee meetings are attended by representatives of the group auditor, the chief financial officer, the group financial controller, the head of group internal audit and the company secretary. The committee considers the group's annual and half-yearly financial statements and any questions raised by the auditor on the financial statements and financial systems. It also reviews, amongst other matters, the group's financial reporting and internal auditing processes, whistle blowing arrangements, risk management procedures and internal controls.

The Audit Committee has recommended that the board re-appoints the existing external auditor having reviewed its performance of audit services for the company, reports on the performance of the firm as a whole, its independence given the non-audit services it provides to the group and its policy and practice on audit partner rotation, as well as the cost of its services. The committee will keep the matter of the choice of external auditor under review at regular intervals.

The Audit Committee has established a policy on the provision by the external auditor of non-audit services, so as to ensure that the independence of the audit is not compromised. Besides the formal audit function, the auditor is permitted to provide consultation and due diligence services related to mergers and acquisitions, audits of employee benefit plans, reviews of internal accounting and control policies, general advice on financial reporting standards and corporate tax services. The auditor is prohibited from providing other services without specific permission from the Audit Committee. The value of non-audit services provided by the auditor must not exceed the fees charged for the statutory audit, save in the event of a major transformation deal. The auditor has written to the Audit Committee confirming that, in its opinion, it is independent.

The work of the Remuneration Committee is more fully described in the Directors' Remuneration Report which appears on pages 50 to 55.

b Compliance with provisions of Combined Code

The company complied throughout the year under review with the provisions set out in section I of the Combined Code.

c Risk management and internal control

The directors acknowledge their responsibility for the group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risks associated with the group's activities are reviewed regularly by the board, which considers major risks and evaluates their impact on the group. Policies and procedures, which are reviewed and monitored by the head of group internal audit, are in place to deal with any matters which may be considered by the board to present significant exposure.

The key features of the group's risk management process, which was in place throughout the year under review and since are:

- A common risk management framework* is used to provide a profile of those risks which may have an impact on the achievement of business objectives.
- Each significant risk is documented, showing an overview of the risk, how the risk is managed, and any improvement actions. The risk profiles ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on the key risks.
- Risk management committees have been established at regional, divisional and group level. The regional committees meet at least annually and the divisional and group committees meet quarterly. A standard agenda covering risk and control issues is considered at each meeting and risk profiles are reviewed and updated at each meeting.
- Risk and control self-evaluation exercises are undertaken for each operating company, for most companies at least twice a year, and updated risk profiles are prepared. Similar exercises are undertaken as part of the integration process for all major acquisitions. The results of the company risk evaluations are assessed by the regional and divisional risk management committees*.

The process, which is reviewed regularly by the board in accordance with the internal control guidance for directors in the Combined Code, is carried out under the overall supervision of the group risk management committee. This committee, which reports to the Audit Committee, includes both the chief executive and the chief financial officer.

The Audit Committee undertakes a high level review of risk management and internal control. Both the divisional risk management committees and the group risk management committee receive internal audit reports and regular reports on risks. They monitor the actions taken to manage risks.

The internal control system includes clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, and written policies and procedures. In addition to a wide range of internal audit reports, senior management also receive assurance from other sources including security inspections, third party reviews, company financial control reviews, external audit reports, summaries of whistle blowing activity, and risk and control self-evaluations.

The group has in place robust internal control and risk management systems for financial reporting. The group has a single global consolidation system which is used for both internal management reporting, budgeting and planning as well as external reporting. The group has a comprehensive budgeting process with the budget being approved by the board. Forecasts for the year are reported at least quarterly. Actual results at business unit, region and group level are reported monthly and variances are reviewed. Each business has an internal financial review performed annually by a finance team from either region or group to check the accuracy of financial reporting and compliance with the group finance manual.

The board has reviewed the group's risk management and internal control system for the year to 31 December 2009 by considering reports from the Audit Committee and has taken account of events since 31 December 2009.

By order of the board

Peter David

Secretary

5 March 2010

* Because Wackenhut Services, Inc. ("WSI") is governed through a proxy agreement under which the group is excluded from access to operational information, it is not subject to the same risk management process as is applied to other group companies. The board has however satisfied itself as to the adequacy of the internal control processes adopted by WSI.

Directors' remuneration report at 31 December 2009

This report, prepared on behalf of and approved by the board, provides details of the remuneration of each of the directors and sets out the company's remuneration policies for the current financial year and, subject to ongoing review, for subsequent financial years. The report will be put to the company's Annual General Meeting for approval by the shareholders.

The Remuneration Committee met four times during the period under review. The members of the committee, all of whom are considered to be independent, are Lord Condon (chairman), Mark Elliott, Bo Lerenius and Mark Seligman. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the three other members of the group executive committee and the company secretary. It is also responsible for the operation of the company's share plans. Its terms of reference are available on the company's website.

During the year, the committee received advice from Towers, Perrin, Forster & Crosby, Inc.¹ ("Towers Perrin") as the committee's appointed advisors on executive and senior management remuneration matters. Towers Perrin has also provided a small amount of management remuneration information to the company during the period under review. Their terms of appointment are available on the company's website. In addition Alithos Limited ("Alithos") has been appointed by the committee to verify the calculation of certain elements of payments due under the company's performance share plan. Alithos has not provided any other services to the company during the period under review.

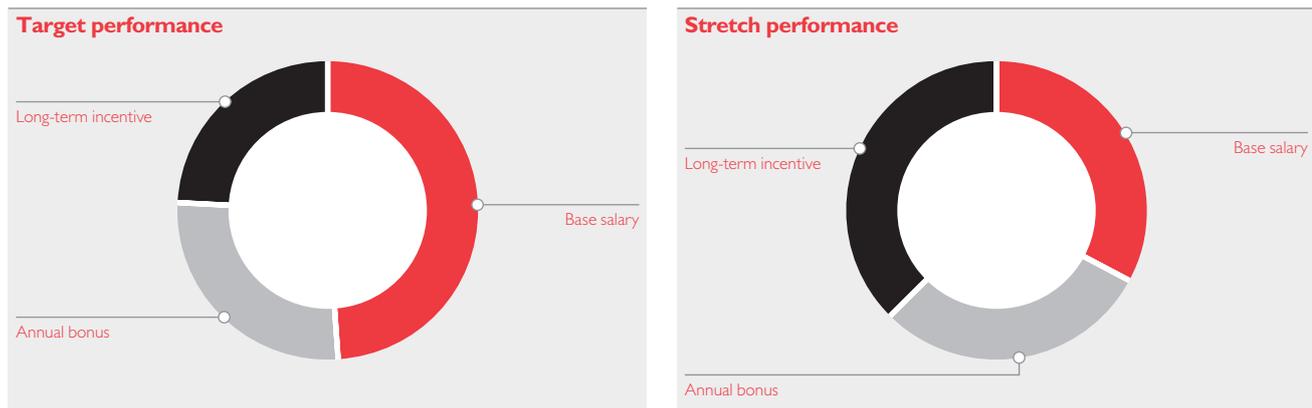
Nick Buckles, chief executive, provided guidance to the committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden. Neither Mr Buckles nor Mrs Cowden participated in discussions regarding their own remuneration.

Remuneration policy

The policy for the remuneration of the executive directors and the executive management team aims to achieve:

- the ability to attract, retain and motivate high calibre executives;
- a strong link between executive reward and the group's performance;
- alignment of the interests of the executives and the shareholders; and
- provision of incentive arrangements which focus appropriately on both annual and longer term performance.

In terms of market positioning, the overall objective is to achieve remuneration levels which provide a market competitive base salary with the opportunity to earn above market norms through the company's incentive schemes on the delivery of superior performance. A significant proportion of total remuneration is therefore related to performance, through participation in both short-term and long-term incentive schemes. On average, the performance-related element of remuneration for executive directors amounts to around 50% of the total package for target performance and around 65% of the total package for stretch performance. The committee believes that the current balance is appropriate given its desire to ensure a strong link between performance and remuneration whilst, at the same time, avoiding a system which might incentivise inappropriate risk-taking. The balance between long- and short-term incentives, and between basic salary and performance-related bonuses, is therefore kept under close review, but the committee is satisfied that the existing long-term incentive scheme, allied to the claw back processes and minimum shareholding requirements which have been introduced recently, provide suitable controls and incentives which are designed to avoid rewarding excessive risk taking or behaviour aimed at short-term, unsustainable, gains.



The committee is also satisfied that the incentive structure for the board does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Bonus payments do not form part of salary for pension purposes.

¹ Towers Perrin and Alithos have each given, and not withdrawn, their written consent to the issue of this document with the inclusion of the reference to their respective names in the form and content in which they appear. Copies of the consent letters are available for inspection at the company's registered office.

Elements of remuneration

a Base salary and benefits

The salaries of the executive directors are reviewed with effect from 1 January each year. Interim salary reviews may be carried out following significant changes in responsibility. The salaries take account of a benchmarking exercise based on similarly sized companies with a significant part of their business overseas and also reflect responsibility, individual performance, internal relativities and salary and other market information supplied by Towers Perrin. Benefits include pension arrangements and the provision of a company car (or a cash allowance in lieu of a car), health insurance and life assurance. As in 2009, the executive directors have again requested that their base salaries are frozen in 2010, to take account of both pay and employment conditions across the group as well as the current economic circumstances. The committee has acceded to this request, but is conscious that this decision is not consistent with the company's stated remuneration policy or the continuing strong performance of the group as a whole. As a result the committee will continue to monitor the market closely and, when conditions permit, it is the committee's intention to more closely align base salaries with its competitive mid-market policy. Once again, as was the case in 2009, the non-executive directors have also asked that their fee levels are not changed in 2010.

b Performance-related bonus scheme

For the year under review, the executive directors participated in an annual performance-related bonus scheme, payments under which were dependent on the attainment of defined PBTA (profit before tax and amortisation) targets of the group, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. The committee believes that PBTA best reflects the various key drivers of business success within the group. The maximum bonus entitlement for the executive directors is an amount equal to 125% of base salary (150% in the case of the chief executive). 60% of maximum bonus entitlement was payable on achievement of the budgeted target and the amount of bonus increased on a straight-line basis up to 100% of maximum bonus entitlement for achievement of a stretch profit target. Any bonus due above 50% of the individual's maximum bonus entitlement would be awarded as deferred shares which would not vest for three years. For achievement of a threshold level of profits which is at least 95% of the budgeted profit target, a bonus payment of 35% of maximum bonus entitlement was due, with no bonus payable for performance below threshold.

A claw back provision was included in the 2009 annual bonus rules by which any deferred shares awarded and dividends arising therefrom could be clawed back if the 2009 profit figures are restated materially in line with a recommendation by the Audit Committee within two years of the year end.

The committee has approved the retention of the same rules as described above for the 2010 annual bonus scheme but has extended the claw back provisions so that they apply to cash payments as well as to deferred shares.

The group performed extremely well in 2009 in what were very difficult economic conditions in many of its key markets. PBTA increased by £78.2m (£51.7m at 2009 constant exchange rates), exceeding the target of £397.7m, but falling below the maximum full stretch target which was £417.5m; thus, 35% of the maximum stretch target was achieved. The Remuneration Committee has therefore agreed that the resulting bonus payment will be at 74% of maximum bonus entitlement.

The PBTA target used for the above scheme is the same as the company's budgeted PBTA for the corresponding period (assuming constant exchange rates). The PBTA target allows for adjustments in respect of any material, non-budgeted changes which take place during the year, such as acquisitions, disposals etc. Thus, for example, should a planned disposal not be completed by the year end, the committee reserves the right to re-insert the operating profit or loss for the business in question in the actual and budgeted PBTA targets.

c Performance Share Plan (long-term incentive plan)

The Performance Share Plan ("PSP") was introduced in July 2004. Under the plan, the executive directors and certain other senior executives receive conditional allocations of the company's shares which are released to them only on the achievement of demanding performance targets.

The maximum annual award of shares payable under the plan is two and a half times base salary. The annual award approved by the committee for the year under review is two times base salary for the chief executive, one and a half times base salary for the other executive directors and one times salary for senior executives below board level. The extent to which allocations of shares under the plan vest is determined, as to two-thirds of the award, by the company's normalised earnings per share growth relative to the RPI over a single three-year period and, as to the remaining third of the award, by the company's ranking by reference to TSR (total shareholder return; being share price growth plus dividends paid) using a bespoke global group of 16 support services companies as a comparator group, again over a single three-year period.

In relation to awards made in years prior to 2007, the conditions subject to which allocations of shares vest under this plan differ in a number of respects: half of any award is determined by the company's normalised earnings per share growth relative to the RPI over a single three-year period and the other half of the award by the company's ranking by reference to TSR using the FTSE 100 constituent companies as at the date of the award as a comparator group, again over a single three-year period. There is no provision for retesting.

The following targets will continue to apply to two-thirds of awards granted since 2007, with the three-year EPS (earnings per share) period ending on 31 December in the third year (so for awards made at the beginning of 2009, the period ends on 31 December 2011):

Average annual growth in EPS	Proportion of allocation vesting
Less than RPI + 6% per annum	Nil
RPI + 6% per annum (18% over three years)	25%
RPI + 6%–11% per annum	Pro rata between 25% and 100%
RPI + 11% per annum (33% over three years)	100%

The same targets apply to the first half of awards granted in years prior to 2007.

Directors' remuneration report continued**c Performance Share Plan (long-term incentive plan)** continued

The following targets apply to the remaining one-third of each award granted since 2007:

Ranking of the company against the bespoke comparator group by reference to TSR	Proportion of allocation vesting
Below median	Nil
Median	25%
Between median and upper quartile	Pro rata between 25% and 100%
Upper quartile	100%

The same targets apply to the second half of each award granted in years prior to 2007, but the ranking applied is that of the company against the FTSE 100 constituent companies as at the date of the award.

In addition, participants in the PSP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of future PSP awards vesting at the end of the performance period.

In relation to awards made before 2007, there will only be a transfer of shares under the second half if the growth in EPS of the company has exceeded the growth in RPI by 10% over a performance period of three financial years.

Furthermore, there will only be a transfer of shares under the final third (or second half in respect of awards made before 2007) if the Remuneration Committee is satisfied that the company's TSR performance is reflective of the company's underlying performance.

The Remuneration Committee believes that a combination of earnings per share growth and total shareholder return targets is the most appropriate performance measure for the performance share plan, as it provides a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders. The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share, whilst TSR ranking will be determined by Towers Perrin whose findings are verified by Alithos.

Awards will not normally vest where an employee ceases to be employed within the group unless cessation of employment is due to death, injury, disability, redundancy, retirement or following a change of control of, or sale outside the group of, his or her employing company. In these situations, vesting will occur in the normal course and the performance targets will need to be satisfied. Only a proportion of the award, based on the time which has elapsed from the award date to the end of the last complete month in which the employee was employed, will vest in these circumstances in most cases. The Remuneration Committee does however retain the ability to allow for a greater award to vest if it considers it to be appropriate in exceptional circumstances.

The company's current policy is to use market purchased shares to satisfy performance share plan awards.

The Remuneration Committee believes that continued shareholding by executive directors will strengthen the alignment of their interests with shareholders' interests. Accordingly, whilst executive directors of the company have previously been expected to retain shares to the value of 30% of the after-tax gains made on the vesting of performance share plan awards until they have built up a shareholding equivalent to one times base salary, a formal policy has now been adopted under which, in future, executive directors will be required to retain 50% of after-tax PSP vestings until a total shareholding equal to 100% of base salary (150% for the chief executive) is achieved.

Following a review of the operation of the PSP by the Remuneration Committee including detailed analysis of the current EPS and TSR targets, the committee is satisfied that the current EPS and TSR measures and targets remain appropriate for 2010 and that, as in 2009, the committee will remove the impact of currency movements from the calculation of both EPS and TSR.

Fees, service contracts and letters of appointment

The chairman's annual fee is £270,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £54,100, with a further £44,550 for the role of deputy chairman, £16,700 for the chairmanship of each of the Audit and Remuneration Committees and £10,000 for the role of senior independent director. No other fees are paid for membership of the board committees. These fees are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment for the non-executive directors.

The service contracts of those who served as executive directors during the period are dated as follows:

Nick Buckles	2 June 2004
Trevor Dighton	2 June 2004
Grahame Gibson	6 December 2006

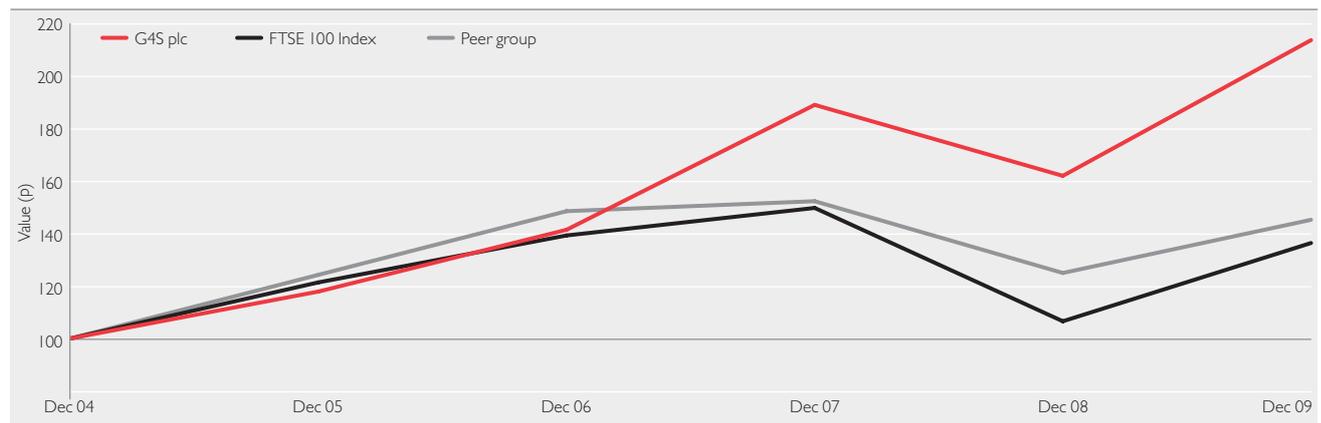
The contracts of Messrs Buckles, Dighton and Gibson are terminable by the company on 12 months' notice. The contracts are terminable by the executive directors on 12 months' notice. There are no liquidated damages provisions for compensation payable upon early termination, but the company reserves the right to pay salary in lieu of notice. The directors' contracts do not provide for the payment of a guaranteed bonus in the event of termination. It is the company's policy that it should be able to terminate service contracts of executive directors on no more than 12 months' notice and that payments for termination of contract are restricted to the value of salary and other contractual entitlements for the notice period. The Remuneration Committee is satisfied that the current arrangements are appropriate and in line with best practice.

The chairman and the other non-executive directors do not have service contracts but letters of appointment. Mr Seligman and Mr Elliott have each been granted two-year extensions to their initial three-year terms of appointment. Those extensions began respectively on 1 January and 1 September 2009. The other non-executive directors were each granted three-year extensions to their initial letters of appointment, such extensions having begun on 19 May 2007. All continuing directors are required to stand for re-election by the shareholders at least once every three years.

It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees. Mr Buckles is a non-executive director of Arriva plc for which he received fees of £45,000 in the year ended 31 December 2009. Neither of the other executive directors currently holds an external non-executive appointment.

Performance graph

The performance graph below shows the total cumulative shareholder return of the company over the five years to the end of December 2009, based on a hypothetical shareholding worth £100, compared with the return achieved by the FTSE 100 constituent companies over the same period. The directors believe this to be an appropriate form of broad equity market index against which to base a comparison given the size and geographic coverage of the company and the fact that the company is itself a member of the FTSE 100. The graph also compares the company's performance over the same period with the bespoke group of companies which is used now for comparative total shareholder return purposes in the company's performance share plan. (Until 2007, the FTSE 100 constituent companies were used for this purpose). The values attributable to the bespoke comparator group companies have been weighted in accordance with the market capitalisation of the companies calculated at spot exchange rates as at each year end.



The peer group currently comprises: Atkins WS, Brambles, Brink's, Bunzl, Capita, Compass, Garda, G4S, Hays, MITIE, Prosegur, Rentokil Initial, Rexam, Securitas, Serco and Sodexo.

The following information has been audited:

Base salaries and bonuses

	Salary and Fees £	Benefits ¹ (excluding pension contribution) £	Performance Related Bonus ² £	2009 Total £	2008 Total £
Chairman (non-executive)					
Alf Duch-Pedersen	270,000	–	–	270,000	260,000
Executive directors					
Nick Buckles (see notes 1 & 2 below)	761,400	49,088	845,763	1,656,251	1,417,777
Trevor Dighton (see notes 1 & 2 below)	475,240	34,452	439,882	949,574	885,873
Grahame Gibson (see notes 1, 2, 3 & 4 below)	621,904	45,734	557,799	1,225,437	1,075,972
Other non-executive directors					
Lord Condon	125,350	–	–	125,350	117,065
Mark Elliott	54,100	–	–	54,100	52,265
Thorleif Krarup	61,058	–	–	61,058	68,790
Bo Lerenius	54,100	–	–	54,100	52,265
Mark Seligman	63,842	–	–	63,842	52,265
Sir Malcolm Williamson (retired 30 May 2008)	–	–	–	–	27,825
Total	2,486,994	129,274	1,843,444	4,459,712	4,010,097

Notes:

- Benefits include the cost of providing life insurance which was dealt with previously as part of the cost of pensions. No new benefits have been provided.
- Any bonus due above 50% of the individual's maximum bonus entitlement (150% of base salary for Mr Buckles and 125% for Messrs. Dighton and Gibson) will be awarded as deferred G4S shares. The number of shares which will be awarded will be the amount of bonus in question divided by the average middle market closing price of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement: 16 March 2010.
- The company paid air fares amounting to US\$30,170 for flights between the UK and the USA for Mr Gibson's wife and children. This sum is taxable in the USA and not included in the figures above.
- Mr Gibson receives part of his salary in sterling and part in US\$. The US\$ element has been translated into sterling for the purposes of his salary at the exchange rates prevailing in each month in which Mr Gibson was paid.

Directors' remuneration report continued**Base salaries and bonuses** continued

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2009 were:

Executive directors	
Nick Buckles	£761,400
Trevor Dighton	£475,240
Grahame Gibson	£51,887 & \$890,400
Non-executive directors	
Alf Duch-Pedersen (chairman)	270,000
Lord Condon	125,350
Mark Elliott	54,100
Thorleif Krarup	54,100
Bo Lerenius	54,100
Mark Seligman	70,800

Directors' share options

	Option	At 31.12.08	Granted during 2009	Outstanding at 31.12.09	Option price (p)
Nick Buckles	A	95,000	—	—	164.00
	B	75,000	—	—	133.75
	C	55,000	—	—	153.00
	D	700,000	—	—	108.00
Trevor Dighton	A	55,000	—	—	164.00
	B	40,000	—	—	133.75
	C	30,000	—	—	153.00
	D	350,000	—	—	108.00

Option A = Securicor Executive Share Option Scheme, exercisable until December 2009.

Option B = Securicor Executive Share Option Scheme, exercisable until June 2010.

Option C = Securicor Executive Share Option Scheme, exercisable until December 2010.

Option D = Securicor Executive Share Option Scheme, exercisable until December 2011.

The above options, which had been granted over Securicor plc shares, were rolled over into options over G4S plc shares. No further grants of options under these schemes will be made.

Mr Buckles and Mr Dighton exercised their options over all the shares described above on 11 November 2009 when the market price was 251.80p per share.

As a result of implementation of the Scheme of Arrangement of Securicor plc in July 2004, the performance conditions for the executive share options referred to above ceased to apply. This would not occur under the current Performance Share Plan.

Directors' interests in Performance Share Plan

	At 31.12.08	Shares awarded conditionally during year	Date of award	Market price at date of award	Vesting date	2006 awards	At 31.12.09
Nick Buckles	1,508,215	820,032	16.03.09	188.90p	16.03.12	341,085	1,987,162
Trevor Dighton	825,720	383,877	16.03.09	188.90p	16.03.12	206,720	1,002,877
Grahame Gibson	928,600	420,298	16.03.09	188.90p	16.03.12	241,600	1,107,298

The conditions subject to which allocations of shares vest under this plan are described under c Performance Share Plan on pages 51 and 52.

During the year under review the following Performance Share Plan awards vested:

Nick Buckles – 341,085 shares gross (341,085 maximum award; 100% vested; 201,240 shares released after tax and NIC).

Trevor Dighton – 206,720 shares gross (206,720 maximum award; 100% vested; 121,964 shares released after tax and NIC).

Grahame Gibson – 241,600 shares gross (241,600 maximum award; 100% vested; 174,423 shares released after tax and NIC).

The market price at date of award (17 March 2006) was 192.75p per share, the market price at the vesting date (17 March 2009) was 191.70p per share.

The committee has decided that the EPS portion of the 2007 PSP award, based on EPS growth from 2007 to 2009 inclusive, will vest in March 2010 to the extent that the performance test has been achieved. However, any vested awards will remain subject to risk of forfeiture and will not be released to participants until June 2010 as per the original terms of the plan.

To assist with the administration of the plan, the automatic right to the release of vested awards was removed. In future, participants or the company will be required to request the release of any vested shares from the trustee of the plan.

Directors' interests in shares of G4S plc (unaudited)

(including awards of deferred shares but excluding shares under option and shares awarded conditionally under the Performance Share Plan, both as shown above)

	At 31.12.09	At 31.12.08
Nick Buckles	1,602,194	1,399,773
Lord Condon	2,029	2,029
Trevor Dighton	1,052,061	920,493
Alf Duch-Pedersen	128,560	128,560
Mark Elliott	25,000	25,000
Grahame Gibson	927,382	763,594
Thorleif Krarup	3,206	3,206
Bo Lerenius	16,000	16,000
Mark Seligman	50,496	50,496

All interests shown above are beneficial.

There have been no changes in the directors' holdings since 31 December 2009.

As at 31 December 2009, each of Nick Buckles, Trevor Dighton and Grahame Gibson also had a deemed interest in 5,543,818 ordinary shares held in the G4S Employee Benefit Trust.

Directors' pension entitlements

For the period under review, both Nick Buckles and Trevor Dighton participated in non-contributory categories of the group's defined benefit pension scheme with a normal retirement age of 60. Mr Dighton accrued pension at a rate of 1/30ths and Mr Buckles accrued pension at a rate of 1/52ths of their final pensionable salaries. Their rates of accrual have not changed in the time since they joined the scheme. An actuarial reduction is applied to pensions payable before normal retirement age. Pension can continue to accrue at the same rates beyond normal retirement age.

For death before retirement, a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable.

Post-retirement pension increases are payable at the rate of 5% per annum in respect of pension earned up to 31 December 1994 and in line with the increase in the Retail Prices Index subject to a maximum of 5% per annum in respect of pension earned after that date.

With effect from 6 April 2006, Mr Gibson opted for enhanced protection and receives a salary supplement in lieu of pension of 40% of his basic salary.

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2009 (all figures are in £'000s):

	Gross increase in accrued pension ⁽¹⁾	Increase in accrued pension net of inflation ⁽²⁾	Total accrued pension at 31.12.09 ⁽³⁾	Value of net increase in accrual over period ⁽⁴⁾	Total change in transfer value during period ⁽⁵⁾	Transfer value of accrued pension at 31.12.09 ⁽⁶⁾	Transfer value of accrued pension at 31.12.08 ⁽⁷⁾
Nick Buckles	15	15	346	243	466	6,255	5,789
Trevor Dighton	18	18	99	426	494	2,364	1,870
Grahame Gibson	0	0	230	0	35	3,684	3,649

Notes

(1) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year with the exception of Mr Gibson whose accrual ended on 5 April 2006.

(2) Transfer values have been calculated in accordance with the current transfer value basis adopted by the trustees of the G4S Pension Scheme.

(3) The value of net increase (4) represents the incremental value to the director of his service during the year, calculated on the assumption that service terminated at the year end. It is based on the increase in accrued pension (2) with the exception of Mr Gibson whose accrual ended on 5 April 2006.

(4) The impact of changes in market conditions has been much smaller than in 2008, so the increase in transfer value is mainly due to the increase in the amount of benefit over the year.

(5) Inflation was negative over 2009, but an increase of 0% was assumed in the calculations above.

(6) Mr Gibson receives a salary supplement in lieu of pension of 40% of his base salary.

Lord Condon

Chairman of the Remuneration Committee
5 March 2010

Statement of directors' responsibilities in respect of the annual report and the financial statements

For the year ended 31 December 2009

The directors are responsible for preparing the Annual report and the group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

Each of the directors, the names of whom are set out on pages 40 and 41 of this annual report confirms that, to the best of his knowledge: the financial statements in this annual report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the company and the group taken as a whole; and the directors' report, including the Business Review on pages 4 to 39, includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties that they face.

This statement of directors' responsibilities was approved by a duly authorised committee of the board of directors on 15 March 2010 and signed on its behalf by Trevor Dighton, Chief financial officer:

Trevor Dighton
Chief financial officer
15 March 2010

Independent auditors' report to the members of G4S plc

We have audited the financial statements of G4S plc for the year ended 31 December 2009 set out on pages 58 to 119. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 56, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 47 to 49 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 56, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 47 to 49 relating to the company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Alan Buckle (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

8 Salisbury Square

London

EC4Y 8BB

15 March 2010

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Continuing operations			
Revenue	5, 6	7,008.6	5,928.5
Profit from operations before amortisation of acquisition-related intangible assets and share of profit from associates		499.1	411.6
Share of profit from associates		1.2	3.4
Profit from operations before amortisation of acquisition-related intangible assets (PBITA)	6	500.3	415.0
Amortisation of acquisition-related intangible assets		(83.2)	(67.8)
Profit from operations before interest and taxation (PBIT)	6, 8	417.1	347.2
Finance income	12	81.7	104.9
Finance costs	13	(196.0)	(189.4)
Profit before taxation (PBT)		302.8	262.7
Taxation:			
– Before amortisation of acquisition-related intangible assets		(100.0)	(89.4)
– On amortisation of acquisition-related intangible assets		23.3	19.1
	14	(76.7)	(70.3)
Profit after taxation		226.1	192.4
Loss from discontinued operations	7	(6.9)	(27.5)
Profit for the year		219.2	164.9
Attributable to:			
Equity holders of the parent		202.5	151.2
Minority interests		16.7	13.7
Profit for the year		219.2	164.9
Earnings per share attributable to equity shareholders of the parent	16		
For profit from continuing operations:			
Basic		14.9p	13.2p
Diluted		14.9p	13.2p
For profit from continuing and discontinued operations:			
Basic		14.4p	11.1p
Diluted		14.4p	11.1p

Consolidated statement of financial position

At 31 December 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Goodwill	19	2,043.9	2,079.5
Other acquisition-related intangible assets	19	361.2	403.1
Other intangible assets	19	68.7	61.0
Property, plant and equipment	20	546.0	528.5
Investment in associates	22	7.2	7.4
Trade and other receivables	25	111.4	198.0
Deferred tax assets	36	178.1	155.0
		3,316.5	3,432.5
Current assets			
Inventories	23	77.8	85.0
Investments	24	84.4	92.7
Trade and other receivables	25	1,348.5	1,375.3
Cash and cash equivalents	28	307.6	562.1
Assets classified as held for sale	27	29.1	71.0
		1,847.4	2,186.1
Total assets	6	5,163.9	5,618.6
LIABILITIES			
Current liabilities			
Bank overdrafts	28,29	(37.5)	(195.1)
Bank loans	29	(145.6)	(87.9)
Obligations under finance leases	30	(23.1)	(22.1)
Trade and other payables	31	(1,105.5)	(1,216.6)
Current tax liabilities		(55.2)	(28.9)
Retirement benefit obligations	34	(54.6)	(48.9)
Provisions	35	(29.8)	(33.9)
Liabilities associated with assets classified as held for sale	27	(30.9)	(74.1)
		(1,482.2)	(1,707.5)
Non-current liabilities			
Bank loans	29	(516.3)	(877.8)
Loan notes	29	(1,116.7)	(901.9)
Obligations under finance leases	30	(62.6)	(63.6)
Trade and other payables	31	(42.5)	(63.5)
Retirement benefit obligations	34	(313.0)	(278.6)
Provisions	35	(68.3)	(116.7)
Deferred tax liabilities	36	(123.1)	(138.1)
		(2,242.5)	(2,440.2)
Total liabilities	6	(3,724.7)	(4,147.7)
Net assets		1,439.2	1,470.9
EQUITY			
Share capital	37	352.6	352.1
Share premium and reserves		1,054.1	1,074.9
Equity attributable to equity holders of the parent		1,406.7	1,427.0
Minority interests		32.5	43.9
Total equity		1,439.2	1,470.9

The consolidated financial statements were approved by the board of directors and authorised for issue on 15 March 2010.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Consolidated statement of cash flow

For the year ended 31 December 2009

Notes	2009 £m	2008 £m
Profit before taxation	302.8	262.7
Adjustments for:		
Finance income	(81.7)	(104.9)
Finance costs	196.0	189.4
Depreciation of property, plant and equipment	121.1	105.0
Amortisation of acquisition-related intangible assets	83.2	67.8
Amortisation of other intangible assets	15.1	11.1
(Profit)/loss on disposal of property, plant and equipment and intangible assets other than acquisition related	(0.3)	2.1
Share of profit from associates	(1.2)	(3.4)
Equity-settled transactions	7.1	5.0
Operating cash flow before movements in working capital	642.1	534.8
Decrease/(increase) in inventories	2.0	(7.4)
Decrease/(increase) in receivables	1.0	(44.4)
Increase in payables	4.6	43.6
Decrease in provisions	(25.7)	(14.2)
Decrease in retirement benefit obligations	(32.9)	(32.3)
Net cash flow from operating activities of continuing operations	591.1	480.1
Net cash used by operating activities of discontinued operations	(14.1)	(25.1)
Cash generated by operations	577.0	455.0
Tax paid	(67.8)	(82.0)
Net cash flow from operating activities	509.2	373.0
Investing activities		
Interest received	11.8	17.2
Cash flow from associates	2.4	12.2
Purchases of property, plant and equipment and intangible assets other than acquisition-related	(187.1)	(174.5)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related	17.4	13.2
Acquisition of subsidiaries	(157.5)	(419.4)
Net cash balances acquired/disposed of	(12.2)	19.7
Disposal of subsidiaries	7.6	31.1
(Purchase)/sale of investments	(0.9)	5.6
Own shares purchased	(9.9)	(8.8)
Net cash used in investing activities	(328.4)	(503.7)
Financing activities		
Share issues	2.7	276.8
Dividends paid to minority interests	(18.0)	(11.9)
Dividends paid to equity shareholders of the parent	(94.2)	(75.0)
Proceeds on issue of loan notes	346.8	327.0
Repayment of revolving credit facilities with proceeds from issue of loan notes	(346.8)	(327.0)
Other net movement in borrowings	23.7	173.7
Interest paid	(98.5)	(97.2)
Net cash flow from hedging financial instruments	(10.2)	(65.9)
Repayment of obligations under finance leases	(24.2)	(13.5)
Net cash flow from financing activities	(218.7)	187.0

	Notes	2009 £m	2008 £m
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	39	(37.9)	56.3
Cash, cash equivalents and bank overdrafts at the beginning of the year		360.7	270.7
Effect of foreign exchange rate fluctuations on cash held		(32.3)	33.7
Cash, cash equivalents and bank overdrafts at the end of the year	28	290.5	360.7

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the year	219.2	164.9
Other comprehensive income		
Exchange differences on translation of foreign operations	(93.3)	182.0
Change in fair value of net investment hedging financial instruments	28.6	(81.1)
Change in fair value of cash flow hedging financial instruments	(22.6)	36.4
Actuarial losses on defined retirement benefit schemes	(63.1)	(196.9)
Tax on items taken directly to equity	21.9	50.3
Other comprehensive income, net of tax	(128.5)	(9.3)
Total comprehensive income for the year	90.7	155.6
Attributable to:		
Equity holders of the parent	74.0	141.9
Minority interests	16.7	13.7
Total comprehensive income for the year	90.7	155.6

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserve ¹ £m	Translation reserve ² £m	Merger reserve ³ £m	Reserve for own shares ⁴ £m	Total reserves £m
At 1 January 2008	320.2	11.0	317.0	(14.4)	36.0	426.3	(9.0)	1,087.1
Net recognised income/ (expense) attributable to equity shareholders of the parent	–	–	11.0	(32.7)	163.6	–	–	141.9
Shares issued	31.9	244.9	–	–	–	–	–	276.8
Dividends declared	–	–	(75.0)	–	–	–	–	(75.0)
Own shares purchased	–	–	–	–	–	–	(8.8)	(8.8)
Own shares awarded	–	–	(6.0)	–	–	–	6.0	–
Equity-settled transactions	–	–	5.0	–	–	–	–	5.0
At 31 December 2008	352.1	255.9	252.0	(47.1)	199.6	426.3	(11.8)	1,427.0
At 1 January 2009	352.1	255.9	252.0	(47.1)	199.6	426.3	(11.8)	1,427.0
Net recognised income/ (expense) attributable to equity shareholders of the parent	–	–	139.4	4.4	(69.8)	–	–	74.0
Shares issued	0.5	2.2	–	–	–	–	–	2.7
Dividends declared	–	–	(94.2)	–	–	–	–	(94.2)
Own shares purchased	–	–	–	–	–	–	(9.9)	(9.9)
Own shares awarded	–	–	(9.5)	–	–	–	9.5	–
Equity-settled transactions	–	–	7.1	–	–	–	–	7.1
At 31 December 2009	352.6	258.1	294.8	(42.7)	129.8	426.3	(12.2)	1,406.7

*See Note 38

Notes to the consolidated financial statements

1 General information

G4S plc is a company incorporated in the United Kingdom under the Companies Act 1985. The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising the group) and the group's interest in associates and jointly controlled entities made up to 31 December each year. The nature of the group's operations and its principal activities are set out in note 6 and in the Operating and Financial review on pages 4 to 27 and 32 to 37. The group operates throughout the world and in a wide range of functional currencies, the most significant being the euro, the US dollar and sterling. The group's financial statements are presented in sterling, as the group's primary listing is in the UK. Foreign operations are included in accordance with the policies set out in note 3. The address of the registered office is given on page 130.

2 Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union (adopted IFRSs). The company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 111 to 119.

3 Significant accounting policies

a Basis of preparation

The consolidated financial statements of the group have been prepared under the going concern basis and using the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted are set out below. Judgements made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, are discussed in note 4.

The comparative income statement for the year ended 31 December 2008 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £14.4m and PBT has been reduced by £1.5m compared to the figures published previously. Further details of discontinued operations are presented within note 7. In addition, the comparative balance sheet as at 31 December 2008 has been restated to reflect the completion during 2009 of the initial accounting in respect of acquisitions made during 2008. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £19.1m, with an equivalent increase in the reported value of goodwill. The impact of these adjustments on the net assets acquired is presented in note 17.

b Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities, determined either by the group's ownership percentage, or by the terms of any shareholder agreement.

On acquisition, the assets and liabilities and contingent liabilities of the acquired business are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the year of acquisition. The cost of acquisition includes the present value of consideration payable in respect of put options held by minority shareholders. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the carrying value of the minority interest are allocated against the interest of the parent, except to the extent that the minority has both a binding obligation and the ability to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of control or up to the effective date of disposal, as appropriate.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, in that strategic financial and operating decisions require the unanimous consent of the parties.

The group's interest in joint ventures is accounted for using the proportionate consolidation method, whereby the group's share of the results and assets and liabilities of a jointly-controlled entity is combined line by line with similar items in the group's consolidated financial statements.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the group's consolidated financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interest in those associates are not recognised.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a group company transacts with a joint venture or associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant joint venture or associate.

3 Significant accounting policies continued

c Foreign currencies

The financial statements of each of the group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the income statement for the period.

On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expenses are translated into sterling at the average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Exchange differences arising are recognised in equity, together with exchange differences arising on monetary items that are in substance a part of the group's net investment in foreign operations and on borrowings and other currency instruments designated as hedges of such investments where and to the extent that the hedges are deemed to be effective. On disposal translation differences are recognised in the income statement in the period in which the operation is disposed of.

d Derivative financial instruments and hedge accounting

In accordance with its treasury policy, the group only holds or issues derivative financial instruments to manage the group's exposure to financial risk, not for trading purposes. Such financial risk includes the interest risk on the group's variable rate borrowings, the fair value risk on the group's fixed rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

Derivative financial instruments are recognised in the balance sheet as financial assets or liabilities at fair value. Fair value is measured using one of the valuation techniques based on one of the following valuation hierarchies as set out in IFRS 7 (Amended):

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The gain or loss on re-measurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below.

Fair value hedge

The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the income statement.

Cash flow hedge

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged cash flow impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

Net investment hedge

The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged net investment impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

e Intangible assets

Goodwill

All business combinations are accounted for by the application of the purchase method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill arising on the acquisition of an additional interest from a minority in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange. Goodwill is stated at cost, less any accumulated impairment losses, and is tested annually for impairment or more frequently if there are indications that amounts may be impaired. In respect of associates, the carrying amount of goodwill is included within the net investment in associates. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before transition to IFRS on 1 January 2004 has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written-off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

3 Significant accounting policies continued

e Intangible assets continued

Acquisition-related intangible assets

Intangible assets on acquisitions that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquisition-related intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquisition-related intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earnings method.

Acquisition-related intangible assets are amortised by equal annual instalments over their expected economic life. The directors review acquisition-related intangible assets on an ongoing basis and, where appropriate, provide for any impairment in value.

The estimated useful lives are as follows:

Trademarks	up to a maximum of five years
Customer contracts and customer relationships	up to a maximum of ten years
Technology	up to a maximum of five years

Other intangible assets – development expenditure

Development expenditure represents expenditure incurred in establishing new services and products of the group. Such expenditure is recognised as an intangible asset only if the following can be demonstrated: the expenditure creates an identifiable asset, its cost can be measured reliably, it is probable that it will generate future economic benefits, it is technically and commercially feasible and the group has sufficient resources to complete development. In all other instances, the cost of such expenditure is taken directly to the income statement.

Capitalised development expenditure is amortised over the period during which the expenditure is expected to be revenue-producing, up to a maximum of ten years. The directors review the capitalised development expenditure on an ongoing basis and, where appropriate, provide for any impairment in value.

Research expenditure is written-off in the year in which it is incurred.

Other intangible assets – software

Computer software is capitalised as an intangible asset if such expenditure (both internally generated and externally purchased) creates an identifiable asset, if its cost can be measured reliably and if it is probable that it will generate future economic benefits. Capitalised computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on software so as to write-off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of five years.

f Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment other than freehold land. Depreciation is calculated so as to write-off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Freehold and long leasehold buildings	up to 2%
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	10%–33.3%

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Where significant, the residual values and the useful economic lives of property, plant and equipment are reassessed annually. The directors review the carrying value of property, plant and equipment on an ongoing basis and, where appropriate, provide for any impairment in value.

g Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

Trade receivables

Trade receivables do not carry interest and are stated initially at their fair value. The carrying amount of trade receivables is reduced through the use of an allowance account. The group provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.

PFI assets

Under the terms of a Private Finance Initiative (PFI) or similar project, where the risks and rewards of ownership of an asset remain largely with the purchaser of the associated services, the group's interest in the asset is classified as a financial asset and included at its discounted value within trade and other receivables.

Current asset investments

Current asset investments comprise investments in securities, which are classified as held-for-trading. They are initially recognised at cost, including transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Interest-bearing borrowings

Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest method.

3 Significant accounting policies continued

g Financial instruments continued

Trade payables

Trade payables are not interest-bearing and are stated initially at fair value.

Equity instruments

Equity instruments issued by the group are recorded at the value of proceeds received, net of direct issue costs.

h Inventories

Inventories are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated using either the weighted average or the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

i Impairment

The carrying value of the group's assets, apart from inventories and deferred tax assets, is reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and its value in use, where value in use is assessed as the estimated pre-tax future cash flows deriving from the asset discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined with respect to the cash-generating unit to which the asset attaches.

The recoverable amount of goodwill is tested annually through assessing the carrying values of the cash-generating units to which the goodwill attaches. An impairment loss recognised in respect of a cash-generating unit is allocated first so as to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to reduce the carrying value of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of any other asset, an impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

j Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs net of any tax effects, is recognised as a deduction from equity. Where repurchased shares are held by an employee benefit trust, they are classified as treasury shares and presented as a deduction from equity.

k Employee benefits

Retirement benefit costs

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The discount rate used is the yield at the balance sheet date on AA credit rated corporate bonds that have maturity dates approximating to the terms of the group's obligations. The expected finance income on assets and the finance cost on liabilities are recognised in the income statement as components of finance income and finance cost respectively. Actuarial gains and losses are recognised in full in the period in which they occur and presented outside the income statement in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested. Otherwise it is amortised on a straight-line basis over the average period until the benefits vest.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

Long-term service benefits

The group's net obligation in respect of long-term service benefits other than retirement benefits represents the present value of the future benefit that employees have earned at the balance sheet date, less the fair value of scheme assets out of which the obligations are to be settled directly.

Share-based payments

The group issues equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

The fair value of share-based payments granted in the form of options is measured by the use of the Black-Scholes valuation technique, adjusted for future dividend receipts and for any market-related performance conditions.

3 Significant accounting policies continued

l Provisions

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Items within provisions include loss-making contracts, external claims against the group's captive insurance businesses, costs of meeting lease requirements on unoccupied properties, costs of replacing assets where there is a present contractual obligation and restructuring provisions for the costs of a business reorganisation where the plans are sufficiently detailed and where the appropriate communication to those affected has been undertaken at the balance sheet date.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

m Revenue recognition

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business and is measured at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes. Revenue for manned security and cash solutions products and for recurring services in security systems products is recognised to reflect the period in which the service is provided. Revenue on security systems installations is recognised either on completion in respect of product sales, or in accordance with the stage of completion method in respect of construction contracts.

Construction contracts

Where significant, security system installations with a contract duration in excess of one month are accounted for as construction contracts. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that it is likely that they will be agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are deemed likely to be recoverable. Contract costs are recognised as expenses as they are incurred. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Construction contracts are recognised on the balance sheet at cost plus profit recognised to date, less provision for foreseeable losses and less progress billings. Balances are not offset.

Government grants

Government grants in respect of items expensed in the income statement are recognised as deductions from the associated expenditure. Government grants in respect of property, plant and equipment are treated as deferred income and released to the income statement over the lives of the related assets.

Interest

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

n Borrowing costs

All borrowing costs are recognised in the income statement, except those that are directly attributable to the acquisition, construction or production of qualifying assets, which are capitalised.

o Profit from operations

Profit from operations is stated after the share of results of associates but before finance income and finance costs. Exceptional items of particular significance, including restructuring costs, are included within profit from operations but are disclosed separately.

p Income taxes

Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill in a business combination or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

3 Significant accounting policies continued

p Income taxes continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of each deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

q Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the lease term, as are incentives to enter into operating leases.

r Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

s Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

t Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid. Dividends proposed or declared but not paid are not recognised but are disclosed in the notes to the consolidated financial statements.

u Adoption of new and revised accounting standards and interpretations

Standards and interpretation issued by the IASB are only applicable if endorsed by the EU. The Following revisions to the IFRS will be applicable in future periods, subject to endorsement where applicable.

- Revised IFRS 3 *Business Combinations* is applicable for 2010. This standards will affect the future accounting for acquisitions. There will be no retrospective impact.
- *Improving Disclosures about Financial Instruments* Amendments to IFRS 7 *Financial Instruments: Disclosures* are applicable for 2010. The Amendments require enhanced disclosures about fair value measurements and liquidity risk.
- IAS 27 Amendment *Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate* is applicable for 2010. The standard will affect the future accounting for transactions with non-controlling interests. There will be no retrospective impact.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* and Amendment to IAS 39 *Reclassification of Financial Assets: Effective Date and Transition* applicable for 2010.
- IFRIC 12 *Service Concession Arrangements* is applicable for 2010. The standard addresses how service concession operators should apply existing IFRSs to their arrangements.

The group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements

4 Accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the group's accounting policies, which are described in note 3, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and in some cases, actuarial techniques. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, estimates and assumptions which are of most significance to the group are detailed below:

Valuation of acquired businesses

The initial accounting for an acquisition involves identifying and determining the fair values to be assigned to identifiable assets, liabilities and contingent liabilities as well as the acquisition cost. In some instances, this initial accounting can only be determined provisionally by the end of the period in which the acquisition is effected because the fair values and/or the costs are not known with full certainty. In such an event, the initial accounting can be completed using provisional values with any adjustments to those provisional values being completed within 12 months of the acquisition date. Additionally, in determining the fair value of acquisition-related intangible assets, in the absence of market prices for similar assets, valuation techniques are applied. These techniques use a variety of estimates including projected future results and expected future cash flows, discounted using the weighted average cost of capital relevant to the acquisition. Furthermore, management make an assessment of the useful economic life of acquired intangible assets upon recognition. Full details of the fair values of assets and liabilities of acquired businesses are presented in note 17.

Assessment of the recoverable amounts in respect of assets tested for impairment

The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The impairment analysis for such assets is based principally upon discounted estimated future cash flows from the use and eventual disposal of the assets. Such an analysis includes an estimation of the future anticipated results and cash flows, annual growth rates and the appropriate discount rates. The full methodology and results of the group's impairment testing is presented in note 19.

Valuation of retirement benefit obligations

The valuation of defined retirement benefit schemes is arrived at using the advice of qualified independent actuaries who use the projected unit credit method for determining the group's obligations. This methodology requires the use of a variety of assumptions and estimates, including the appropriate discount rate, the expected return on scheme assets, mortality assumptions, future service and earnings increases of employees and inflation. Full details of the group's retirement benefit obligations, including an analysis of the sensitivity of the calculations to the key assumptions are presented in note 34.

5 Revenue

An analysis of the group's revenue is as follows:

	Notes	2009 £m	2008 £m
Continuing operations			
Sale of goods		158.0	190.2
Rendering of services		6,726.8	5,618.9
Revenue from construction contracts		123.8	119.4
Revenue from continuing operations as presented in the consolidated income statement	6	7,008.6	5,928.5
Discontinued operations			
Rendering of services		34.3	223.3
Revenue from construction contracts		6.4	8.0
Revenue from discontinued operations	6,7	40.7	231.3
Other operating income			
Interest income		12.7	18.4
Net gain in fair value of loan note derivative financial instruments and hedged items		1.0	–
Expected return on defined retirement benefit scheme assets		68.0	86.5
Total other operating income		81.7	104.9

6 Business and geographical segments

The group operates in two core product areas: secure solutions and cash solutions. The group operates on a worldwide basis and derives a substantial proportion of its revenue and PBIT from each of the following geographical regions: Europe (comprising the United Kingdom and Ireland, and Continental Europe), North America and New Markets (comprising the Middle East and Gulf States, Latin America and the Caribbean, Africa and Asia Pacific).

Secure solutions provides integrated security solutions for commercial customers such as risk consulting, manned security and security systems and the protection of critical national infrastructure for governments along with care and justice, secure facilities and border protection. Cash solutions provides the outsourcing of cash cycle management for central banks, financial institutions and retailers.

The segment disclosures are based on the components that the board monitors in making decisions about operating matters. Such components are identified on the basis of internal reports that the board reviews regularly in allocating resources to segments and in assessing their performance.

This results in a segmental analysis which is similar to that presented previously under IAS 14 (Segmental Reporting).

Segment information is presented below:

Revenue by business segment

	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Secure solutions						
UK and Ireland	1,139.3	–	1,139.3	929.9	–	929.9
Continental Europe	1,497.7	33.7	1,531.4	1,378.6	215.2	1,593.8
Europe	2,637.0	33.7	2,670.7	2,308.5	215.2	2,523.7
North America	1,495.3	–	1,495.3	1,222.3	–	1,222.3
Middle East and Gulf States	424.5	–	424.5	315.6	–	315.6
Latin America and the Caribbean	283.0	–	283.0	229.0	1.9	230.9
Africa	305.6	–	305.6	248.6	–	248.6
Asia Pacific	522.0	–	522.0	412.0	0.1	412.1
New Markets	1,535.1	–	1,535.1	1,205.2	2.0	1,207.2
Total Secure Solutions	5,667.4	33.7	5,701.1	4,736.0	217.2	4,953.2
Cash solutions						
Europe	929.2	0.1	929.3	859.1	0.2	859.3
North America	98.8	–	98.8	87.0	–	87.0
New Markets	313.2	6.9	320.1	246.4	13.9	260.3
Total cash solutions	1,341.2	7.0	1,348.2	1,192.5	14.1	1,206.6
Total revenue	7,008.6	40.7	7,049.3	5,928.5	231.3	6,159.8

Revenue by geographical market

	Total 2009 £m	Total 2008 £m
UK and Ireland*	1,629.3	1,397.7
Continental Europe	1,970.7	1,985.3
Europe	3,600.0	3,383.0
North America	1,594.1	1,309.3
Middle East and Gulf States	475.7	353.9
Latin America and the Caribbean	326.9	272.6
Africa	426.7	343.6
Asia Pacific	625.9	497.4
New Markets	1,855.2	1,467.5
Total revenue	7,049.3	6,159.8

*UK and Ireland revenue includes £1,508m relating to the UK (2008: £1,278m).

Notes to the consolidated financial statements continued

6 Business and geographical segments continued**Revenue from internal and external customers by business segment**

	Total gross segment revenue 2009 £m	Inter-segment revenue 2009 £m	External revenue 2009 £m	Total gross segment revenue 2008 £m	Inter-segment revenue 2008 £m	External revenue 2008 £m
Secure solutions	5,709.7	(8.6)	5,701.1	4,960.3	(7.1)	4,953.2
Cash solutions	1,348.6	(0.4)	1,348.2	1,207.1	(0.5)	1,206.6
Total revenue	7,058.3	(9.0)	7,049.3	6,167.4	(7.6)	6,159.8

Inter-segment sales are charged at prevailing market prices.

PBITA by business segment

	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Secure solutions						
UK and Ireland	97.3	-	97.3	76.8	(0.5)	76.3
Continental Europe	79.3	(10.7)	68.6	74.3	(8.0)	66.3
Europe	176.6	(10.7)	165.9	151.1	(8.5)	142.6
North America	84.8	(1.1)	83.7	70.6	(1.6)	69.0
Middle East and Gulf States	38.5	-	38.5	26.4	-	26.4
Latin America and the Caribbean	17.6	-	17.6	13.8	0.2	14.0
Africa	29.0	-	29.0	22.4	-	22.4
Asia Pacific	41.1	-	41.1	32.6	(0.2)	32.4
New Markets	126.2	-	126.2	95.2	-	95.2
Total secure solutions	387.6	(11.8)	375.8	316.9	(10.1)	306.8
Cash solutions						
Europe	102.0	(0.1)	101.9	94.0	(0.1)	93.9
North America	4.1	-	4.1	0.8	-	0.8
New Markets	46.3	(1.5)	44.8	38.8	(0.3)	38.5
Total cash solutions	152.4	(1.6)	150.8	133.6	(0.4)	133.2
Total PBITA before head office costs	540.0	(13.4)	526.6	450.5	(10.5)	440.0
Head office costs	(39.7)	-	(39.7)	(35.5)	-	(35.5)
Total PBITA	500.3	(13.4)	486.9	415.0	(10.5)	404.5

PBITA by geographical market

Europe	278.6	(10.8)	267.8	245.1	(8.6)	236.5
North America	88.9	(1.1)	87.8	71.4	(1.6)	69.8
New Markets	172.5	(1.5)	171.0	134.0	(0.3)	133.7
Total PBITA before head office costs	540.0	(13.4)	526.6	450.5	(10.5)	440.0
Head office costs	(39.7)	-	(39.7)	(35.5)	-	(35.5)
Total PBITA	500.3	(13.4)	486.9	415.0	(10.5)	404.5

6 Business and geographical segments continued

Result by business segment

	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Total PBITA	500.3	(13.4)	486.9	415.0	(10.5)	404.5
Amortisation of acquisition-related intangible assets	(83.2)	–	(83.2)	(67.8)	–	(67.8)
Total PBIT	417.1	(13.4)	403.7	347.2	(10.5)	336.7
Secure solutions	330.1	(11.8)	318.3	271.3	(10.1)	261.2
Cash solutions	126.7	(1.6)	125.1	111.4	(0.4)	111.0
Head office costs	(39.7)	–	(39.7)	(35.5)	–	(35.5)
Total PBIT	417.1	(13.4)	403.7	347.2	(10.5)	336.7

Continuing PBIT as stated above is equal to PBIT as disclosed in the income statement. Discontinued PBIT as stated above is analysed in note 7.

Segment assets and liabilities

The following information is analysed by business segment and by the geographical area in which the assets are located:

	2009 £m	2008 £m
Total assets		
By business segment		
Secure solutions	3,829.7	3,992.4
Cash solutions	653.9	639.3
Head office	104.6	180.5
Inter-segment trading balances	(98.5)	(86.6)
Total segment operating assets	4,489.7	4,725.6
By geographical segment		
UK and Ireland*	1,500.8	1,543.5
Continental Europe	1,015.4	1,163.5
Europe	2,516.2	2,707.0
North America	997.5	956.3
Middle East and Gulf States	166.0	171.4
Latin America and the Caribbean	161.7	166.5
Africa	282.1	261.4
Asia Pacific	360.1	329.8
New Markets	969.9	929.1
Head office	104.6	219.6
Inter-segment trading balances	(98.5)	(86.4)
Total segment operating assets	4,489.7	4,725.6
Non-operating assets	674.2	893.0
Total assets	5,163.9	5,618.6

*UK and Ireland operating assets include £1,431m of assets relating to the UK (2008: £1,527m).

Notes to the consolidated financial statements continued

6 Business and geographical segments continued**Segment assets and liabilities** continued

	2009 £m	2008 £m
Total liabilities		
By business segment		
Secure solutions	(1,017.6)	(1,051.3)
Cash solutions	(219.5)	(356.9)
Head office	(97.9)	(109.2)
Inter-segment trading balances	98.5	86.6
Total segment operating liabilities	(1,236.5)	(1,430.8)
Non-operating liabilities	(2,488.2)	(2,716.9)
Total liabilities	(3,724.7)	(4,147.7)

Non-operating assets and liabilities comprise financial assets and liabilities, taxation assets and liabilities and retirement benefit obligations.

Included within operating and non-operating assets are £2.6m (2008: £64.5m) and £26.5m (2008: £6.5m) respectively relating to assets classified as held for sale. Included within operating and non-operating liabilities are £10.9m (2008: £58.4m) and £20.0m (2008: £15.7m) respectively relating to liabilities associated with assets classified as held for sale. Disposal groups are analysed in note 27.

Other information by geographical location

By business segment	Impairment losses recognised in income 2009 £m	Depreciation and amortisation 2009 £m	Capital additions 2009 £m	Impairment losses recognised in income 2008 £m	Depreciation and amortisation 2008 £m	Capital additions 2008 £m
Secure solutions	–	165.2	247.8	29.4	113.0	753.2
Cash solutions	–	53.6	86.0	–	70.9	109.6
Head office	–	0.6	16.5	–	–	2.5
Total	–	219.4	350.3	29.4	183.9	865.3

By geographical segment	Capital additions 2009 £m	Capital additions 2008 £m
UK and Ireland	66.2	510.0
Continental Europe	66.1	96.5
Europe	132.3	606.5
North America	110.1	75.3
Middle East and Gulf States	8.2	69.1
Latin America and the Caribbean	10.7	23.0
Africa	43.7	45.3
Asia Pacific	42.8	43.6
New Markets	105.4	181.0
Head office	2.5	2.5
Total	350.3	865.3

7 Discontinued operations

Operations qualifying as discontinued in the current period primarily comprise the security services business in France, which principally comprises Group 4 Securicor SAS, disposed of on 28 February 2009, Group 4 Falck Reinsurance S.A, the captive insurance business in Luxembourg, disposed of on 23 December 2009 and the systems installation business in Slovakia. Further operations qualifying as discontinued in the prior year also comprised the security services business in Germany, which principally comprised G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH, disposed of on 15 May 2008.

The results of the discontinued operations which have been included in the consolidated income statement are presented below:

	2009 £m	2008 £m
Revenue	40.7	231.3
Expenses	(54.1)	(241.8)
Operating loss before interest and taxation (PBIT)	(13.4)	(10.5)
Net finance costs	(0.3)	(1.3)
Attributable tax credit	19.3	0.1
Total operating profit/(loss) for the year	5.6	(11.7)
(Loss)/profit on disposal of discontinued operations (note 18)	(12.5)	12.0
Goodwill impairment	–	(29.4)
Adjustment in respect of disposals in the prior year	–	1.6
Net loss attributable to discontinued operations	(6.9)	(27.5)

The attributable tax credit relates to the recognition in 2009 of previously unrecognised tax attributes in G4S Government Services Inc., a US group company.

The 2008 goodwill impairment charge relates to the security services businesses in France, which includes principally Group 4 Securicor SAS, to write down net assets to their recoverable amount based on the disposal in February 2009.

The 2008 adjustment in respect of disposals in the prior year comprises £0.1m relating to the finalisation of the disposal of Cognisa Transportation, Inc. and £1.5m to write-off of assets and liabilities relating to the disposal of G4S Cash Services (France) SAS.

The effect of discontinued operations on segment results is disclosed in note 6.

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

	2009 £m	2008 £m
Net cash flows from operating activities	(14.1)	(25.1)
Net cash flows from investing activities	(9.1)	2.1
Net cash flows from financing activities	1.3	6.0
	(21.9)	(17.0)

8 Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

	2009 £m	2008 £m
Continuing operations		
Revenue	7,008.6	5,928.5
Cost of sales	(5,472.8)	(4,615.7)
Gross profit	1,535.8	1,312.8
Administration expenses	(1,119.9)	(969.0)
Share of profit from associates	1.2	3.4
PBIT	417.1	347.2

Included within administration expenses is £83.2m (2008: £67.8m) of amortisation of acquisition-related intangible assets.

Revenue and expenses relating to discontinued operations are disclosed in note 7.

9 Profit from operations

Profit from continuing and discontinued operations has been arrived at after charging/(crediting):

	2009 £m	2008 £m
Cost of sales		
Cost of inventories recognised as an expense	91.9	83.1
Write-down of inventories to net realisable value	0.2	0.2
Administration expenses		
Amortisation of acquisition-related intangible assets	83.2	67.8
Amortisation of other intangible assets	15.1	11.1
Goodwill impairment	–	29.4
Depreciation of property, plant and equipment	121.1	105.0
(Profit)/loss on disposal of property, plant and equipment and intangible assets other than acquisition-related	(0.3)	2.1
Impairment of trade receivables	7.7	4.5
Litigation settlements	0.9	0.5
Research and development expenditure	5.8	3.5
Operating lease rentals payable	131.2	124.3
Operating sub-lease rentals receivable	(10.3)	(6.2)
Cost of equity-settled transactions	7.1	5.0
Government grants received as a contribution towards wage costs	(1.3)	(1.5)
Net foreign translation adjustments	1.6	2.4

10 Auditors' remuneration

	2009 £m	2008 £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	1.1	1.0
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	4.2	3.2
Other services pursuant to legislation	–	0.1
Taxation services	0.4	0.3
Corporate finance services	0.6	0.4
Fees payable to other auditors for the audit of the company's subsidiaries pursuant to legislation	0.6	0.6

The Corporate governance statement on pages 47 to 49 outlines the company's established policy for ensuring that audit independence is not compromised through the provision by the company's auditor of other services.

11 Staff costs and employees

The average monthly number of employees, in continuing and discontinued operations, including executive directors was:

	2009 Number	2008 Number
By business segment		
Secure solutions	542,044	516,647
Cash solutions	50,804	44,930
Not allocated, including shared administration and head office	116	299
Total average number of employees	592,964	561,876
By geographical segment		
Europe	134,224	129,224
North America	48,995	51,918
New Markets	409,629	380,619
Not allocated, including shared administration and head office	116	115
Total average number of employees	592,964	561,876

Their aggregate remuneration, in continuing and discontinued operations, comprised:

	2009 £m	2008 £m
Wages and salaries	4,059.8	3,536.9
Social security costs	505.1	467.2
Employee benefits	157.9	113.3
Total staff costs	4,722.8	4,117.4

Information on directors' remuneration, share options, long-term incentive plans and pension contributions and entitlements is set out in the Directors' remuneration report on pages 50 to 55.

12 Finance income

	2009 £m	2008 £m
Interest income on cash, cash equivalents and investments	11.9	17.8
Other interest income	0.8	0.6
Expected return on defined retirement benefit scheme assets	68.0	86.5
Loss arising from change in fair value of derivative financial instruments hedging loan notes	(53.2)	–
Gain arising from fair value adjustment to the hedged loan note items	54.2	–
Total finance income	81.7	104.9

13 Finance costs

	2009 £m	2008 £m
Interest on bank overdrafts and loans	27.6	63.3
Interest on loan notes	66.4	31.6
Interest on obligations under finance leases	7.0	3.9
Other interest charges	8.0	6.6
Gain arising from change in fair value of derivative financial instruments hedging loan notes	–	(78.0)
Loss arising from fair value adjustment to the hedged loan note items	–	79.2
Total group borrowing costs	109.0	106.6
Finance costs on defined retirement benefit obligations	87.0	82.8
Total finance costs	196.0	189.4

Included within interest on bank overdrafts and loans is a debit of £12.3m (2008: £1.5m) relating to cash flow hedges that were transferred from equity during the year.

Notes to the consolidated financial statements continued

I4 Taxation

	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Current taxation expense/(credit)						
UK corporation tax	19.0	–	19.0	10.5	–	10.5
Overseas tax	73.2	(1.1)	72.1	73.0	(0.3)	72.7
Adjustments in respect of prior years:						
UK corporation tax	(2.9)	–	(2.9)	(3.8)	–	(3.8)
Overseas tax	8.6	0.3	8.9	(4.0)	–	(4.0)
Total current taxation expense/(credit)	97.9	(0.8)	97.1	75.7	(0.3)	75.4
Deferred taxation (credit)/expense (see note 36)						
Current year	(13.8)	(18.5)	(32.3)	(12.1)	0.2	(11.9)
Adjustments in respect of prior years	(7.4)	–	(7.4)	6.7	–	6.7
Total deferred taxation (credit)/expense	(21.2)	(18.5)	(39.7)	(5.4)	0.2	(5.2)
Total income tax expense/(credit) for the year	76.7	(19.3)	57.4	70.3	(0.1)	70.2

UK corporation tax is calculated at 28.0% (2008: 28.5%) of the estimated assessable profits for the period. Taxation is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2009 £m	2008 £m
Profit before taxation		
Continuing operations	302.8	262.7
Discontinued operations	(26.2)	(27.4)
Total profit before taxation	276.6	235.3
Tax at UK corporation tax rate of 28.0% (2008: 28.5%)	77.5	67.1
Expenses that are not deductible in determining taxable profit	9.7	10.1
Tax losses not recognised in the current year	(19.3)	3.1
Different tax rates of subsidiaries operating in non-UK jurisdictions	(9.1)	(8.9)
Adjustments for previous years	(1.4)	(1.2)
Total income tax charge	57.4	70.2
Effective tax rate	20.8%	29.9%

In addition to the income tax expense charged to the income statement, a tax credit of £21.9m (2008: £50.3m) has been recognised in equity.

I5 Dividends

	Pence per share	DKK per share	2009 £m	2008 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2007	2.85	0.2786	–	36.4
Interim dividend for the six months ended 30 June 2008	2.75	0.2572	–	38.6
Final dividend for the year ended 31 December 2008	3.68	0.3052	51.7	–
Interim dividend for the six months ended 30 June 2009	3.02	0.2599	42.5	–
			94.2	75.0
Proposed final dividend for the year ended 31 December 2009	4.16	0.3408	58.4	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 4 June 2010 to shareholders who are on the UK register on 7 May 2010. The exchange rate used to translate it into Danish krone is that at 15 March 2010.

16 Earnings/(loss) per share attributable to equity shareholder of the parent

	2009 £m	2008 £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity holders of the parent	202.5	151.2
Effect of dilutive potential ordinary shares (net of tax)	–	0.2
Profit for the purposes of diluted earnings per share	202.5	151.4
Number of shares (m)		
Weighted average number of ordinary shares	1,403.6	1,357.7
Effect of dilutive potential ordinary shares	0.1	1.3
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	1,403.7	1,359.0
Earnings per share from continuing and discontinued operations (pence)		
Basic	14.4p	11.1p
Diluted	14.4p	11.1p
From continuing operations		
Earnings		
Profit for the year attributable to equity holders of the parent	202.5	151.2
Adjustment to exclude loss/(profit) for the year from discontinued operations (net of tax) (note 7)	6.9	27.5
Profit from continuing operations	209.4	178.7
Effect of dilutive potential ordinary shares (net of tax)	–	0.2
Profit from continuing operations for the purpose of diluted earnings per share	209.4	178.9
Earnings per share from continuing operations (pence)		
Basic	14.9p	13.2p
Diluted	14.9p	13.2p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic	(0.5)p	(2.1)p
Diluted	(0.5)p	(2.1)p
From adjusted earnings		
Earnings		
Profit from continuing operations	209.4	178.7
Adjustment to exclude net retirement benefit finance income/(cost) (net of tax)	13.7	(2.7)
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	59.9	48.7
Adjusted profit for the year attributable to equity holders of the parent	283.0	224.7
Weighted average number of ordinary shares (m)	1,403.6	1,357.7
Adjusted earnings per share (pence)	20.2p	16.6p

In the opinion of the directors, the earnings per share figure of most use to shareholders is that which is adjusted. This figure better allows the assessment of operational performance, the analysis of trends over time, the comparison of different businesses and the projection of future earnings.

The denominators used in all earnings/(loss) per share calculations are those disclosed in respect of continuing and discontinued operations.

17 Acquisitions

Current year acquisitions

The group undertook a number of acquisitions in the current period. Principal acquisitions in subsidiary undertakings include the purchase of the entire share capital of SecPoint Security Limited, a security solutions business in Ghana; Sunshine Youth Services, a juvenile justice business in the US; CL Systems Limited, a cash solutions business in Greater China; SMI, a cash solutions business in the UK; Adesta LLC, a leading US systems integrator in the design and operation of security systems and command and control centres for Government and Regulated services; All Star International, one of the premier facilities management and base operations support companies providing services to the US Government; NSSC, a US risk consulting business in the nuclear power industry and the public sector and Hill & Associates, Asia's leading provider of specialist risk mitigation consulting services.

In addition, the group completed the minority buy-outs of certain businesses in New Markets.

A summary of the provisional fair value of net assets acquired by geographical location is presented below:

	Europe £m	North America £m	New Markets £m	Total group £m
Provisional fair value of net assets acquired of subsidiary undertakings	2.0	52.0	7.4	61.4
Acquisition of minority interests	–	(0.8)	7.8	7.0
Total provisional fair value of net assets acquired	2.0	51.2	15.2	68.4
Goodwill	1.7	46.1	37.0	84.8
Total purchase consideration	3.7	97.3	52.2	153.2

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair value to the group in respect of all acquisitions made in the year:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	1.4	50.5	51.9
Property, plant and equipment	2.9	–	2.9
Investment in associates	–	–	–
Inventories	4.5	(0.1)	4.4
Trade and other receivables	50.7	–	50.7
Deferred tax assets	0.3	–	0.3
Cash and cash equivalents	4.8	–	4.8
Trade and other payables	(33.5)	–	(33.5)
Current tax liabilities	(0.6)	–	(0.6)
Provisions	(0.9)	–	(0.9)
Borrowings	(0.8)	–	(0.8)
Deferred tax liabilities	–	(17.8)	(17.8)
Net assets acquired of subsidiary undertakings	28.8	32.6	61.4
Acquisition of minority interests	7.0	–	7.0
Goodwill			84.8
Total purchase consideration			153.2
Satisfied by:			
Cash			159.3
Transaction costs ¹			(6.7)
Contingent consideration			0.6
Total purchase consideration			153.2

¹ Transaction costs are net of £10.5m receivable relating to a refund of tax expenses incurred when Group 4 Securicor plc acquired Securicor plc in 2004.

17 Acquisitions continued

Current year acquisitions continued

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value. These include the recognition of customer-related intangible assets amounting to £50.5m. The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These estimates may be adjusted to reflect any development in the issues to which they relate.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £21.7m arising on the acquisition of minority interests.

From their respective dates of acquisition, the acquired businesses' contribution to the results of the group for the period was as follows:

Contribution from acquired businesses	Revenue £m	PBITA £m	Profit £m
SecPoint Security	3.7	1.3	0.7
CL Systems	1.3	0.5	–
Secura Monde	4.7	0.9	0.2
Sunshine Youth Services	9.7	0.9	0.9
All Star	11.2	1.1	1.1
Others	3.9	0.4	0.4
Total contribution from acquired businesses	34.5	5.1	3.3

If all the acquisitions had occurred on 1 January 2009 the results of the group for the period would have been as follows:

Group's results if all acquisitions had occurred on 1 January 2009	Revenue £m	PBITA £m	Profit £m
Group results for the period	7,008.6	500.3	219.2
Impact of backdating acquisitions to 1 January 2009			
SecPoint Security	3.7	1.3	0.7
CL Systems	1.3	0.5	–
Secura Monde	5.0	0.9	0.2
Sunshine Youth Services	16.6	1.6	1.6
All Star	66.0	4.4	2.1
Adesta LLC	66.7	5.1	2.3
NSSC	15.6	2.5	1.3
Hill & Associates	8.7	(1.1)	(1.0)
Other	8.1	0.8	0.5
Group result for the period if all acquisitions had occurred on 1 January 2009	7,200.3	516.3	226.3

Prior year acquisitions

The most significant acquisition in subsidiary undertakings in the prior year was the purchase of De Facto 1119 Limited, the holding company of the Global Solutions group ("GSL") an international leader in the provision of support services for governments, companies and public authorities, based in the UK, which was completed on 12 May 2008. Other principal acquisitions in subsidiary undertakings in the prior year include the purchases of ArmorGroup International plc, an international provider of defensive, protective security services, headquartered in the UK; Touchcom, Inc., a security consultancy and design business in the US; RONCO Consulting Corporation, an international provider of humanitarian mine clearance and ordnance services, specialised security and training, headquartered in the US; MJM Investigations, Inc., a provider of insurance fraud mitigation and claims services in the US; the Rock Steady group of companies, providing event security in the UK; Travel Logistics Limited, a provider of passport and visa services in the UK and Progard, a market-leader in professional security services in the Republic of Serbia.

In addition, the group completed the acquisition of a further 35% of Aktsiaselts G4S Baltics, increasing to 100% its holding in this company, the holding company of the G4S subsidiaries in Estonia, Latvia and Lithuania, which provide both security services and cash services. This transaction was largely accrued at 31 December 2007 through the recognition of a put option. The group also acquired the 49% of G4S Macau Limitada, a provider of both security services and cash services that it did not already own.

Notes to the consolidated financial statements continued

17 Acquisitions continued

At 31 December 2008, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2008 has since been finalised. The net assets acquired and goodwill arising in respect of all acquisitions made in the year are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	5.8	209.0	214.8
Property, plant and equipment	45.7	(16.5)	29.2
Investment in associates	1.4	–	1.4
Inventories	5.9	(1.7)	4.2
Trade and other receivables	140.7	(4.6)	136.1
Deferred tax assets	8.9	6.4	15.3
Cash and cash equivalents	58.4	1.5	59.9
Trade and other payables	(112.9)	(22.2)	(135.1)
Current tax liabilities	(2.7)	(1.5)	(4.2)
Obligations under finance leases	(13.5)	–	(13.5)
Provisions	2.9	(56.2)	(53.3)
Borrowings	(256.7)	–	(256.7)
Deferred tax liabilities	(1.3)	(60.4)	(61.7)
Net (liabilities)/assets acquired of subsidiary undertakings	(117.4)	53.8	(63.6)
Acquisition of minority interests	5.3	0.5	5.8
Goodwill			427.6
Total purchase consideration			369.8
Satisfied by:			
Cash			339.0
Transaction costs			19.2
Contingent consideration			11.6
Total purchase consideration			369.8

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value. These include the recognition of customer-related intangible assets amounting to £191.4m. On completion of the fair value exercise during 2009, adjustments made to the provisional calculation amounted to £19.1m, with an equivalent increase in the reported value of goodwill. The comparative balance sheet at 31 December 2008 has been restated accordingly. The adjustments to the provisional calculation are primarily to recognise an additional £10.9m of customer-related intangible assets (with a related deferred tax asset of £3.1m) and an additional £25.4m of provisions relating to employee benefits and onerous contracts.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £19.6m arising on the acquisition of minority interests.

In the year of acquisition, in aggregate, the acquired businesses contributed £518.6m to revenues, £46.6m to PBITA and £18.0m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2008, group revenue would have been £6,203.6m, PBITA would have been £439.6m and profit for the year would have been £174.0m.

17 Acquisitions continued

Acquisition of GSL

The net assets acquired and goodwill in respect of the GSL acquisition made in the prior year are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	1.9	157.6	159.5
Investment in associates	1.4	–	1.4
Property, plant and equipment	18.8	(5.5)	13.3
Inventories	0.6	–	0.6
Trade and other receivables	75.7	(0.5)	75.2
Deferred tax assets	4.8	(0.3)	4.5
Cash and cash equivalents	54.7	–	54.7
Trade and other payables	(84.0)	(5.4)	(89.4)
Current tax liabilities	(1.2)	–	(1.2)
Obligations under finance leases	(12.6)	–	(12.6)
Provisions	3.2	(5.9)	(2.7)
Borrowings	(238.8)	–	(238.8)
Deferred tax liabilities	(1.9)	(44.6)	(46.5)
Net assets acquired of subsidiary undertakings	(177.4)	95.4	(82.0)
Goodwill			258.1
Total purchase consideration			176.1
Satisfied by:			
Cash			167.7
Transaction costs			8.4
Total purchase consideration			176.1

Post balance sheet acquisitions

No acquisitions have been effected between the balance sheet date and the date that the financial statements were authorised for issue.

18 Disposal of subsidiaries

On 23 December 2009, the group disposed of Group 4 Falck Reinsurance S.A, the captive insurance business in Luxembourg.

On 28 February 2009, the group disposed of the manned security business in France, which includes principally Group 4 Securicor SAS.

On 31 July 2008, the group disposed of the security systems business in France, being G4S Telesurveillance SAS and G4S Technologie SAS.

On 15 May 2008, the group disposed of the secure solutions business in Germany, which principally comprises G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH.

The net assets of operations disposed of were as follows:

	2009 £m	2008 £m
Goodwill	13.1	20.8
Property, plant and equipment and intangible assets other than acquisition-related	3.0	4.3
Current assets	84.0	13.0
Liabilities	(79.3)	(19.0)
Net assets of operations disposed	20.8	19.1
(Loss)/profit on disposal	(12.5)	12.0
Total consideration	8.3	31.1
Satisfied by:		
Cash received	14.5	31.1
Disposal costs	(6.2)	–
Cash	8.3	31.1

The impact of the disposals, combined with other operations qualifying as discontinued, on the group's results and cash flows in the current and prior year is disclosed in note 7.

19 Intangible assets

	Goodwill	Acquisition-related intangible assets			Other intangible assets		Total
	£m	Trademarks £m	Customer related £m	Technology £m	Development expenditure £m	Software £m	£m
2009							
Cost							
At 1 January 2009	2,113.4	33.5	566.3	19.4	12.4	103.7	2,848.7
Acquisition of businesses	84.8	–	51.2	0.7	–	–	136.7
Additions	–	–	0.2	–	4.9	23.7	28.8
Disposals	(22.2)	–	(0.2)	–	(0.4)	(7.6)	(30.4)
Translation adjustments	(60.9)	0.4	(16.1)	(1.5)	(0.6)	1.8	(80.5)
At 31 December 2009	2,115.1	33.9	601.4	18.6	16.3	118.0	2,903.3
Amortisation and accumulated impairment losses							
At 1 January 2009	(33.9)	(16.4)	(186.8)	(12.9)	(2.9)	(52.2)	(305.1)
Amortisation charge	–	(5.3)	(75.2)	(2.7)	(2.7)	(12.4)	(98.3)
Disposals	8.8	–	0.2	–	0.3	7.1	16.4
Translation adjustments	(46.1)	(0.2)	5.1	1.5	–	(2.8)	(42.5)
At 31 December 2009	(71.2)	(21.9)	(256.7)	(14.1)	(5.3)	(60.3)	(429.5)
Carrying amount							
At 1 January 2009	2,079.5	17.1	379.5	6.5	9.5	51.5	2,543.6
At 31 December 2009	2,043.9	12.0	344.7	4.5	11.0	57.7	2,473.8
2008							
Cost							
At 1 January 2008	1,357.0	16.2	322.2	10.7	7.0	60.5	1,773.6
Acquisition of businesses	427.6	16.3	191.4	5.2	–	1.9	642.4
Additions	–	–	2.0	–	3.9	19.2	25.1
Disposals	–	–	(0.1)	–	–	(1.8)	(1.9)
Translation adjustments	328.8	1.0	50.8	3.5	1.5	23.9	409.5
At 31 December 2008	2,113.4	33.5	566.3	19.4	12.4	103.7	2,848.7
Amortisation and accumulated impairment losses							
At 1 January 2008	(25.7)	(11.0)	(106.7)	(7.2)	(0.8)	(35.4)	(186.8)
Amortisation charge	–	(4.0)	(61.2)	(2.6)	(1.7)	(9.4)	(78.9)
Disposals	–	–	–	–	–	1.1	1.1
Translation adjustments	(8.2)	(1.4)	(18.9)	(3.1)	(0.4)	(8.5)	(40.5)
At 31 December 2008	(33.9)	(16.4)	(186.8)	(12.9)	(2.9)	(52.2)	(305.1)
Carrying amount							
At 1 January 2008	1,331.3	5.2	215.5	3.5	6.2	25.1	1,586.8
At 31 December 2008	2,079.5	17.1	379.5	6.5	9.5	51.5	2,543.6

Included within software is internally generated software with a gross carrying value of £9.1m (2008: £6.7m), and accumulated amortisation of £1.0m (2008: £0.9m), giving a net book value of £8.1m (2008: £5.8m). During the year, additions amounted to £3.5m (2008: £3.9m) and the amortisation charge associated to these assets was £1.0m (2008: £0.9m).

19 Intangible assets continued

Customer-related intangibles comprise the contractual relationship with customers and the customer relationships which meet the criteria for identification as intangible assets in accordance with IFRS. Customer contracts and relationships recognised upon the acquisition of Securicor plc on 19 July 2004 are considered significant to the group. The carrying amount at 31 December 2009 was £96.4m (2008: £138.6m), and the amortisation period remaining in respect of these assets is four and a half years.

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) which are expected to benefit from that business combination. The majority of goodwill was generated by the merger of the security services businesses of Group 4 Falck and Securicor in 2004 which was accounted for as an acquisition of Securicor by Group 4 Falck.

The group tests tangible and intangible assets, including goodwill, for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The annual impairment test is performed prior to the year end when the budgeting process is finalised and reviewed post-year end. The group's impairment test compares the carrying value of each CGU to its recoverable amount. CGUs are identified on a country level basis including significant business units, as per the group's detailed management accounts. Under IAS 36 *Impairment of Assets*, an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is determined by its value in use which is derived from discounted cash flow calculations. These calculations include forecast pre-tax cash flows for a period of five years. The five-year cash flow forecasts are based on the budget for the following year (year one) and the business plans for years two and three, the results of which are reviewed by the board, and projections for years four and five, all of which reflect past experience as well as future expected market trends. Budgeted and forecast cash flows are based on management's assessment of current contract portfolio, contract wins, contract retention and price increases. Cash flows beyond the five-year forecast period are projected into perpetuity at the lower of the planned growth rate in year three and the forecast underlying economic growth rate for the economies in which the CGU operates.

Where the planned growth rate in year three exceeds the forecast underlying economic growth rate, the excess is reduced progressively in the projections for years four and five. Growth rates across the group's CGUs range from 0% to 15%, and the into-perpetuity growth rates for the significant CGUs are disclosed in the table below. Future cash flows are discounted at a pre-tax, weighted average cost of capital which for the group is 8.4% (2008: 11.4%), and the discount rates for the significant CGUs are disclosed in the table below. Pre-tax cash flows are discounted using pre-tax discount rates derived from calculating the net present value of the post-tax cash flows discounted at post-tax rates. The group rate is adjusted where appropriate to reflect the different financial risks in each country in which the CGUs operate. Risk-adjusted discount rates applicable to group entities range from 5.3% in Singapore to 65.9% in Madagascar.

In applying the group's model, no impairment has been identified and recognised in any of the group's CGUs for the year ended 31 December 2009 or for the year ended 31 December 2008. Management believe that there is currently no reasonably possible change in the underlying factors used in the impairment model which would lead to a material impairment of goodwill.

The following CGUs have significant carrying amounts of goodwill:

	Discount rate 2009	Discount rate 2008	Growth rate* 2009	Growth rate* 2008	Goodwill 2009 £m	Goodwill 2008 £m
US secure solutions (manned security)	7.2%	10.1%	2.5%	5.0%	358.9	388.9
GSL	8.4%	11.4%	2.5%	5.3%	258.1	258.1
UK cash solutions	8.4%	11.4%	2.5%	5.3%	240.4	244.5
Netherlands security solutions	7.3%	10.5%	3.5%	3.9%	125.7	136.6
UK secure solutions (manned security)	8.4%	11.4%	2.5%	5.3%	117.1	122.8
UK secure solutions (justice services)	8.4%	11.4%	2.5%	5.3%	95.3	95.3
Estonia secure solutions and cash solutions	13.1%	14.3%	4.0%	3.9%	67.4	73.0
Other (all allocated)					781.0	760.3
Total goodwill					2,043.9	2,079.5

*Growth rate is the long term into-perpetuity growth rate.

The key assumptions used in the discounted cash flow calculations relate to the discount rates and underlying economic growth rates for each CGU. With all other variables being equal, a 1% increase in the group discount rate from 8.4% to 9.4% with equivalent increases to the discount rates in all countries would result in a goodwill impairment to the group of £4m, with a £3m impairment required to Estonia. A significant increase of 3% in the group discount rate from 8.4% to 11.4%, and an equivalent increase in all countries, would result in a group impairment of £60m including impairments of £26m to UK Cash solutions and £11m to Estonia.

A decrease in the underlying growth rate in all countries of 1% would result in a group impairment of £2m, with an impairment of £1m to Estonia. A decrease of 3% in growth rate would result in a group impairment of £11m including an impairment to Estonia of £8m. These approximations indicate the sensitivity of the impairment test to changes in the underlying assumptions. However, it is highly unlikely that any variations in the assumptions would impact on all CGUs at the same time.

20 Property plant and equipment

	Land and buildings £m	Equipment and vehicles £m	Total £m
2009			
Cost			
At 1 January 2009	229.7	861.4	1,091.1
Acquisition of businesses	0.1	2.8	2.9
Additions	23.3	158.6	181.9
Disposals	(15.6)	(79.1)	(94.7)
Translation adjustments	(10.7)	(41.1)	(51.8)
At 31 December 2009	226.8	902.6	1,129.4
Depreciation and accumulated impairment losses			
At 1 January 2009	(59.2)	(503.4)	(562.6)
Depreciation charge	(12.9)	(108.2)	(121.1)
Disposals	10.1	65.5	75.6
Translation adjustments	4.5	20.2	24.7
At 31 December 2009	(57.5)	(525.9)	(583.4)
Carrying amount			
At 1 January 2009	170.5	358.0	528.5
At 31 December 2009	169.3	376.7	546.0
2008			
Cost			
At 1 January 2008	158.5	630.5	789.0
Acquisition of businesses	7.3	21.9	29.2
Additions	36.4	132.2	168.6
Disposals	(2.3)	(65.4)	(67.7)
Translation adjustments	29.8	142.2	172.0
At 31 December 2008	229.7	861.4	1,091.1
Depreciation and accumulated impairment losses			
At 1 January 2008	(35.6)	(350.2)	(385.8)
Depreciation charge	(10.6)	(94.4)	(105.0)
Disposals	1.3	53.4	54.7
Translation adjustments	(14.3)	(112.2)	(126.5)
At 31 December 2008	(59.2)	(503.4)	(562.6)
Carrying amount			
At 1 January 2008	122.9	280.3	403.2
At 31 December 2008	170.5	358.0	528.5

The carrying amount of equipment and vehicles includes the following in respect of assets held under finance leases:

	2009 £m	2008 £m
Net book value	72.8	59.5
Accumulated depreciation	87.1	68.2
Depreciation charge for the year	18.6	16.6

The rights over leased assets are effectively security for lease liabilities. These rights revert to the lessor in the event of default.

Notes to the consolidated financial statements continued

20 Property, plant and equipment continued

The carrying amount of equipment and vehicles includes the following in respect of assets leased by the group to third parties under operating leases:

	2009 £m	2008 £m
Net book value	34.4	39.2
Accumulated depreciation	72.6	74.1
Depreciation charge for the year	10.2	9.4

The net book value of land and buildings comprises:

	2009 £m	2008 £m
Freeholds	66.1	57.1
Long leaseholds (50 years and over)	21.1	9.8
Short leaseholds (under 50 years)	82.1	103.6

At 31 December 2009 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.1m (2008: £3.3m).

21 Investment in joint ventures

At the year end the group owned 59% of the equity of Bridgend Custodial Services Ltd and 50% of the equity in STC (Milton Keynes) Ltd. In both cases, the group jointly shares operational and financial control over the operations and is therefore entitled to a proportionate share of the results of each, which are consolidated on the basis of the equity shares held. The group's correctional facilities in South Africa are under a similar arrangement other than that the group's holding is 20%.

The results of each of the jointly controlled operations are prepared in accordance with group accounting policies. Amounts proportionately consolidated into the group's financial statements are as follows:

Results	2009 £m	2008 £m
Income	46.3	30.8
Expenses	(41.9)	(27.4)
Profit after tax	4.4	3.4

Balance sheet	2009 £m	2008 £m
Assets		
Non-current assets	2.5	4.0
Current assets	46.2	47.8
	48.7	51.8
Liabilities		
Current liabilities	(10.3)	(11.3)
Non-current liabilities	(12.9)	(18.1)
	(23.2)	(29.4)
Net assets	25.5	22.4

22 Investment in associates

	2009 £m	2008 £m
Total assets	13.2	11.6
Total liabilities	(6.0)	(4.2)
Net investment in associates	7.2	7.4
Revenue	33.6	76.3
Profit for the year	1.2	3.4

The net investment and results presented above largely relate to Space Gateway Support LLC, in the USA, in which the group holds an investment of 46%. The results of Space Gateway Support LLC are reported in the North America security segment.

23 Inventories

	2009 £m	2008 £m
Raw materials	15.6	23.4
Work in progress	10.2	11.5
Finished goods including consumables	52.0	50.1
Total inventories	77.8	85.0

24 Investments

Investments comprise primarily listed securities of £59.0m (2008: £70.2m) held by the group's wholly-owned captive insurance subsidiaries stated at their fair values based on quoted market prices. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

25 Trade and other receivables

	2009 £m	2008 £m
Within current assets		
Trade debtors	1,175.8	1,220.5
Allowance for doubtful debts	(65.9)	(59.4)
Amounts owed by associated undertakings	1.3	4.4
Other debtors (including tax receivable)	115.4	100.5
Prepayments and accrued income	93.4	89.1
Amounts due from construction contract customers (see note 26)	17.0	10.6
Derivative financial instruments at fair value (see note 32)	11.5	9.6
Total trade and other receivables included within current assets	1,348.5	1,375.3
Within non-current assets		
Derivative financial instruments at fair value (see note 32)	57.7	143.6
Other debtors	13.6	11.1
Amounts receivable under PFI contracts	40.1	43.3
Total trade and other receivables included within non-current assets	111.4	198.0

25 Trade and other receivables continued

Credit risk on trade receivables

There is limited concentration of credit risk with respect to trade receivables, as the group's customers are both large in number and dispersed geographically in over 110 countries. Group companies are required to follow the Group Finance Manual guidelines with respect to assessing the credit worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and assessments and obtaining additional security where required.

Credit terms vary across the group and can range from 0 to 90 days to reflect the different risks within each country in which the group operates. There is no group-wide rate of provision, and provision is made for debts that are past due according to local conditions and past default experience.

The movement in the allowance for doubtful debts is as follows:

	2009 £m	2008 £m
At 1 January	(59.4)	(36.4)
Amounts written-off during the year	7.7	3.8
Increase in allowance	(14.2)	(26.8)
At 31 December	(65.9)	(59.4)

Included within trade receivables are trade debtors with a carrying amount of £368m (2008: £384m) which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The group does not hold any collateral over these balances. The proportion of trade debtors at 31 December 2009 that were overdue for payment was 36% (2008: 36%). The group-wide average age of all trade debtors at year end was 56 days (2008: 68 days).

To reflect the growing nature of the group, the monthly management accounts use the last three months sales of the year to calculate management trade debtor days. Using this calculation the group-wide average age of trade debtors at year end was 48 days (2008: 49 days at constant exchange rates).

The directors believe the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value.

Amounts receivable under PFI contracts

Amounts receivable under PFI contracts comprise the group's proportion of amounts receivable in respect of the Private Finance Initiative (PFI) projects undertaken by the group's joint ventures. The group's interests under PFI contracts primarily consist of the design, construction, financing and management of HM Prison and Young Offenders Institution Parc in Bridgend, South Wales, for the Home Office; the Oakhill Secure Training Centre for young people in Milton Keynes for the Youth Justices Board and Bloemfontein Correctional Contracts (Pty) for the Government of South Africa. The Bridgend contract commenced in January 1996 and expires in December 2022. The Milton Keynes contract commenced in June 2003 and expires in June 2028. The Bloemfontein contract commenced in July 2001 and ends in June 2026. All contracts can be terminated by the customer either in the event of a severe failure to comply with the contract or voluntarily with six months notice and the payment of appropriate compensation (90 days for the Bloemfontein contract). The specified assets remain the property of the customers. The group's joint ventures have the right to provide services using the specified assets during the life of the contracts. There is currently no obligation to acquire or build further assets and any such obligation would be agreed with the customers as variations to the contracts. The pricing basis is inflation-indexed.

Amounts receivable under PFI contracts are pledged as security against borrowings of the group.

26 Construction contracts

Contracts in place at the balance sheet date are as follows:

	2009 £m	2008 £m
Amounts due from contract customers included in trade and other receivables	17.0	10.6
Amounts due to contract customers included in trade and other payables	(1.8)	(2.6)
Net balances relating to construction contracts	15.2	8.0
Contract costs incurred plus recognised profits less recognised losses to date	180.7	23.6
Less: Progress billings	(165.5)	(15.6)
Net balances relating to construction contracts	15.2	8.0

At 31 December 2009, advances received from customers for contract work amounted to £5.7m (2008: £6.0m). There were no retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

The directors believe the fair value of amounts due from and to contract customers, being the present value of future cash flows, approximates to their book value.

27 Disposal groups classified as held for sale

Disposal groups classified as held for sale as at 31 December 2009 comprise primarily the assets and liabilities associated with the cash solutions business in Taiwan. At 31 December 2008 disposal groups classified as held for sale also included the assets and liabilities associated with the manned security services businesses in France, which principally included Group 4 Securicor SAS.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2009 £m	2008 £m
ASSETS		
Goodwill and acquisition-related intangible assets	–	15.1
Property, plant and equipment and intangible assets other than acquisition-related	2.1	4.2
Interest in associates	–	(0.8)
Trade and other receivables	0.5	45.2
Deferred tax asset	–	2.3
Cash and cash equivalents	26.5	5.0
Total assets classified as held for sale	29.1	71.0
LIABILITIES		
Bank overdrafts	(6.1)	(11.3)
Bank loans	(13.2)	(1.0)
Trade and other payables	(10.9)	(58.1)
Current tax liabilities	–	(2.6)
Retirement benefit obligations	(0.7)	(0.8)
Provisions	–	(0.3)
Total liabilities associated with assets classified as held for sale	(30.9)	(74.1)
Net liabilities of disposal group	(1.8)	(3.1)

28 Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the consolidated cash flow statement to amounts reported within the balance sheet is presented below:

	2009 £m	2008 £m
Cash and cash equivalents	307.6	562.1
Bank overdrafts	(37.5)	(195.1)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	20.4	(6.3)
Total cash, cash equivalents and bank overdrafts	290.5	360.7

Cash and cash equivalents comprise principally short-term money market deposits, current account balances and group-owned cash held in ATM machines and at 31 December 2009 bore interest at a weighted average rate of 1.1% (2008: 1.2%). The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The group operates a multi-currency notional pooling cash management system which included over 110 group companies at 31 December 2009. It is anticipated that the number of participants in the group will continue to grow. In 2009 the group met the conditions of IAS 32 *Financial Instruments: Presentation* allowing balances within this cash pool to be offset for reporting purposes. At 31 December 2009 £146.9m of the cash balances and the equivalent amount of the overdraft balances were offset. Previously balances within this cash pool were reported gross.

Cash and cash equivalents of £20.1m (2008: £33.7m) are held by the group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the group's captive insurance subsidiaries.

29 Bank overdrafts, bank loans and loan notes

	2009 £m	2008 £m
Bank overdrafts	37.5	195.1
Bank loans	661.9	965.7
Loan notes*	1,116.7	901.9
Total bank overdrafts, bank loans and loan notes	1,816.1	2,062.7
The borrowings are repayable as follows:		
On demand or within one year	183.1	283.0
In the second year	15.0	10.0
In the third to fifth years inclusive	604.5	900.8
After five years	1,013.5	868.9
Total bank overdrafts, bank loans and loan notes	1,816.1	2,062.7
Less: Amount due for settlement within 12 months (shown under current liabilities):		
– Bank overdrafts	(37.5)	(195.1)
– Bank loans	(145.6)	(87.9)
	(183.1)	(283.0)
Amount due for settlement after 12 months	1,633.0	1,779.7

*Loan notes includes £766.7m of private loan notes and £350m of public loan notes.

Analysis of bank overdrafts, bank loans and loan notes by currency:

	Sterling £m	Euros £m	US dollars £m	Others £m	Total £m
Bank overdrafts	15.9	9.5	–	12.1	37.5
Bank loans	120.9	174.0	323.7	43.3	661.9
Loan notes	419.0	–	697.7	–	1,116.7
At 31 December 2009	555.8	183.5	1,021.4	55.4	1,816.1
Bank overdrafts	64.0	55.0	36.2	39.9	195.1
Bank loans	236.6	351.5	313.6	64.0	965.7
Loan notes	69.0	–	832.9	–	901.9
At 31 December 2008	369.6	406.5	1,182.7	103.9	2,062.7

Of the borrowings in currencies other than sterling, £1,010m (2008: £1,272m) is designated as net investment hedging instruments.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2009 adjusted for hedging were as follows:

	2009 %	2008 %
Bank overdrafts	1.4	2.2
Bank loans	3.6	4.6
Private loan notes	4.2	6.4
Public loan notes	7.8	–

The group's committed bank borrowings comprise two multi-currency revolving credit facilities totalling £1,087m with a maturity date of June 2012 and a revolving credit facility of £45m maturing March 2010, and the group's uncommitted facilities amount to £515.6m (2008: £578.0m). At 31 December 2009, undrawn committed available facilities amounted to £614.7m (2008: £350.4m). Interest on all committed bank borrowing facilities is at prevailing Libor or Euribor rates, dependent upon the period of drawdown, plus an agreed margin, and re-priced within one year or less.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 33.

The group issued fixed rate loan notes in the US Private Placement market totalling US\$550m (£340.6m) on 1 March 2007. The notes mature in March 2014 (\$100m), March 2017 (\$200m), March 2019 (\$145m) and March 2022 (\$105m).

The group issued further fixed rate loan notes in the US Private Placement market totalling US\$513.5m (£318.0m) and £69m on 15 July 2008. The notes mature in July 2013 (\$65m), July 2015 (\$150m), July 2016 (£25m), July 2018 (\$224m) and (£44m), and July 2020 (\$74.5m).

The group issued its inaugural public note of £350m using its European Medium Term Note Programme on 13 May 2009. The note matures in May 2019.

The committed bank facilities and the private loan notes are subject to one financial covenant (net debt to EBITDA ratio) and non-compliance with the covenant may lead to an acceleration of maturity. The group complied with the financial covenant throughout the year to 31 December 2009 and the year to 31 December 2008. The group has not defaulted on, or breached the terms of, any material loans during the year.

29 Bank overdrafts, bank loans and loan notes continued

Bank overdrafts, bank loans, the loan notes issued in July 2008 and the loan notes issued in May 2009 are stated at amortised cost. The loan notes issued in March 2007 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship. The directors believe the fair value of the group's bank overdrafts, bank loans and the loan notes issued in March 2007, calculated from market prices, approximates to their book value. US\$265m (£164.1m) of the loan notes issued in July 2008 have a fair value market gain of £29.9m.

30 Obligations under finance leases

	Minimum lease payments 2009 £m	Minimum lease payments 2008 £m	Present value of minimum lease payments 2009 £m	Present value of minimum lease payments 2008 £m
Amounts payable under finance leases:				
Within one year	27.5	24.0	23.1	22.1
In the second to fifth years inclusive	60.9	55.9	52.6	49.3
After five years	11.2	16.3	10.0	14.3
	99.6	96.2	85.7	85.7
Less: Future finance charges on finance leases	(13.9)	(10.5)		
Present value of lease obligations	85.7	85.7		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(23.1)	(22.1)
Amount due for settlement after 12 months			62.6	63.6

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is eight years. For the year ended 31 December 2009, the weighted average effective borrowing rate was 7.4% (2008: 7.2%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The directors believe the fair value of the group's finance lease obligations, being the present value of future cash flows, approximates to their book value.

The group's obligations under finance leases are secured by the lessors' charges over the leased assets.

31 Trade and other payables

	2009 £m	2008 £m
Within current liabilities:		
Trade creditors	191.6	197.0
Amounts due to construction contract customers (see note 26)	1.8	2.6
Amounts owed to associated undertakings	0.6	0.5
Other taxation and social security costs	205.8	182.6
Other creditors	398.4	520.0
Accruals and deferred income	295.4	294.7
Derivative financial instruments at fair value (see note 32)	11.9	19.2
Total trade and other payables included within current liabilities	1,105.5	1,216.6
Within non-current liabilities:		
Derivative financial instruments at fair value (see note 32)	9.5	39.1
Other creditors	33.0	24.4
Total trade and other payables included within non-current liabilities	42.5	63.5

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2008: 40 days). The directors believe the fair value of trade and other payables, being the present value of future cash flows, approximates to their book value.

Other creditors within non-current liabilities of £33.0m includes £27.5m relating to creditors due between one and two years, and £5.5m relating to creditors due between two and five years.

32 Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Forward foreign exchange contracts	–	–	0.1	28.6
Cross currency swaps designated as cash flow hedges	29.9	60.9	–	–
Interest rate swaps designated as cash flow hedges	–	–	21.2	28.6
Interest rate swaps designated as fair value hedges	39.1	92.3	–	–
Commodity swaps	0.2	–	0.1	1.1
	69.2	153.2	21.4	58.3
Less: Non-current portion	(57.7)	(143.6)	(9.5)	(39.1)
Current portion	11.5	9.6	11.9	19.2

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 1 of the valuation hierarchy (see note 3(d)). The source of the market prices is Bloomberg and in addition the third-party relationship counterparty banks. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument which are discounted back to the balance sheet date. This value is compared to the original transaction value giving a fair value of the instrument at the balance sheet date.

The mark to market valuation of the derivatives has fallen by £47.1m during the year:

The interest rate, cross currency and commodity swaps which qualify as cash flow hedges have the following maturities:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Within one year	0.2	–	2.7	3.2
In the second year	–	–	5.6	4.0
In the third year	–	–	8.0	7.8
In the fourth year	7.2	–	4.0	10.0
In the fifth year or greater	22.7	60.9	1.0	4.7
Total carrying value of cash flow hedges	30.1	60.9	21.3	29.7

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Within one year	0.6	2.3	13.6	11.1
In the second year	0.3	1.6	6.6	10.7
In the third year	0.4	1.6	2.2	4.9
In the fourth year	7.7	1.6	0.5	2.1
In the fifth year or greater	21.1	54.5	0.1	1.4
Total cash flows	30.1	61.6	23.0	30.2

33 Financial risk

Capital management

The group's capital management objective is to ensure that the businesses within it can continue and develop as going concerns whilst returns to stakeholders are maximised. The group believes that these returns are maximised when the group's Weighted Average Cost of Capital (WACC) is minimised and that this is the case when the group broadly has the characteristics of an investment grade BBB rated entity. The group therefore aims generally to maintain its net debt expressed as a multiple of cash generated from operations broadly within a range corresponding to those of BBB rated entities. On 9 March 2009 the group obtained a BBB credit rating from Standard & Poor's.

The group has a range of return on capital targets in respect of potential acquisitions, depending upon their size. Most proposals for "bolt-on" acquisitions must demonstrate a post-tax return of at least 12% on the capital investment within three years. Medium-sized acquisitions are required to return a minimum of 10% within this time frame and relatively rare, large, strategic acquisitions a minimum equal to the group's WACC. The group's calculation of its post-tax WACC at 31 December 2009 was 7.6%.

The group monitors the financial performance of acquired businesses during the years following acquisition against the return targets. In addition, the group monitors the Return on Net Assets (RONA) of all its businesses on a monthly basis. The group regards RONA as a measure of operational performance and therefore calculates it as EBITA divided by net assets excluding goodwill, tax, dividends payable and retirement benefit obligations.

The group has no current intention to commence a share buy-back plan. The group operates a programme to purchase its own shares on the market on a regular basis so as to provide a pool of shares from which to satisfy share awards to employees as the awards vest.

The group is not subject to externally-imposed capital requirements and there were no changes in the group's approach to capital management during the year.

Liquidity risk

The group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the group's bank overdrafts, bank loans and loan notes see note 29.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2008	19%
31 March 2009	10%
30 June 2009	26%
30 September 2009	27%
31 December 2009	28%

The availability of undrawn committed facilities during early 2009 was impacted by the sharp deterioration in the value of sterling against the US dollar and euro in late 2008, being currencies in which a significant proportion of drawn facilities is denominated. To reduce re-financing risk, group treasury obtains finance with a range of maturities and hence minimises the impact of a single material source of finance terminating on a single date.

The group's committed facilities, restated at hedged rates where applicable, have the following maturity dates:

March 2010	£45m
June 2012	£1,087m
July 2013	£33m
March 2014	£62m
July 2015	£76m
July 2016	£25m
March 2017	£124m
July 2018	£177m
March 2019	£90m
May 2019	£350m
July 2020	£46m
March 2022	£65m

Refinancing risk is further reduced by group treasury opening negotiations to either replace or extend any major facility at least 18 months before its termination date.

33 Financial risk continued

Market risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. Transaction risk is limited since, wherever possible, each business operates and conducts its financing activities in local currency. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial proportion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

Translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges.

The group no longer uses foreign exchange contracts to hedge the residual portion of net assets not hedged by way of loans. This foreign exchange hedging programme was terminated in February 2009. The group believes cash flow should not be put at risk by these instruments in order to preserve the carrying value of net assets, given the changed liquidity environment post the global credit crisis.

At 31 December 2009, the group's US dollar and euro net assets were approximately 75% and 87% respectively hedged by foreign currency loans (2008: US dollar 89%, euro 97%).

Cross currency swaps with a nominal value of £134.2m were arranged to hedge the foreign currency risk on US\$265m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 29 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2009 the nominal value of such contracts was £170.3m (in respect of US dollar) (2008: £246.9m) and £217.7m (in respect of euro) (2008: £271.7m), their weighted average interest rate was 5.0% (US dollar) (2008: 5.0%) and 3.7% (euro) (2008: 3.8%), and their weighted average period to maturity was two and a quarter years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the group was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is LIBOR + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008 was kept at fixed rate.

The core group borrowings are held in US dollar, euro and sterling. Although the impact of rising interest rates is partly shielded by fixed rate loans and interest rate swaps which fix a portion of the exposure, some interest rate risk remains. Assuming a 1% increase in interest rates across the yield curve in each of these currencies and keeping the 31 December 2009 debt position constant throughout 2010, an additional interest charge of £6.4m would be expected in the 2010 financial year.

Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. Commodity swaps and commodity options are used to fix synthetically part of the exposure and reduce the associated cost volatility. Commodity swaps hedging 24 million litres of projected 2010 diesel consumption and 7 million litres of projected 2011 diesel consumption were in place at 31 December 2009.

33 Financial risk continued

Market risk continued

Counterparty credit risk

The group's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each outstanding transaction based on the type and duration of the transaction. The total mark to market value outstanding with each counterparty is closely monitored. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of A+/A1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the group's relationship banks, all of which have a strong investment grade rating. At 31 December 2009 the largest two counterparty exposures related to treasury transactions were £27.6m and £14.1m and were both held with institutions with long-term Moody's credit ratings of Aa3. These exposures represent 40% and 20% of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date. Both of these banks had significant loans outstanding to G4S plc at 31 December 2009.

The group operates a multi-currency notional pooling cash management system with a wholly-owned subsidiary of a Aa3 rated bank. At year end credit balances of £147.5m were pooled with debit balances of £146.9m, resulting in a net pool balance of £0.6m. There is legal right of set off under the pooling agreement.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no, or a non-investment grade, rating can be approved as counterparties for a period of up to 12 months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

34 Retirement benefit obligations

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the income statement totalled £109.0m (2008: £95.6m).

In the UK, following the closure of the defined benefit schemes to new entrants, the main scheme for new employees is a contracted-in defined contribution scheme.

Wackenhut Services, Inc ("WSI") is the administrator of several defined benefit schemes. WSI is responsible for making periodic cost-reimbursable deposits to the various defined benefit schemes as determined by independent actuaries. In each instance, the US Department of Energy ("DOE") acknowledged within the contract entered between the DOE and WSI its responsibility for all unfunded pension and benefit liabilities. Therefore, these schemes are accounted for as defined contribution schemes.

In the Netherlands, most employees are members of industry-wide defined benefit schemes which are not valued on an IAS 19 basis as it is not possible to identify separately the group's share of the schemes' assets and liabilities. As a result the schemes are accounted for as defined contribution schemes. Contributions made to the schemes and charged to the income statement in 2009 totalled £7.8m (2008: £7.3m). The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2010 in respect of the ongoing accrual of benefits is approximately £8.0m assuming consistent exchange rates.

Defined benefit arrangements

The group operates a number of defined benefit retirement arrangements where the benefits are based on employees' length of service. In most cases these are calculated on the basis of final pensionable pay, other than for the smallest of the three schemes in the UK and one scheme in the Netherlands where they are based on career average pay. Liabilities under these arrangements are stated at the discounted value of benefits accrued to date, based upon actuarial advice.

Under unfunded arrangements, the group does not hold the related assets separate from the group. The amount charged to the income statement in respect of these arrangements in 2009 totalled £2.8m (2008: £2.3m). Under funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds. The pension costs are assessed on the advice of qualified independent actuaries using the projected unit credit method. The group operates several funded defined retirement benefit schemes. Whilst the group's primary schemes are in the UK, it also operates other material schemes in the Netherlands, Ireland, Canada, Israel and Greece.

34 Retirement benefit obligations continued

Defined benefit arrangements continued

The carrying values of retirement benefit obligations at the balance sheet date are presented below:

	2009 £m	2008 £m
UK	307.1	256.2
Rest of World	21.1	30.0
Net liability on material funded defined retirement benefit schemes	328.2	286.2
Unfunded and other funded defined retirement benefit obligations	39.4	41.3
	367.6	327.5
Less: Amounts included within current liabilities	(54.6)	(48.9)
Included within non-current liabilities	313.0	278.6

The defined benefit schemes in the UK account for 94% of the net balance sheet liability on material funded defined retirement benefit schemes. They comprise three arrangements: the pension scheme demerged from the former Group 4 Falck A/S with total membership of approximately 8,000, the Securicor scheme, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, with total membership of approximately 20,000 and the GSL scheme, responsibility for which the group assumed on 12 May 2008 with the acquisition of GSL, with total membership of approximately 2,000. Regular actuarial assessments of the schemes are carried out, the latest being at 31 March 2007 in respect of the Group 4 scheme, 5 April 2006 in respect of the Securicor scheme and 31 March 2005 in respect of the GSL scheme. Pension obligations stated in the balance sheet take account of future service and earnings increases, have been updated to 31 December 2009 and use the valuation methodologies specified in IAS 19 *Employee Benefits*. The three schemes in the UK have combined under one trustee body with effect from 1 January 2010 and will be formally actuarially assessed at 5 April 2010.

At 5 April 2009 the participants of the UK pension schemes can be analysed as follows:

At 5 April 2009	Group 4 Falck Scheme	GSL Scheme	Securicor Scheme	Total
Active participants				
Number	618	1,311	1,409	3,338
Average age	53.2	50.8	51.9	51.7
Deferred participants				
Number	4,559	537	10,352	15,448
Average age	51.3	48.4	50.8	50.9
Pensioner participants				
Number	2,607	208	7,878	10,693
Average age	68.2	61.1	69.9	69.3

The weighted average principal assumptions used for the purposes of the actuarial valuations were as follows:

	UK	Rest of World
Key assumptions used at 31 December 2009		
Discount rate	5.7%	5.7%
Expected return on scheme assets (as at 1 January 2009)	6.3%	5.8%
Expected rate of salary increases	3.6%	2.6%
Future pension increases (LPI5%)	3.4%	2.0%
Inflation	3.6%	2.0%
Key assumptions used at 31 December 2008		
Discount rate	6.3%	5.8%
Expected return on scheme assets (as at 1 January 2008)	6.9%	6.2%
Expected rate of salary increases	4.9%	2.9%
Future pension increases (LPI5%)	3.1%	2.0%
Inflation	3.1%	2.0%

In addition to the above, the group uses appropriate mortality assumptions when calculating the schemes obligations. The mortality tables used for the schemes in the UK are as follows:

- | | |
|---|--------|
| • Current and future pensioners 125% of PMA92 (YOB) Medium Cohort | Male |
| • Current and future pensioners 115% of PFA92 (YOB) Medium Cohort | Female |

34 Retirement benefit obligations continued

The amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	UK £m	Rest of World £m	Total £m
Amounts recognised in income 2009			
Current service cost	(9.0)	(3.7)	(12.7)
Finance cost on defined retirement benefit obligations	(80.7)	(6.3)	(87.0)
Expected return on defined retirement benefit scheme assets	64.0	4.0	68.0
Total amounts recognised in income	(25.7)	(6.0)	(31.7)
Amounts recognised in income 2008			
Current service cost	(11.8)	(3.6)	(15.4)
Finance cost on defined retirement benefit obligations	(77.8)	(5.0)	(82.8)
Expected return on defined retirement benefit scheme assets	82.2	4.3	86.5
Total amounts recognised in income	(7.4)	(4.3)	(11.7)

The amounts recognised in income are included within the following categories in the income statement:

	2009 £m	2008 £m
Cost of sales	(8.7)	(11.1)
Administration expenses	(4.0)	(4.3)
Finance income	68.0	86.5
Finance costs	(87.0)	(82.8)
Total	(31.7)	(11.7)

Actuarial gains and losses recognised cumulatively in the statement of comprehensive income are as follows:

	2009 £m	2008 £m
At 1 January	(204.7)	(7.8)
Actuarial losses recognised in the year	(63.1)	(196.9)
At 31 December	(267.8)	(204.7)

The amounts included in the balance sheet arising from the group's obligations in respect of its defined benefit schemes are as follows:

	UK £m	Rest of World £m	Total £m
2009			
Present value of defined benefit obligations	1,547.3	115.9	1,663.2
Fair value of scheme assets	(1,240.2)	(94.8)	(1,335.0)
Deficit in scheme recognised in the balance sheet	307.1	21.1	328.2
2008			
Present value of defined benefit obligations	1,296.3	110.8	1,407.1
Fair value of scheme assets	(1,040.1)	(80.8)	(1,120.9)
Deficit in scheme recognised in the balance sheet	256.2	30.0	286.2
2007			
Present value of defined benefit obligations	1,291.3	84.6	1,375.9
Fair value of scheme assets	(1,169.7)	(70.7)	(1,240.4)
Deficit in scheme recognised in the balance sheet	121.6	13.9	135.5
2006			
Present value of defined benefit obligations	1,328.8	61.1	1,389.9
Fair value of scheme assets	(1,118.1)	(45.4)	(1,163.5)
Deficit in scheme recognised in the balance sheet	210.7	15.7	226.4
2005			
Present value of defined benefit obligations	1,199.3	61.1	1,260.4
Fair value of scheme assets	(1,004.5)	(39.3)	(1,043.8)
Deficit in scheme recognised in the balance sheet	194.8	21.8	216.6

34 Retirement benefit obligations continued

Movements in the present value of defined benefit obligations in the current year and the fair value of scheme assets during the year were as follows:

2009	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2009	1,296.3	110.8	1,407.1
Service cost	9.0	3.7	12.7
Interest cost	80.7	6.3	87.0
Contributions from scheme members	5.5	3.1	8.6
Actuarial gains	205.1	0.5	205.6
Benefits paid	(49.3)	(4.0)	(53.3)
Translation adjustments	–	(4.5)	(4.5)
At 31 December 2009	1,547.3	115.9	1,663.2
Assets			
At 1 January 2009	1,040.1	80.8	1,120.9
Expected return on scheme assets	64.0	4.0	68.0
Actuarial losses	134.3	8.2	142.5
Actual returns on schedule assets	198.3	12.2	210.5
Contributions from the sponsoring companies	45.6	5.4	51.0
Contributions from scheme members	5.5	3.1	8.6
Benefits paid	(49.3)	(4.0)	(53.3)
Translation adjustments	–	(2.7)	(2.7)
At 31 December 2009	1,240.2	94.8	1,335.0

2008	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2008	1,291.3	84.6	1,375.9
Service cost	11.8	3.6	15.4
Interest cost	77.8	5.0	82.8
Contributions from scheme members	4.6	2.5	7.1
Actuarial gains	(129.2)	(5.6)	(134.8)
Benefits paid	(45.9)	(1.5)	(47.4)
Acquisition of subsidiary undertakings	85.9	–	85.9
Translation adjustments	–	22.2	22.2
At 31 December 2008	1,296.3	110.8	1,407.1
Assets			
At 1 January 2008	1,169.7	70.7	1,240.4
Expected return on scheme assets	82.2	4.3	86.5
Actuarial losses	(315.1)	(16.6)	(331.7)
Actual return on scheme assets	(232.9)	(12.3)	(245.2)
Contributions from the sponsoring companies	47.5	5.1	52.6
Contributions from scheme members	4.6	2.5	7.1
Benefits paid	(45.9)	(1.5)	(47.4)
Acquisition of subsidiary undertakings	97.1	–	97.1
Translation adjustments	–	16.3	16.3
At 31 December 2008	1,040.1	80.8	1,120.9

The contribution from sponsoring companies in 2009 included £29.9m (2008: £26.9m) of additional contributions in respect of the deficit in the schemes.

34 Retirement benefit obligations continued

The composition of the scheme assets at the balance sheet date is as follows:

	UK	Rest of World	Total
2009			
Equity instruments	59%	45%	57%
Debt instruments	26%	38%	27%
Property	0%	10%	1%
Other assets	15%	7%	15%
	100%	100%	100%
2008			
Equity instruments	57%	39%	56%
Debt instruments	28%	27%	28%
Property	1%	4%	1%
Other assets	14%	30%	15%
	100%	100%	100%

None of the pension scheme assets are held in the entity's own financial instruments or in any assets held or used by the entity.

The expected weighted average rates of return on scheme assets for the following year at the balance sheet date are as follows:

	UK	Rest of World	Total
2009 (return expected in 2010)	6.9%	5.6%	6.8%
2008 (return expected in 2009)	6.3%	5.9%	6.3%
2007 (return expected in 2008)	6.9%	6.2%	6.9%

The expected rates of return on individual categories of scheme assets are determined with respect to bonds by reference to relevant indices, and with respect to other assets by reference to relevant indices of the historical return and economic forecasts of future returns relative to inflation in respect of assets of a similar nature. The overall expected rate of return is the weighted average of the rates on the individual asset categories.

The history of experience adjustments is as follows:

	UK	Rest of World	Total
2009	UK	Rest of World	Total
Experience adjustments on scheme liabilities			
Amount (£m)	9.8	(1.7)	8.1
Percentage of scheme liabilities (%)	1	(1)	–
Experience adjustments on scheme assets			
Amount (£m)	(133.2)	(8.1)	(141.3)
Percentage of scheme assets (%)	11	9	11
2008			
Experience adjustments on scheme liabilities			
Amount (£m)	0.1	0.5	0.6
Percentage of scheme liabilities (%)	–	1	–
Experience adjustments on scheme assets			
Amount (£m)	(315.1)	(16.6)	(331.7)
Percentage of scheme assets (%)	(30)	(21)	(30)
2007			
Experience adjustments on scheme liabilities			
Amount (£m)	5.5	(3.1)	2.4
Percentage of scheme liabilities (%)	–	(4)	–
Experience adjustments on scheme assets			
Amount (£m)	(16.6)	(4.6)	(21.2)
Percentage of scheme assets (%)	(1)	(7)	2

34 Retirement benefit obligations continued

	UK	Rest of World	Total
2006			
Experience adjustments on scheme liabilities			
Amount (£m)	29.0	0.1	29.1
Percentage of scheme liabilities (%)	2	–	2
Experience adjustments on scheme assets			
Amount (£m)	45.4	2.6	48.0
Percentage of scheme assets (%)	4	6	4
2005			
Experience adjustments on scheme liabilities			
Amount (£m)	(17.5)	1.1	(16.4)
Percentage of scheme liabilities (%)	(1)	2	(1)
Experience adjustments on scheme assets			
Amount (£m)	99.0	2.4	101.4
Percentage of scheme assets (%)	10	6	10

The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2010 in respect of the ongoing accrual of benefits is approximately £20m and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions. Additional contributions of at least £30m will also be made in 2010 in respect of the deficit in the schemes.

IAS 19 specifies that pension liabilities should be discounted at appropriate high quality corporate bond rates. The directors consider that it is appropriate to apply the average of the yields on those AA corporate bonds which most closely approximate to the timescale of the liability profile of the schemes and have therefore used such a rate, being 5.65%, in respect of the UK schemes at 31 December 2009 (6.3% at 31 December 2008). The effect of a 0.1% movement in the discount rate applicable in the UK is to alter reported liabilities (before associated deferred tax) by approximately £28m.

Liability calculations are also impacted heavily by the mortality projections included in the actuarial assumptions. The weighted average life expectancy of a male member of the UK schemes currently aged 65 has been assumed as 20.4 years. The weighted average life expectancy at 65 of a male currently aged 52 has been assumed as 21.2 years. The directors consider, on actuarial advice, these assumptions to be appropriate to the profile of the membership of the schemes. The effect of a one-year change in this UK life expectancy assumption is to alter reported liabilities (before associated deferred tax) by approximately £70m.

Pension obligations in respect of deferred members increase in line with inflation. Increases in salaries and increases in pensions-in-payment generally move in line with inflation. Inflation is therefore an important assumption in the calculation of defined retirement benefit liabilities. The effect of a 0.1% movement in the rate of inflation assumption applicable in the UK is to alter reported liabilities (before associated deferred tax) by approximately £16m.

35 Provisions

	Employee benefits £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Total £m
At 1 January 2009	36.0	5.1	45.2	64.3	150.6
Additional provision in the year	4.7	1.8	24.1	1.8	32.4
On acquisition of subsidiary	–	–	0.3	0.6	0.9
Utilisation of provision	(8.4)	(1.9)	(23.1)	(13.0)	(46.4)
Unused amounts reversed	(8.7)	(0.2)	(1.0)	(9.9)	(19.8)
Reversals on disposal of a subsidiary	(1.7)	–	–	–	(1.7)
Translation adjustments	(3.7)	(0.7)	(5.6)	(7.9)	(17.9)
At 31 December 2009	18.2	4.1	39.9	35.9	98.1
Included in current liabilities					29.8
Included in non-current liabilities					68.3
					98.1

Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards, termination indemnity schemes and related taxes.

35 Provisions continued

Restructuring

Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term.

Claims reserves

The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey and the US which underwrite part of the group's cash solutions, general liability, workers' compensation and auto liability policies. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain, dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

Onerous contracts

The onerous contract provision mainly comprises the provision against future liabilities for loss-making contracts, for all properties sub-let at a shortfall, for the cost of replacing assets where there is a present contractual requirement and for long-term idle, leased properties. The provision is based on the value of future net cash outflows. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

36 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2008	37.1	(60.6)	5.1	27.0	8.6
(Charge)/credit to the income statement	(7.5)	19.1	1.9	(8.1)	5.4
Acquisition of subsidiaries	(4.7)	(59.3)	–	17.6	(46.4)
(Credit)/charge to equity	56.7	–	–	(6.4)	50.3
Translation adjustments	–	(15.5)	0.6	13.9	(1.0)
At 31 December 2008	81.6	(116.3)	7.6	44.0	16.9
At 1 January 2009	81.6	(116.3)	7.6	44.0	16.9
(Charge)/credit to the income statement	(4.7)	22.8	19.6	2.0	39.7
Acquisition of subsidiaries	–	(17.8)	–	0.3	(17.5)
Credit to equity	17.0	–	–	–	17.0
Translation adjustments	–	3.0	–	(4.7)	(1.7)
Transfers/other	(1.7)	1.1	–	1.2	0.6
At 31 December 2009	92.2	(107.2)	27.2	42.8	55.0

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2009 £m	2008 £m
Deferred tax liabilities	(123.1)	(138.1)
Deferred tax assets	178.1	155.0
Total deferred tax position	55.0	16.9

At the balance sheet date, the group has unutilised tax losses of approximately £528.1m (2008: £526.8m) potentially available for offset against future profits. A deferred tax asset of £27.2m (2008: £5.1m) has been recognised in respect of approximately £78.4m (2008: £22.9m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £449.7m (2008: £503.9m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £2.7m, £3.3m, £1.8m, £1.6m, £1.2m and £3.3m which will expire in 2010, 2011, 2012, 2013, 2014 and 2015 respectively. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,329m (2008: £2,727m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

At the balance sheet date, the group has total unprovided contingent tax liabilities of approximately £nil (2008: £4.0m) relating to unresolved tax issues in various jurisdictions.

37 Share capital

G4S plc	At 31 December 2009		At 31 December 2008	
	Authorised £	Issued and fully paid £	Authorised £	Issued and fully paid £
Ordinary shares of 25p each (2008: 25p each)	587,500,000	352,629,660	500,000,000	352,074,660

	Number	Nominal value £m
Ordinary shares in issue		
At 1 January 2008	1,280,710,738	320.2
New shares issued	127,000,000	31.8
Shares issued on exercise of options:		
Executive Scheme	587,901	0.1
At 1 January 2009	1,408,298,639	352.1
Shares issued on exercise of options:		
Executive scheme	2,220,000	0.5
At 31 December 2009	1,410,518,639	352.6

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Options over G4S plc shares outstanding at 31 December 2009, rolled over at 19 July 2004 from options previously held over Securicor plc shares, were as follows:

a Executive share option scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise date
2	45,000	133.75p	2010
2	30,000	153p	2010
1	25,000	85p	2010–2013
1	50,000	91p	2010–2013

The proceeds from shares allotted under this scheme during the year amounted to £2,772,488 (2008: £693,631).

5,543,118 shares are held by an employee benefit trust as detailed in note 38.

38 Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in foreign operations (net of tax).

Merger reserve

The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the group in 2004.

Reserve for own shares

An employee benefit trust established by the group held 5,543,818 shares at 31 December 2009 (2008: 5,832,653 shares), to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes. During the year 4,437,600 shares were purchased by the trust, whilst 4,726,435 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2009, the cost of shares held by the trust was £12,054,145 (2008: £11,715,675), whilst the market value of these shares was £14,447,190 (2008: £11,956,939). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

39 Analysis of net debt

A reconciliation of net debt to amounts in the consolidated balance sheet is presented below:

	2009 £m	2008 £m
Cash and cash equivalents	307.6	562.1
Investments	84.4	92.7
Net cash and overdrafts included within disposal groups classified as held for sale	20.4	(6.3)
Net debt (excluding cash and overdrafts) included within disposal groups classified as held for sale	(13.2)	(1.0)
Bank overdrafts	(37.5)	(195.1)
Bank loans	(661.9)	(965.7)
Loan notes	(1,116.7)	(901.9)
Fair value of loan note derivative financial instruments	69.2	153.2
Obligations under finance leases	(85.7)	(85.7)
Total net debt	(1,433.4)	(1,347.7)

An analysis of movements in net debt in the year is presented below:

	2009 £m	2008 £m
(Decrease)/increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	(37.9)	56.3
Purchase/(sale) of investments	0.9	(5.6)
Increase in debt and lease financing	0.6	(160.2)
Change in net debt resulting from cash flows	(36.4)	(109.5)
Borrowings acquired with subsidiaries	(0.4)	(230.0)
Net additions to finance leases	(19.7)	(17.1)
Movement in net debt in the year	(56.5)	(356.6)
Translation adjustments	(29.2)	(186.2)
Net debt at the beginning of the year	(1,347.7)	(804.9)
Net debt at the end of the year	(1,433.4)	(1,347.7)

40 Contingent liabilities

Contingent liabilities exist in respect of agreements entered into in the normal course of business, none of which are individually or collectively significant.

Details of unprovided contingent tax liabilities are presented in note 36.

41 Operating lease arrangements

The group as lessee

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2009 £m	2008 £m
Within one year	142.7	141.8
In the second to fifth years inclusive	300.6	306.7
After five years	197.6	200.6
Total operating lease commitments	640.9	649.1

The group leases a number of its office properties, vehicles and other operating equipment under operating leases. Property leases are negotiated over an average term of 17 years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of four years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £10.6m (2008: £37.2m).

42 Share-based payments

The group has two types of equity-settled, share-based payment scheme in place: (1) share options previously held by employees over Securicor plc shares and rolled over to G4S plc shares with the acquisition of that business on 19 July 2004, and (2) conditional allocations of G4S plc shares.

Share options

Share options rolled over from Securicor plc fall under either the Executive Share Option Scheme (ESOS). Options under the ESOS were granted at market value, vest three or four years following the date of grant (provided that certain non-market performance conditions are met and that the recipients continue to be employed by the group during the vesting period) and are exercisable up to ten years following the date of grant.

Details of the share options outstanding during the year are as follows:

	Number of shares under option 2009	Weighted average exercise price (pence) 2009	Number of shares under option 2008	Weighted average exercise price (pence) 2008
Outstanding at 1 January	2,370,000	124.28	2,957,901	123.02
Exercised during the year	(2,220,000)	122.82	(587,901)	117.98
Outstanding at 31 December	150,000	115.23	2,370,000	124.28
Exercisable at 31 December	150,000	115.23	2,370,000	124.28

The weighted average share price at the date of exercise for share options exercised during the year was 243.95p (2008: 232.94p). All options outstanding at 31 December 2009 were vested.

No share option expense has been recognised in the income statement during the year as all share options had previously vested (2008: all vested).

42 Share-based payments continued

Shares allocated conditionally

Shares allocated conditionally fall under either the group's performance-related bonus scheme or the group's Performance Share Plan (PSP). Shares allocated conditionally under the performance-related bonus scheme vest three years following the date of grant provided certain non-market performance conditions are met. Those allocated under the PSP vest, to the extent that (a) certain non-market performance conditions are met as to two-thirds of the allocation and (b) certain market performance conditions are met as to the remaining third of the allocation. Vesting occurs after the third anniversary of the date the shares were allocated conditionally. To the extent that the performance criteria have been met and the shares are not forfeited, these shares can only be released upon request after the third anniversary but before the tenth anniversary.

The number of shares allocated conditionally is as follows:

	Performance-related bonus scheme 2009 Number	PSP 2009 Number	Total 2009 Number	Performance-related bonus scheme 2008 Number	PSP 2008 Number	Total 2008 Number
Outstanding at 1 January	2,257,765	11,861,814	14,119,579	1,981,777	11,460,069	13,441,846
Allocated during the year	553,382	6,576,223	7,129,605	554,229	4,757,230	5,311,459
Transferred during the year	(1,488,408)	(3,238,023)	(4,726,431)	(278,241)	(3,091,962)	(3,370,203)
Forfeited during the year	–	(201,393)	(201,393)	–	(228,180)	(228,180)
Expired during the year	–	(36,612)	(36,612)	–	(1,035,343)	(1,035,343)
Outstanding at 31 December	1,322,739	14,962,009	16,284,748	2,257,765	11,861,814	14,119,579

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2009 was 17 months (2008: 17 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 210.25p (2008: 216.50p) and the contractual life of all conditional allocations was three years.

Under the PSP, the vesting of two-thirds of the shares allocated conditionally depends upon Total Shareholder Return (a market performance condition) over the vesting year measured against a comparator group. 25% of the allocation vests upon the group's Total Shareholder Return equalling median performance amongst the comparator group. The fair value of the shares allocated subject to this market performance condition has therefore been reduced by 75%.

Total expenses of £7.1m were recognised in the income statement in the year (2008: £5.0m) in respect of conditional share allocations, the calculation of which included an estimate of the number of those shares allocated subject to non-market performance conditions that would vest based upon the probable achievement against the performance conditions.

43 Related party transactions

Transactions and balances with joint ventures and associated undertakings

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

	Joint ventures 2009 £m	Joint ventures 2008 £m	Associates 2009 £m	Associates 2008 £m
Transactions				
Revenue	9.4	15.0	–	–
Balances				
Amounts due to related parties				
Creditors	–	–	0.6	0.5
Amounts due from related parties				
Debtors	3.9	1.1	1.3	4.4

Revenue includes fees of £6.6m (2008: £9.1m) charged to Bridgend Custodial Services Ltd and fees of £2.8m (2008: £5.9m) charged to STC (Milton Keynes) Ltd. No expense has been recognised in the year for bad and doubtful debts in respect of amounts owed by related parties. Details of principal joint ventures and associated undertakings are shown in notes 21 and 22 respectively.

43 Related party transactions continued

Transactions and balances with joint ventures and associated undertakings continued

The group has a legal interest in a number of joint ventures and joint arrangements, where the economic interest was divested by the Global Solutions group prior to its acquisition by the group. The significant transactions with these entities are:

	2009 Services/sales to £m
White Horse Education Partnership Limited	1.6
Integrated Accommodation Services plc	42.3
Fazakerley Prison Services Limited	28.4
Onley Prison Services Limited	13.0
ECD Cookham Wood Limited	5.5
ECD Onley Limited	10.9
Stratus Integrated Services Limited	7.4
UK Court Services (Manchester) Limited	1.8
East London Lift Company Limited	1.2
Health Improvement Partnership (Wolverhampton City & Walsall) Ltd	0.5
Brent, Harrow & Hillingdon LIFT Company Ltd	0.5
Bexley, Bromley & Greenwich LIFT Company Ltd	0.4
	113.1

Transactions with post-employment benefit schemes

Details of transactions with the group's post-employment benefit schemes are provided in note 34. Unpaid contributions owed to schemes amounted to £1.6m at 31 December 2009 (2008: £1.2m).

Remuneration of key management personnel

The group's key management personnel are deemed to be the non-executive directors and those individuals, including the executive directors, whose remuneration is determined by the Remuneration Committee. Their remuneration is set out below. Further information about the remuneration of individual directors included within key management personnel is provided in the audited part of the Directors' remuneration report on pages 53 to 55.

	2009 £	2008 £
Short-term employee benefits	5,721,186	5,236,982
Post-employment benefits	504,608	490,996
Other long-term benefits	28,631	31,055
Share-based payment	2,488,363	2,735,153
Total	8,742,788	8,494,186

44 Events after the balance sheet date

No significant post-balance sheet events have affected the group since 31 December 2009.

45 Significant investments

The companies listed below are those which were part of the group at 31 December 2009 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole.

The principal activities of the companies listed below are indicated according to the following key:

Secure solutions	S
Cash solutions	C

45 Significant investments continued

These businesses operate principally in the country in which they are incorporated.

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
G4S Australia (Pty) Limited	S	Australia	100%
G4S Custodial Services (Pty) Limited	S	Australia	100%
G4S Security Services AG	S	Austria	100%
G4S Security Services SA/NV	S	Belgium	100%
G4S Cash Services (Belgium) SA/NV	C	Belgium	100%
G4S Cash Solutions (Canada) Limited	C	Canada	100%
G4S Security Services (Canada) Limited	S	Canada	100%
Wackenhut de Colombia SA	S+C	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Utility Services (UK) Limited (formerly AccuRead Limited)	S	England	100%
G4S Aviation Services (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Solutions (UK) Limited	C	England	100%
G4S International UK Limited	C	England	100%
G4S Care and Justice Services (UK) Limited	S	England	100%
G4S Secure Solutions (UK) Limited	S	England	100%
G4S Technology Limited	S	England	100%
Group 4 Total Security Limited	S	England	100%
G4S Integrated Services (UK) Limited	S	England	100%
AS G4S Eesti	S+C	Estonia	100%
G4S Security Services Oy	S	Finland	100%
G4S Cash Solutions S.A.	C	Greece	100%
G4S Keszpenzlogisztikai Kft	S+C	Hungary	100%
G4S Security Services (India) Pvt. Limited ^{1,5}	S	India	40%
G4S Cash Services (Ireland) Limited	C	Ireland	100%
G4S Security Services (Ireland) Limited	S	Ireland	100%
Hashmira Company Limited	S	Israel	91%
G4S Security Services (Kenya) Limited	S+C	Kenya	100%
G4S Security Services SA	S+C	Luxembourg	100%
Safeguards Securicor Sdn Bhd ²	S+C	Malaysia	100%
Group 4 Securicor Cash Services BV	C	Netherlands	100%
Group 4 Securicor Beheer BV	S	Netherlands	100%
G4S Security Services AS	S+C	Norway	100%
G4S Cash Services SRL	C	Romania	100%
al Majal Service Master Co. Limited ⁵	S	Saudi Arabia	49%
G4S Cash Services (SA) (Pty) Limited	C	South Africa	50%
G4S Security Services (SA) (Pty) Limited	S	South Africa	74%
G4S Cash Services (Sverige) AB	C	Sweden	100%
G4S Security Services (Sverige) AB	S	Sweden	100%
ArmorGroup North America, Inc.	S	USA	100%
G4S Youth Services LLC	S	USA	100%
RONCO Consulting Corporation	S	USA	100%
The Wackenhut Corporation	S	USA	100%
Wackenhut Services, Inc.	S	USA	100%

45 Significant investments continued

	Product segment	Country of incorporation	Ultimate ownership
Joint ventures (see note 21)			
Bridgend Custodial Services Limited ³	S	England	59%
STC (Milton Keynes) Limited	S	England	50%
Bloemfontein Correctional Contracts (Pty) Limited ⁴	S	South Africa	20%
Associated undertakings (see note 22)			
Space Gateway Support LLC	S	USA	46%

1 G4S Security Services (India) Pvt. Limited has a year end of 31 March.

2 Safeguards Securicor Sdn Bhd has a year end of 30 June.

3 Bridgend Custodial Services Limited has a year end of 30 September.

4 Bloemfontein Correctional Contracts (Pty) Limited has a year end of 30 September.

5 By virtue of shareholder agreements, the group has the power to govern the financial and operating policies of G4S Security Services (India) Pvt. Limited and al Majal Service Master; so as to obtain the benefits from their activities. These are therefore consolidated as full subsidiaries.

Parent company balance sheet

At 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	(b)	9.9	8.2
Investments	(c)	3,140.9	2,613.1
		3,150.8	2,621.3
Current assets			
Debtors	(d)	2,615.4	3,240.8
Cash at bank and in hand		12.2	9.3
		2,627.6	3,250.1
Creditors – amounts falling due within one year			
Bank overdraft (unsecured)		(117.9)	(122.2)
Borrowings (unsecured)	(e)	(90.8)	–
Other creditors	(f)	(3,215.5)	(3,463.6)
		(3,424.2)	(3,585.8)
Net current liabilities			
		(796.6)	(335.7)
Total assets less current liabilities			
		2,354.2	2,285.6
Creditors – amounts falling due after more than one year			
Borrowings (unsecured)	(e)	(1,587.5)	(1,547.9)
Other creditors	(f)	(7.3)	(15.9)
		(1,594.8)	(1,563.8)
Provisions for liabilities and charges			
	(i)	(1.2)	(2.0)
Net assets			
		758.2	719.8
Capital and reserves			
Called up share capital	37	352.6	352.1
Share premium and reserves	(j)	405.6	367.7
Equity shareholders' funds			
		758.2	719.8

The parent company financial statements were approved by the board of directors and authorised for issue on 15 March 2010.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Parent company reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2009

	2009 £m	2008 £m
Retained profit for the year	128.3	26.4
Changes in fair value of hedging derivatives	6.1	52.9
Shares issued	2.7	276.8
Dividends declared	(94.2)	(75.0)
Own shares purchased	(9.9)	(8.8)
Equity-settled transactions	7.1	5.0
Tax on equity movements	(1.7)	(14.8)
Net increase in shareholders' funds	38.4	262.5
Opening equity shareholders' funds	719.8	457.3
Closing equity shareholders' funds	758.2	719.8

Notes to the parent company financial statements

a Significant accounting policies

Basis of preparation

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention except for the revaluation of certain financial instruments and in accordance with applicable United Kingdom Accounting Standards (UK GAAP).

The financial statements have been prepared on a going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate given the amounts owed are mainly to wholly controlled subsidiaries.

Exemptions

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 *Cash Flow Statements*. The cash flows of the company are included within its consolidated financial statements.

The company is also exempt under the terms of the revised FRS 8 *Related Party Disclosures* from disclosing related party transactions with wholly-owned subsidiaries within the group.

The consolidated financial statements of the group contain financial instrument disclosures and comply with FRS 29 *Financial Instruments: Disclosures*. Consequently the company has taken advantage of certain exemptions in FRS 29 from the requirement to present separate financial instrument disclosures for the company.

Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and any provision for impairment. Tangible fixed assets are depreciated on a straight-line basis over their expected economic life. Short leasehold property (under 50 years) is depreciated over the life of the lease. Equipment and vehicles are depreciated over periods up to a maximum of ten years.

Fixed asset investments

Fixed asset investments, which comprise investments in subsidiary undertakings, are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instruments.

- *External debtors*
Debtors do not carry interest and are stated initially at their fair value. The company provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.
- *Cash at bank and in hand and bank overdrafts*
Cash at bank and in hand and bank overdrafts comprise cash balances and call deposits.
- *Interest-bearing borrowings*
Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the profit and loss account on an accrual basis using the effective interest method.
- *External creditors*
Creditors are not interest-bearing and are stated initially at their fair value.
- *Amounts owed to/from subsidiary undertakings*
Amounts owed to/from subsidiary undertakings bear interest at prevailing market rates.
- *Equity instruments*
Equity instruments issued by the company are recorded at the value of proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount can be made.

Derivative financial instruments and hedge accounting

In accordance with its treasury policy, the company only holds or issues derivative financial instruments to manage the group's exposure to financial risk, not for trading purposes. Such financial risk includes the interest risk on the group's variable-rate borrowings, the fair value risk on the group's fixed-rate borrowings, commodity risk in relation to its diesel consumption and foreign exchange risk on transactions, on the translation of the group's results and on the translation of the group's net assets measured in foreign currencies. The company manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, commodity swaps, commodity options, forward foreign exchange contracts and currency swaps.

a Significant accounting policies continued

Derivative financial instruments and hedge accounting continued

Derivative financial instruments are recognised in the balance sheet as financial assets or liabilities at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account, unless they qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged as described below:

- *Fair value hedge*
The change in the fair value of both the hedging instrument and the related portion of the hedged item is recognised immediately in the profit and loss account.
- *Cash flow hedge*
The change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the profit and loss account when the hedged cash flow impacts the profit and loss account. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the profit and loss account.

Leases

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease term.

Foreign currencies

The financial statements of the company are presented in sterling, its functional currency. Transactions in currencies other than sterling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Pensions

The company participates in multi-employer pension schemes in the UK, which provide benefits based on final pensionable pay. The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. In accordance with FRS 17 *Retirement Benefits*, the company treats the schemes as if they were defined contribution schemes and recognises charges as and when contributions are due to the scheme. Details of the schemes are included in note 34 to the consolidated financial statements.

Share-based payments

The company grants equity-settled share-based payments to certain employees. The fair value of share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

The fair value of share-based payments granted in the form of options is measured by the use of the Black-Scholes valuation technique, adjusted for future dividend receipts and for any market-related performance conditions. When share options are exercised the resulting entries are to increase share capital and share premium for the new shares issued.

Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid. Dividends proposed but not declared are not recognised but are disclosed in the notes to the consolidated financial statements.

Financial guarantees

The company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group. The company treats such contracts as a contingent liability unless and until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Own shares held by employee benefit trust

Transactions of the company-sponsored employee benefit trust are included in the parent company financial statements. In particular, the trust's purchases of shares in the company are debited directly to equity.

b Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2009	2.5	8.3	10.8
Additions at cost	0.7	1.6	2.3
At 31 December 2009	3.2	9.9	13.1
Depreciation			
At 1 January 2009	(1.1)	(1.5)	(2.6)
Charge for the year	(0.4)	(0.2)	(0.6)
At 31 December 2009	(1.5)	(1.7)	(3.2)
Net book value			
At 31 December 2009	1.7	8.2	9.9
At 31 December 2008	1.4	6.8	8.2

The net book value of land and buildings comprises short leasehold buildings (under 50 years).

c Fixed asset investments

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	Total £m
Shares at cost:	
At 1 January 2009	2,613.1
Additions	1,375.7
Disposals	(847.9)
At 31 December 2009	3,140.9

The increase in carrying value of subsidiary undertakings in the year is mainly due to a reorganisation of the legal structure in respect of some of the company's subsidiaries in which transfers were reflected at market values. Full details of significant investments held by the parent company and the group are detailed in note 45 to the consolidated financial statements.

d Debtors

	2009 £m	2008 £m
Amounts owed by group undertakings	2,489.9	3,001.3
Other debtors	53.5	55.2
Prepayments and accrued income	2.4	1.4
Derivative financial instruments at fair value	69.6	182.9
Total debtors	2,615.4	3,240.8

Included within derivative financial instruments at fair value is £57.6m due after more than one year (2008: £143.6m). See note (g) for further details.

Included in other debtors is £7.0m (2008: £nil) with regard to deferred tax comprised as follows:

	2009 £m	2008 £m
Accelerated capital allowances	(0.5)	—
Employee benefits	2.3	—
Changes in fair value of hedging derivatives	5.2	—
Total deferred tax	7.0	—

d Debtors continued

The reconciliation of deferred tax balances is as follows:

	Total £m
At 1 January 2009	(7.8)
Charged to profit and loss	8.2
Charged to equity in relation to changes in fair value of hedging derivatives	(1.7)
Transferred to current tax	8.3
At 31 December 2009	7.0

e Borrowings (unsecured)

The unsecured borrowings are in the following currencies:

	2009 £m	2008 £m
Sterling	506.7	94.0
Euro	305.6	349.0
US dollar	866.0	1,104.9
Total unsecured borrowings	1,678.3	1,547.9

The payment profile of the unsecured borrowings is as follows:

	2009 £m	2008 £m
Repayable within one year	90.8	–
Repayable within two to five years	584.1	696.4
Repayable after five years	1,003.4	851.5
Total unsecured borrowings	1,678.3	1,547.9

Undrawn committed facilities mature as follows:

	2009 £m	2008 £m
Within two to five years	614.7	350.4
Total undrawn committed facilities	614.7	350.4

Borrowings consist of £561.6m of floating rate bank loans (2008: £646.0m) and £1,116.7m of fixed rate loan notes (2008: £901.9m). Bank overdrafts, bank loans, loan notes issued in July 2008 and May 2009 are stated at amortised cost. The loan notes issued in March 2007 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship. The directors believe the fair value of the company's bank overdrafts, bank loans and the loan notes issued in March 2007, calculated from market prices, approximates to their book value. US\$265m (£164.1m) of the loan notes issued in July 2008 have a fair value market gain of £29.9m. The fair value of the remaining notes approximates to their book value.

Borrowing at floating rates exposes the company to cash flow interest rate risk. The management of this risk is detailed in note (h).

There were no financial liabilities upon which no interest is paid.

f Other creditors

	2009 £m	2008 £m
Amounts falling due within one year:		
Trade creditors	2.8	1.1
Amounts owed to group undertakings	3,156.1	3,383.8
Other taxation and social security costs	2.0	1.8
Other creditors	4.6	12.7
Accruals and deferred income	38.1	25.6
Derivative financial instruments at fair value	11.9	38.6
Total creditors – amounts falling due within one year	3,215.5	3,463.6
Amounts falling due after more than one year:		
Derivative financial instruments at fair value	7.3	15.9

f Other creditors continued

Included in other creditors is £nil (2008: £7.8m) with regard to deferred tax comprised as follows:

	2009 £m	2008 £m
Accelerated capital allowances	–	0.9
Employee benefits	–	(2.9)
Changes in fair value of hedging derivatives	–	9.8
Total deferred tax	–	7.8

See note (d) for the reconciliation of deferred tax balances.

g Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Forward foreign exchange contracts	0.1	28.6	0.1	28.6
Cross currency swaps designated as cash flow hedges	29.9	60.9	–	–
Interest rate swaps designated as cash flow hedges	–	–	18.6	24.8
Interest rate swaps designated as fair value hedges	39.1	92.3	–	–
Commodity swaps	0.5	1.1	0.5	1.1
	69.6	182.9	19.2	54.5
Amounts falling due after more than one year	(57.6)	(143.6)	(7.3)	(15.9)
Amounts falling due within one year	12.0	39.3	11.9	38.6

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The mark to market valuation of the derivatives has decreased by £78.0m (2008: increase £130.9m) during the year.

The interest rate, cross currency and commodity swaps which qualify as cash flow hedges have the following maturities:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Within one year	0.5	1.1	3.0	3.2
In the second year	–	–	5.8	4.0
In the third year	–	–	8.0	7.8
In the fourth year	7.2	–	1.8	10.0
In the fifth year or greater	22.7	60.9	0.5	0.9
Total carrying value of cash flow hedges	30.4	62.0	19.1	25.9

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2009 £m	Assets 2008 £m	Liabilities 2009 £m	Liabilities 2008 £m
Within one year	0.8	3.4	13.3	10.6
In the second year	0.3	1.6	6.1	10.1
In the third year	0.4	1.6	1.6	4.3
In the fourth year	7.9	1.6	–	1.4
In the fifth year or greater	21.3	54.6	–	–
Total cash flows	30.7	62.8	21.0	26.4

h Financial risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company therefore hedges a substantial portion of the group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies. Translation adjustments arising on the translation of foreign currency loans are recognised in the profit and loss account.

The company no longer uses foreign exchange contracts to hedge the residual portion of net assets not hedged by way of loans. This foreign exchange hedging program was terminated in February 2009. The company believes cash flow should not be put at risk by these instruments in order to preserve the carrying value of net assets, given the changed liquidity environment post the global credit crisis.

Cross currency swaps with a nominal value of £134.2m were arranged to hedge the foreign currency risk on US\$265m of the US Private Placement notes issued in July 2008, effectively fixing the sterling value on this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 29 to the consolidated financial statements exposes the group to cash flow interest rate risk, which the company manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2009 the nominal value of such contracts was £170.3m (in respect of US dollar) (2008: £246.9m) and £217.7m (in respect of euro) (2008: £271.7m), their weighted average interest rate was 5.0% (US dollar) (2008: 5.0%) and 3.7% (euro) (2008: 3.8%), and their weighted average period to maturity was two and a quarter years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the company was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is LIBOR + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008 was kept at fixed rate.

Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. The company acts as a market intermediary, arranging commodity swaps and commodity options with its relationship banks with back to back deals on identical terms with its subsidiaries to fix synthetically part of the exposure and reduce the associated cost volatility.

Counterparty credit risk

The company's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. The total mark to market value outstanding with each counterparty is closely monitored. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of A+/A1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the company's relationship banks, all of which have a strong investment grade rating. At 31 December 2009 the largest two counterparty exposures related to treasury transactions were £27.6m and £14.1m and both were held with institutions with long-term Moody's credit ratings of Aa3. These exposures represent 40% (2008: 40%) and 20% (2008: 24%) of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date. Both of these banks had significant loans outstanding to G4S plc at 31 December 2009.

The company participates in the group's multi-currency notional pooling cash management system with a wholly-owned subsidiary of a Aa3 rated bank. There is legal right of set off under the pooling agreement.

i Provisions for liabilities and charges

	Onerous contracts £m
At 1 January 2009	2.0
Utilisation of provisions	(0.8)
At 31 December 2009	1.2

The onerous contracts provision comprises a provision against future liabilities for all properties sub-let at a shortfall and for long-term idle properties. The provision is based on the value of future net cash outflows relating to rent, rates, service charges and costs of marketing the properties.

j Share premium and reserves

	Share premium £m	Profit and loss account £m	Own shares £m	Total £m
At 1 January 2009	255.9	123.6	(11.8)	367.7
Retained profit	–	128.3	–	128.3
Changes in fair value of hedging derivatives	–	6.1	–	6.1
Shares issued	2.2	–	–	2.2
Dividends declared	–	(94.2)	–	(94.2)
Own shares purchased	–	–	(9.9)	(9.9)
Own shares awarded	–	(9.5)	9.5	–
Equity-settled transactions	–	7.1	–	7.1
Tax on equity movements	–	(1.7)	–	(1.7)
At 31 December 2009	258.1	159.7	(12.2)	405.6

k Operating lease commitments

At the balance sheet date, the company had annual commitments under non-cancellable operating leases, which expire as follows:

	2009 £m	2008 £m
Within one year	0.1	0.1
In the second to fifth years inclusive	1.1	0.4
After more than five years	0.4	0.8
Total operating lease commitments	1.6	1.3

l Auditor's remuneration

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in its individual accounts because the company's consolidated financial statements are required to disclose such fees on a consolidated basis.

m Staff costs and employees

	2009 Number	2008 Number
The average monthly number of employees of the company during the year was:	314	190

Total staff costs, including directors' emoluments, were as follows:

	2009 £m	2008 £m
Wages and salaries	37.5	25.6
Social security costs	2.8	2.4
Pension costs	2.1	1.7
Total staff costs	42.4	29.7

n Share-based payments

The group has two types of equity-settled, share-based payment schemes in place: (1) share options previously held by employees over Securicor plc shares and rolled over to G4S plc shares with the acquisition of that business on 19 July 2004, and (2) conditional allocations of G4S plc shares. Disclosures relevant to the company are presented within note 42 to the consolidated financial statements.

o Related party transactions

Certain disclosures relevant to the company are presented within note 43 to the consolidated financial statements. Company transactions with group undertakings primarily consist of royalty charges, central service charges, group insurance recharges and loan transactions.

The only material transaction with a non-wholly owned group undertaking during the year was a £36.2m loan repayment from G4S Security Services (SA) (Pty) Limited with the outstanding loan recoverable balance at 31 December 2009 being £0.2m (2008: £36.4m).

p Contingent liabilities

To help secure cost effective finance facilities for its subsidiaries, the company issues guarantees to some of its finance providers. At 31 December 2009 guarantees totalling £387.3m (2008: £649.5m) were in place in support of such facilities.

The company is included in a group registration for UK VAT purposes and is therefore jointly and severally liable for all other UK group companies' unpaid debts in this connection. The liability of the UK group registration at 31 December 2009 totalled £12.1m (2008: £25.8m).

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in G4S plc, please send this notice and the accompanying documents to the person through whom the sale or transfer was effected so that it can be passed on to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of G4S plc will be held at Ironmongers' Hall, Barbican, London EC2Y 8AA on Friday, 28 May 2010 at 2.00pm in order to consider and, if thought fit, to pass the following Resolutions:

Resolutions 1 to 9 and 12 will be proposed as ordinary resolutions. Resolutions 10, 11, 13 and 14 will be proposed as special resolutions.

1. To receive the financial statements of the Company for the year ended 31 December 2009 and the reports of the directors and auditor thereon.
2. To receive and approve the Directors' Remuneration Report contained in the annual report for the year ended 31 December 2009.
3. To confirm and declare dividends.
4. To re-elect Alf Duch-Pedersen, a director (and member of the Nomination Committee) who is retiring by rotation.
5. To re-elect Lord Condon, a director (and member of the Audit, Nomination and Remuneration Committees) who is retiring by rotation.
6. To re-elect Nick Buckles, a director who is retiring by rotation.
7. To re-elect Mark Elliott, a director (and member of the Nomination and Remuneration Committees) who is retiring by rotation.
8. To re-appoint KPMG Audit Plc as auditor of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders, and to authorise the directors to fix their remuneration.
9. That the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the 2006 Act") to exercise all the powers of the Company to allot shares in the company or grant rights to subscribe for, or convert any security into, shares in the Company:
 - (i) up to an aggregate nominal amount of £117,540,000; and
 - (ii) comprising equity securities (as defined in section 560 of the 2006 Act) up to a further aggregate nominal amount of £117,540,000 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

provided that this authority shall expire on the date of the next Annual General Meeting of the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexpired authorities granted previously to the directors to allot relevant securities under section 80 of the Companies Act 1985 ("the 1985 Act") shall cease to have effect at the conclusion of this Annual General Meeting (save to the extent that the same are exercisable pursuant to section 551(7) of the 2006 Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).
10. That the directors be and are hereby empowered, pursuant to section 570 of the 2006 Act, subject to the passing of Resolution 9 above, to allot equity securities (as defined in section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 9 above as if section 561 of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under paragraph (ii) of Resolution 9 above, by way of rights issue only) to or in favour of the holders of shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the shareholders are proportionate (as nearly as may be practicable) to the respective numbers of shares held by them on any such record date(s), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter; and
 - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities pursuant to the authority granted under Resolution 9(i) above, up to a maximum nominal amount of £17,630,000;

and shall expire on the expiry of the general authority conferred by Resolution 9 above unless previously renewed, varied or revoked by the Company in general meeting, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors shall be entitled to allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

All previous unutilised authorities under section 95 of the 1985 Act shall cease to have effect at the conclusion of this Annual General Meeting.

11. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the 2006 Act, to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 25p each in the capital of the Company on such terms and in such manner as the directors may from time to time determine, provided that:
- (i) the maximum number of such shares which may be purchased is 141,000,000;
 - (ii) the minimum price which may be paid for each such share is 25p (exclusive of all expenses);
 - (iii) the maximum price which may be paid for each such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased (exclusive of expenses); and
 - (iv) this authority shall, unless previously revoked or varied, expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 (except in relation to the purchase of such shares the contract for which was entered into before the expiry of this authority and which might be executed wholly or partly after such expiry).
12. That in accordance with sections 366 and 367 of the 2006 Act, the Company and all companies which are subsidiaries of the Company during the period when this resolution 12 has effect be and are hereby unconditionally authorised to:
- (i) make political donations to political parties or independent election candidates not exceeding £50,000 in total;
 - (ii) make political donations to political organisations other than political parties not exceeding £50,000 in total; and
 - (iii) incur political expenditure not exceeding £50,000 in total;
- (as such terms are defined in the 2006 Act) during the period beginning with the date of the passing of this resolution and ending on 27 November 2011 or, if sooner, at the conclusion of the Annual General Meeting of the Company to be held in 2011 provided that the authorised sum referred to in paragraphs (i), (ii) and (iii) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day in which the Company enters into any contract or undertaking in relation to the same.
13. That, with immediate effect:
- (i) the Company's Articles of Association be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Company's Articles of Association; and
 - (ii) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the Company's existing Articles of Association.
14. That a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the board

Peter David

Secretary
24 March 2010

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN
Company No. 4992207

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid, any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case no later than 2.00pm on 26 May 2010.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraphs 8 and 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 1 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 5.30pm on 26 May 2010 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 23 March 2010 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 1,410,568,639 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 23 March 2010 are 1,410,568,639.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 2.00pm on 26 May 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
13. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
14. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.g4s.com.
16. A copy of the current articles of association and the proposed new articles of association that reflect the amendments proposed by Resolution 13 will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of G4S plc, The Manor, Manor Royal, Crawley, West Sussex RH10 9UN up until the close of the meeting. Copies will also be available at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS up until the close of the meeting and on the company's website at www.g4s.com. A copy will also be available at Ironmongers' Hall, Barbican, London EC2Y 8AA from 15 minutes prior to the meeting until its conclusion.
17. Any electronic address or web site address is provided in this Notice of Meeting solely for the purpose stated expressly herein and may not be used to communicate with the Company other than for such purpose.

Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 28 May 2010

The board of G4S plc considers the resolutions set out in the Notice of Annual General Meeting are likely to promote the success of the company and are in the best interests of the company and its shareholders as a whole. The directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

Explanatory notes in relation to certain of the business to be conducted at the AGM are set out below.

1. Authority to allot shares (Resolution 9)

Resolution 9 seeks shareholder approval for the directors to be authorised to allot shares.

At the last AGM of the company held on 26 May 2009, the directors were given authority to allot ordinary shares in the capital of the company up to a maximum nominal amount of £234,700,000 representing approximately 66% of the company's then issued ordinary share capital. This authority expires at the end of this year's AGM. Of this amount 469,400,000 shares (representing approximately 33% of the company's issued ordinary share capital) could only be allotted pursuant to a rights issue.

Resolution 9 will, if passed, renew this authority to allot on broadly the same terms as last year's resolution but the resolution has been updated to reflect that authority is being given under section 551 of the Companies Act 2006 (the "2006 Act") (rather than section 80 of the Companies Act 1985) and to reflect a change in the language used in the 2006 Act. This change does not affect the substance of these resolutions.

The board considers it appropriate that the directors be granted a similar authority to allot shares in the capital of the company up to a maximum nominal amount of £235,080,000 representing approximately 66% of the company's issued ordinary share capital as at 23 March 2010 (the latest practicable date prior to publication of the Notice of Annual General Meeting). Of this amount, 470,160,000 shares (representing approximately 33% of the company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The power will last until the conclusion of the next AGM in 2011.

The intention of the directors is to allot shares upon the exercise of options granted over Securicor plc shares and rolled over into options over the company's shares. The directors do not have any other present intention of exercising this authority.

As at the date of the Notice of Annual General Meeting the company does not hold any ordinary shares in the capital of the company in treasury. However, the 5,543,818 shares held within the G4S Employee Benefit Trust and referred to on page 104 (note 37 to the consolidated financial statements) are accounted for as treasury shares.

2. Disapplication of statutory pre-emption rights (Resolution 10)

Resolution 10 seeks shareholder approval to give the directors authority to allot shares in the capital of the company pursuant to the authority granted under Resolution 9 above for cash without complying with the pre-emption rights in the 2006 Act in certain circumstances. This authority will permit the directors to allot:

- (a) shares up to a nominal amount of £235,080,000 (representing approximately 66% of the company's issued share capital) on an offer to existing shareholders. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £117,540,000 (representing approximately 33% of the company's issued share capital) (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the directors see fit); and
- (b) shares up to a maximum nominal value of £17,630,000, representing approximately 5% of the issued ordinary share capital of the company as at 25 March 2010 (the latest practicable date prior to publication of the Notice of Annual General Meeting) otherwise than in connection with an offer to existing shareholders.

As with Resolution 9, the terms of Resolution 10 are broadly the same as last year's resolution but the resolution has been updated to reflect that it is being passed pursuant to section 570 of the 2006 Act rather than section 95 of the Companies Act 1985.

The directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

3. Purchase of own shares (Resolution 11)

Resolution 11 seeks to renew the company's authority to buy back its own ordinary shares in the market as permitted by the 2006 Act. The authority limits the number of shares that could be purchased to a maximum of 141,000,000 (representing a little less than 10% of the company's issued ordinary share capital as at 23 March 2010 (the latest practicable date prior to publication of the Notice of Annual General Meeting)) and sets minimum and maximum prices. This authority will expire at the conclusion of the company's AGM in 2011.

The directors have no present intention of exercising the authority to purchase the company's ordinary shares but will keep the matter under review, taking into account the financial resources of the company, the company's share price and future funding opportunities. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. No shares were purchased pursuant to the equivalent authority granted to the directors at the company's last AGM.

As at 23 March 2010 (the latest practicable date prior to the publication of the Notice of Annual General Meeting), there were options over 100,000 ordinary shares in the capital of the company representing 0.0071% of the company's issued ordinary share capital. If the authority to purchase the company's ordinary shares was exercised in full, these options would represent 0.0078% of the company's issued ordinary share capital.

4. Political donations (Resolution 12)

Resolution 12 is designed to deal with the rules on political donations contained in the 2006 Act. Under the rules, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within this.

Therefore, notwithstanding that the company has not made political donations requiring shareholder authority in the past, and has no intention either now or in the future of making any such political donation or incurring any such political expenditure in respect of any political party, political organisation or independent election candidate, the board has decided to put forward Resolution 12. This will allow the company to support the community and put forward its views to wider business and government interests without running the risk of being in breach of the law. As permitted under the 2006 Act, Resolution 12 also covers political donations made, or political expenditure incurred, by any subsidiaries of the company.

5. Adoption of new articles of association (Resolution 13)

The company proposes to adopt new articles of association (the "New Articles") at the 2010 AGM. These incorporate amendments to the current articles of association to reflect the changes in company law brought about by the 2006 Act, which replaced the Companies Act 1985, was implemented in stages and was fully in force by 1 October 2009. In addition, the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") came into force on 3 August 2009 and amended certain provisions of the 2006 Act relating to certain rights of shareholders at meetings of the company.

The principal changes in the New Articles relate to electronic communications, shareholder meetings and resolutions, the company's constitution and share capital. The New Articles also include some other modernising and clarificatory wording including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the "model form articles") which replace the Table A articles under the Companies Act 1985 on which many of the company's current articles are based.

Under the 2006 Act all provisions of the company's memorandum, but most significantly the objects clause, were deemed to form part of the company's articles from 1 October 2009 including, in particular, the statement of objects and the statement of authorised share capital. The 2006 Act does not require a company to set out its objects: it provides that, unless the articles state otherwise, a company's objects will be unrestricted. The 2006 Act also removes the requirement for a company to place limits on its authorised share capital.

By adopting the New Articles, which do not contain an objects clause or the authorised share capital statement, the company will remove from its articles these provisions, which would otherwise be deemed to form part of the company's articles under section 28 of the 2006 Act.

The principal changes to the articles of association can be summarised as follows:

(a) The company's objects

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1 October 2009 but the company can remove these provisions by special resolution. Unless the articles provide otherwise, the company's objects will be unrestricted. The company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the company's articles of association as of 1 October 2009. Resolution 13 confirms the removal of these provisions and adopts the New Articles.

(b) Limited liability (Article 3)

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted above, Resolution 13(i) confirms the removal, from the company's articles of association, of the provisions of the company's memorandum of association which are treated as forming part of the company's articles of association by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the New Articles.

(c) Authorised share capital and unissued shares

The 2006 Act abolishes the concept of authorised share capital and, under the 2006 Act, the memorandum of association no longer contains a statement of the company's authorised share capital. For existing companies, this statement is deemed to be a provision of the company's articles of association setting out the maximum amount of shares that may be allotted by the company. The adoption of the New Articles by the company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes.

References to authorised share capital and to unissued shares have therefore been removed from the New Articles.

(d) Redeemable shares (Article 7)

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The New Articles contain such authorisation. The company currently has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

(e) Share certificates (Article 15)

The New Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

(f) Transfer of shares (Former Article 41)

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the New Articles as there is no ability under the 2006 Act to close the register.

(g) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 44 and Former Articles 52 and 53)

Under the Companies Act 1985, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions, but shareholder authority is still required. Amendments have been made to the New Articles to reflect these changes.

(h) Notice of general meetings (Articles 47 and 53)

The provisions in the New Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act (as amended by the Shareholders' Rights Regulations). The Shareholders' Rights Regulations amended the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the company has passed a special resolution reducing the notice period to not less than 14 days and the company offers members an electronic voting facility.

The amendment to Article 53 deals with situations where, because of a postal strike or similar situation beyond the control of the company, a notice of meeting is not received by a shareholder. The amendment will ensure that such failure does not invalidate proceedings at the meeting in question.

(i) Adjournments (Article 55)

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The New Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement.

(j) Attending and speaking at meetings (Article 58)

Article 58 of the New Articles now provides that the chairman of the meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the chairman's discretion, speak at a general meeting.

(k) Participation in meetings at different places and by electronic means (Articles 59, 60 and 61)

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles include amendments to permit the directors to provide greater scope for members to participate in meetings of the company even if they are not present in person at the principal place where the meeting is being held. The amendments permit the directors to allow for members to participate not only by attendance at satellite meeting locations, but also by any other electronic means of participation.

(l) Removal of chairman's casting vote (Former Article 82)

Pursuant to changes brought about by the Shareholders' Rights Regulations, a listed company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the New Articles.

(m) Voting rights (Article 74)

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he or she has one vote on a show of hands unless he or she has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution. Where a corporate member appoints representatives to attend meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. If a proxy is instructed by one or more members to vote in one way and is given discretion as to how to vote by one or more other members (and wishes to use that discretion to vote in the other way) he also has one vote for and one vote against the resolution.

(n) Voting record date (Article 75)

In line with a requirement for listed companies introduced by the Shareholders' Rights Regulations, the New Articles include a new provision, which was not previously in the company's articles of association, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the company and how many votes each person may cast. Under this new provision, when convening a meeting the company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting.

(o) Validity of proxy votes (Article 79(2))

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The New Articles contain a provision stating that the company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him or her and that votes cast by a proxy or corporate representative will be valid even if he or she has not voted in accordance with his or her instructions.

(p) Receipt of appointments of proxy and termination of proxy authority (Article 83)

The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 83 also permits the directors to specify, in a notice of meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days.

(q) Alternate directors (Article 97)

Article 97(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

(r) Borrowing powers (Article 101)

A number of presentational and descriptive amendments have been made to the borrowing powers provision.

(s) Delegation to persons or committees (Article 102)

Under the company's existing articles of association, the directors may only formally delegate their powers in certain limited ways. Article 102 follows a simplified approach to delegation to modernise the procedure for delegation, allowing the directors to delegate as they decide appropriate, in line with the approach adopted in the model form articles.

Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 28 May 2010 *continued*

(t) *Retirement of directors by rotation (Article 103)*

The New Articles have been redrafted in order to make this provision clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board, excluding those directors who are retiring and seeking re-election for other reasons. Article 103 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years.

(u) *Directors' appointments, interests and conflicts of interest (Article 114)*

Under the company's current articles of association, a director may, notwithstanding his or her office as a director of the company, be a director, officer or employee of any body corporate in which the company is interested – provided that he or she has disclosed to the other directors the nature and extent of any material interest he or she has.

In the New Articles, this provision has been amended to include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict falls within the situations covered by Article 114.

Article 114 has also been further amended for practical reasons so that, where a director is also a director, officer or employee of a body corporate in which the company is interested, he shall be deemed to have disclosed the nature and extent of this interest to the directors as required under this provision.

(v) *Procedures regarding board meetings and resolutions in writing (Articles 119 and 124)*

The provisions of Article 119 have been amended to make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 124 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote (and whose vote would have been counted) on a resolution at a meeting.

(w) *Permitted interests and voting (Article 125)*

Article 125 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

(x) *Removal of age limit for directors (Former Article 124)*

The provision requiring a director's age to be disclosed, in a notice of meeting at which that director is to be appointed or reappointed, if that director has attained the age of 70 years or more, has been removed from the New Articles to reflect the repeal of the previous provisions regarding directors over 70 from the Companies Act 1985.

(y) *Notices and other communications (Articles 82, 148-157)*

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. Article 149 will provide the company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the company will also be able to send any other document or information to members using this variety of methods.

Article 82 allows the company to permit proxies to be sent or supplied in electronic form and, where the company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting.

The company may ask each member for his or her consent to receive communications from the company via its website. If the member does not respond to the request for consent within 28 days, the company may take that as consent by the member to receive communications in this way. If the company sends or supplies any notice, document or information to members by making it available on the company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time.

In relation to joint holders of shares, Article 149(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 149(4) permits the company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 149(6) caters for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 152 is the article covering service of notice in the event of a postal strike; it has been amended to allow the company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days of the meeting.

Article 156 deals with notices, documents or information sent by the company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the company.

Article 157 is included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

(z) Making and retention of minutes (Article 130)

Article 130 contains a new provision to the effect that minutes must be retained for at least ten years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was specified previously.)

(aa) The seal (Articles 132 and 133)

Article 132 provides an alternative option (in the absence of specific instructions from the directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two directors or a director and the secretary.

6. Period of Notice for Calling General Meetings (Resolution 14)

Resolution 14 is a resolution to allow the company to hold general meetings (other than AGMs) on 14 days' notice.

Before the introduction of the Shareholders' Rights Regulations on 3 August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than AGMs) was 14 days. One of the amendments made to the 2006 Act by the Regulations was to increase the minimum notice period for general meetings of listed companies to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The board is therefore proposing Resolution 14 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the company other than AGMs. The approval will be effective until the company's next AGM, when it is intended that the approval be renewed. The board will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time sensitive.

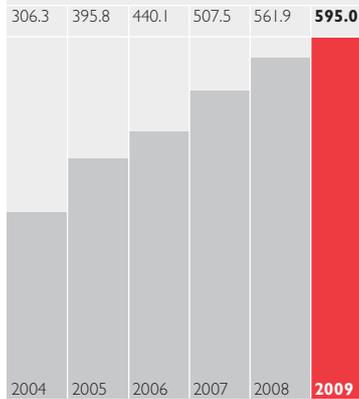
Group financial record

Employees

With over 595,000 employees, G4S is the second-largest private employer in the world. We take great pride in the important work carried out by our global workforce who do everything they can to ensure the security and safety of our customers and their assets.

Employee numbers

000s



+5.9%

in employee numbers
in 2009

26.6%

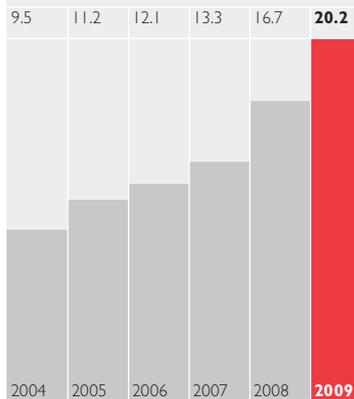
Annualised labour turnover
rate; down from 27.7% in 2008

Earnings per share

Since 2004 G4S has generated average earnings per share growth of 16% on a compounded basis.

Earnings per share (as reported)

pence



+22%

EPS in 2009

+16%

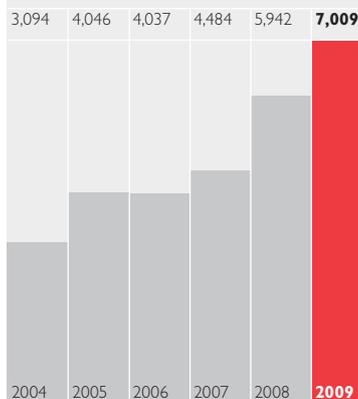
EPS CAGR* from 2004
to 2009

Revenue

G4S revenues have grown by an average of 17.8% over the last five years. The group strategy for enhanced growth has helped deliver strong underlying organic growth together with capability adding-acquisitions to help drive growth into the future.

Revenue (as reported)

£m



+17.9%

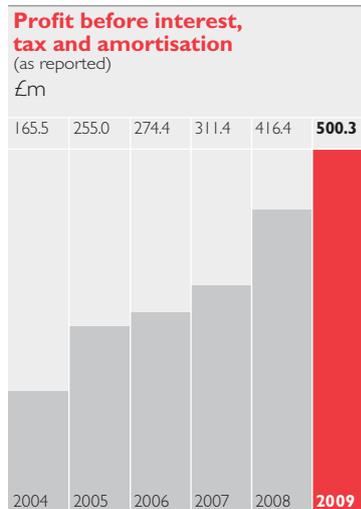
Revenues in 2009 (+7.4% on
a constant currency basis)

+17.8%

Revenue CAGR* from 2004
to 2009

Profit

Operating profit, defined as profit before interest, tax and amortisation, has grown by an average of 24.8% over the last five years. The increase in operating profit has been driven by strong revenue growth, a strong cost focus and an improving business mix with our higher growth businesses such as government and New Markets having higher than the group average margins.



+21%

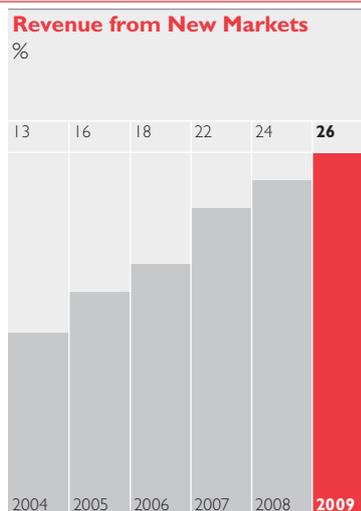
PBITA in 2009 (+10.0% on a constant currency basis)

+24.8%

PBITA CAGR* from 2004 to 2009

Revenue from New Markets

Our global presence, market shares and experience of working in less developed markets is unrivalled in almost any industry. It means that we know what it takes to be successful in these markets and are well positioned to maximise the structural growth opportunities as they develop over time.



+14%

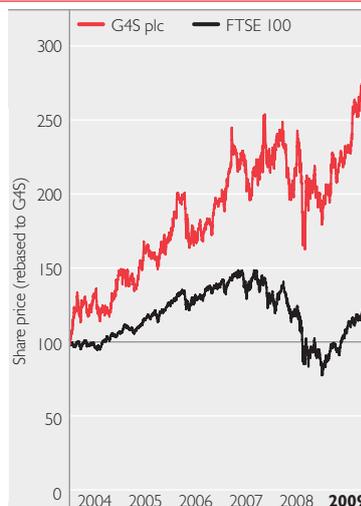
Revenue from New Markets in 2009

+31%

Revenue from New Markets CAGR* from 2004 to 2009

Actual share performance

Since 2004 the G4S share price has nearly trebled outperforming the FTSE 100 (see page 53 for detailed TSR performance and peer group).



+27%

G4S share price in 2009

+18%

G4S share price CAGR* from 2004 to 2009

* CAGR is compound annual growth rate.

Financial calendar and corporate addresses

For the year ended 31 December 2009

Results announcements

Half-year results – August
Final results – March

Dividend payment

Interim paid – 30 October 2009
Final payable – 4 June 2010

Annual General Meeting

28 May 2010

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Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company or the company's registrar.

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