Securing Your World

G4S plc

Annual Report and Accounts 2010

With operations in more than 125 countries and 625,000 employees, **we specialise in outsourced business processes and facilities** in sectors where security and safety risks are considered a strategic threat.

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

G4S is the world's leading international security solutions group.

Inside this report...

Overview

Business review

Performance overview

Financial highlights

Despite a difficult economic environment, G4S delivered another year of strong performance in 2010, with good organic growth and margins maintained at the same level as the prior year. The group also achieved its cash conversion target of 85% of PBITA.

+2.1%
Organic turnover growth of 2.1%

£7.4bn
Group turnover up 4.1% to £7.4 billion

21.6p
Adjusted earnings per share up 7% to 21.6p

+4.2%
PBITA up by 4.2% to £527 million

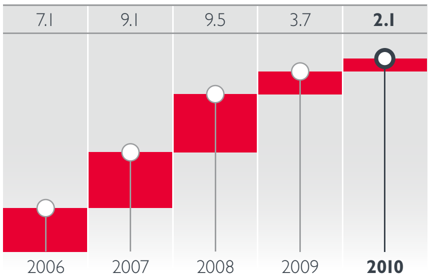
£442m
Operating cash flow of £442 million, 85% of PBITA

+7.90p
Recommended total dividend per share up 10% to 7.90p

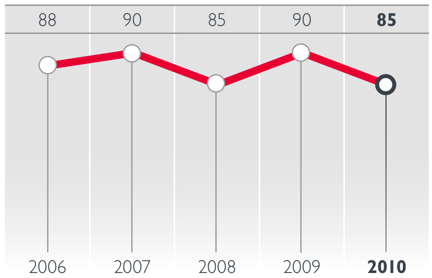
Group KPIs

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

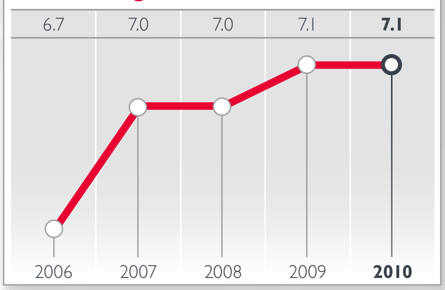
Organic growth %



Cash conversion %



PBITA margin %



Non-financial KPIs

Managers across the group are also targeted to achieve additional specific company or country objectives which relate to the business environment in which they operate and the local challenges that the businesses face. All objectives and targets are focused on driving the business performance forward and delivering the group's solutions strategy over the longer term. At a group-wide level, one of the key elements of the strategy is to ensure that, over time, a significant proportion of the group's revenues are derived from what we define as "solutions" type contracts and relationships. This is measured through an ongoing analysis of our top customers across the globe as outlined on pages 6 and 7.

More information 6–7

Governance

Financial statements

Shareholder information

Overview
Business review
Governance
Financial statements
Shareholder information

Strategy and investment proposition

We are well placed to continue **driving value for our stakeholders** by maximising the potential of our business…

Our strategy

Our goal is to be recognised as the global leader in providing security solutions, to help customers to achieve their own strategic goals and to deliver sustainable growth for our business and long-term shareholder value for our investors through the following:

- **Drive outsourcing in key markets**
- **Focus on key sectors where security is a key consideration**
- **Develop long-term partnerships and deliver "solutions" to our customers' needs which enhance their strategy**
- **Transfer skills developed in more mature markets into key New Markets**
- **Acquire additional expertise to enhance capability**

Our investment proposition

Integrated security solutions

We are able to design and manage security solutions that bring together our 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 entire cash management to G4S because 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 fill the gap. Government contracts, which currently represent around 28% of group turnover, tend to be long-term, strategic partnerships with recurring revenues.

Strong New Markets positions

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. In many cases we are able to drive that development forward to the benefit of our customers and our business.

The solutions approach

Each individual area of the business is a driver of value for the group. But it is when they come together that they truly make a difference. Exporting our government expertise to 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, drive even greater value for our investors.

Investment proposition case studies

The strength of G4S is the diversity of its geographic and customer base. In these case studies we have chosen some examples of the type of work we do for customers to demonstrate our investment proposition.

22–31

Customer sectors and relationships

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

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 and protecting critical assets or improving their service delivery to the customers that they serve.

We do that by understanding the environments in which our customers operate, the pressures they face and the things that matter to them. By applying our expertise and the knowledge derived from delivering security solutions in diverse regulatory environments in more than 125 countries, we turn our customers' security challenges into opportunities.

Our focus on key markets and customer sectors

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

Government	£2,097m	28%
Major Corporates and Industrials	£1,836m	25%
Financial Institutions	£1,423m	19%
Retail	£629m	9%
Private Energy and Utilities	£506m	7%
Ports and Airports	£284m	4%
Consumers	£312m	4%
Leisure and Tourism	£180m	2%
Transport and Logistics	£130m	2%

Our broad geographic reach

G4S has a broad geographic reach, giving it a unique global footprint.

Europe	£3,508m	47%
New Markets	£2,107m	29%
North America	£1,782m	24%

Our segments – an integrated approach

Secure solutions – non-government

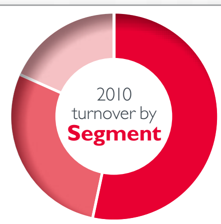
Integrated security solutions for commercial customers such as risk consulting, manned security and security systems.

Secure solutions – government

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

Cash solutions

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



Secure solutions – non-government	£3,950m	54%
Secure solutions – government	£2,097m	28%
Cash solutions	£1,350m	18%

Our key growth drivers

With strong market positions in developed and developing markets complementing global outsourcing trends, we believe G4S has a sustainable growth strategy. The key drivers of growth for the group can be summarised as follows:

All services
- → Economic environment and GDP growth
- → Customer satisfaction and retention
- → Competitive environment
- → Regulation
- → Level of customer relationship
- → Innovation
- → Company reputation and track record

Cash solutions
- → Role and strategy of central banks
- → Development phases of the cash cycle
- → Increased willingness to outsource
- → Product innovation – end-to-end ATM management, CASH360
- → Interest rates
- → Crime

Secure solutions – government
- → Focus on security
- → Propensity to outsource
- → Budgetary pressures

Secure solutions – non-government
- → Attitude to risk management
- → Focus on high growth segments
- → Growth of internationally let contracts from multinationals
- → Investment in infrastructure growth in New Markets
- → Impact of technology
- → Multi-services or service bundling

All services

Economic environment and GDP growth
A favourable economic environment stimulates demand for our customers' services and hence their security requirements. Wages and salaries are a high proportion of the G4S cost base. As a result, higher wages due to inflation usually result in increased prices for our services.

Customer satisfaction and retention
Customer satisfaction and account management are vital for the group. We have a range of customers from small businesses through to major multinational companies and our customer retention rates are strong.

Competitive environment
The security industry can be very fragmented, particularly in New Markets. Our goal is to have strong market-leading positions in our key markets where we can maximise economies of scale and provide a consistent quality of service to national and multinational customers (see pages 14 and 15).

Regulation
We welcome regulation of security markets as it improves standards and can help drive growth. Customers turn to high quality providers who can live up to the requirements of local legislation and compliance standards.

Level of customer relationship
We measure our customer relationships based on a number of criteria such as duration of contract, number of services and pricing determination. Over time, we aim to increase the number of strategic partnerships we have with major customers which bring us longer term contracts, measured on impact not inputs and where we are helping them reduce their costs, manage their risks, increase their revenues or improve their own customer service. Our goal is to have a significant proportion of our customers as strategic partners over the medium term (see pages 6 and 7).

Innovation
We continuously review the way we do business to ensure that we maximise our efficiency, keep our costs low and improve performance.

Company reputation and track record
As a global company operating in 125 countries and employing 625,000 staff, we touch the lives of millions of people. We have a strong track record of integrity and a long history of serving our customers well, which has enabled us to be successful over the longer term.

Cash solutions

Role and strategy of central banks
In more developed cash markets, central banks are more likely to outsource the management of the cash cycle to commercial banks and to cash management companies. We use our experience from some of the most advanced cash markets in the world, to advise central banks on developing outsourcing strategies.

Development phases of the cash cycle
The cash cycle of a country develops through different phases over time, from basic cash transportation services to total outsourcing of all cash related activities at the most developed end of the spectrum. There are more significant opportunities for our business in cash outsourcing and we are able to use our experience and expertise to influence the rate at which a market moves through the different phases of development.

Increased willingness to outsource
Customer attitudes to outsourcing non-core activities to third parties have changed dramatically in recent years and we expect this trend to continue as we demonstrate the value that G4S can bring to managing the cash cycle for the benefit of our customers.

Product innovation – e.g. end-to-end ATM management and CASH360
Innovation in a cash market helps to drive growth. Using technology and manpower, we have developed ways in which internal customer cash management processes can be automated and non-core customer facing services can be outsourced to G4S. Service developments such as these help banks and retailers to cut their costs, while increasing efficiency and returns on their cash.

Interest rates
Interest rates can influence the efficiency of the cash cycle. In high interest rate environments, banks and retailers gain maximum returns on their cash if the cycle is operating at maximum efficiency. In low interest rate environments, customers are less concerned about cash sitting idly in ATMs or in branches, which results in lower cash transportation and processing volumes.

Crime
Crime levels have an impact on customer attitudes to handling cash themselves or using a secure method of cash management. Small business customers who "walk to bank" can benefit from reduced bank charges or increased speed of credit by avoiding high street bank branches and paying directly into a larger, more efficient processing centre.

Secure solutions – government

Focus on security
Attitudes to security within governments can help drive growth for the security industry. Worldwide, the private sector is playing an increasing role in protecting government staff working at missions overseas, supporting the work of the armed forces and securing sensitive buildings and assets.

Propensity to outsource
A government's attitude towards outsourcing to the private sector can be another key driver of growth. G4S has valuable skills in many areas such as prisons, prisoner escorting, electronic monitoring of offenders, police custody and the facilities management or security of key government facilities, both at home and abroad.

Budgetary pressures
When government budgets are under pressure, governments are more willing to explore ways of achieving efficiencies and managing costs and that often creates additional private sector participation in government services. On average, the private sector is said to be at least 20% cheaper than government delivery of key services such as prisons.

Secure solutions – non-government

Attitude to risk management
Attitudes to risk within major organisations are changing – discussions on the protection of a company's assets and people are now conducted at a senior level and have extended beyond physical protection into protecting company reputations. Security is now less of a commodity and more of an imperative for businesses to survive. We expect this trend to continue.

Focus on high growth segments
By ensuring that we are at the cutting edge of securing complex environments in high growth segments such as oil and gas and ports and airports, we can continue to deliver strong growth across the business.

Growth of internationally let contracts from multinationals
There is an increasing trend for large multinational companies to look to a single provider to secure their assets and protect their people across their international operations. Growth in international accounts is expected to continue (see pages 26, 27, 30 and 31).

Investment in infrastructure growth in New Markets
Increasing investment in transport, energy, communications and other forms of infrastructure is increasing the need for quality security services across New Markets. G4S has a unique presence in these markets and is well placed to benefit from this continued investment.

Impact of technology
Our ability to supply and integrate manpower services with technology – not just traditional security systems, but customer-facing IT systems which provide enhanced management information and risk management capability – gives us a strong competitive advantage.

Multi-service or service bundling
In New Markets, customers are often looking for "bundled" services incorporating security with, for example, catering, cleaning, health & safety and other services. With a long heritage and a strong brand in New Markets, we are able to expand the services we provide for existing contracts as well as attract new customers.

We are focused on **driving outsourcing** across our key sectors and our customer base…

Customer relationships

One of the main elements of our strategy is to drive outsourcing across our key sectors and customer base. In order to achieve this, it is important to have the right level of customer relationship – customers see G4S as a strategic partner, a solutions provider and an essential part of their own strategy delivery plans.

We categorise our customers into different groups depending on the complexity of the service provided and the nature of the relationship. This model shows the four different customer groups and outlines the characteristics of each of them.

We measure our progress on strategic customer relationship development by analysing various aspects of the service provided, the contractual terms, the strength and duration of the customer relationship and the style of purchasing adopted by our customers. Our goal is for a significant proportion of our customer relationships to be at the strategic level (total process outsourcer or transformational partner).

In order to assess our progress during 2010, we analysed our relationships with 700 of our larger customers across 40 countries, representing around 50% of group revenues. The analysis showed that 55% of the sample were at the strategic level and we estimate this to equate to about 30% of revenues at a total group level. The results are shown in the pie charts. We will update this analysis regularly and use it as an ongoing indicator of our performance.

Commodity buyer

- Single service buyer of manned security, simple security systems, cash transportation
- Purchasing-driven process
- Short-term contracts
- Price is a key driver
- Lowest barriers to change

Level 1

Security services bundler

- Buys several services under separate contracts
- Bundles to gain price/volume advantage
- Purchasing driven with quality of service (inputs) specification from customer
- Short-term contracts
- Low barriers to change

Total process outsourcer

- Buys a solution to a strategic problem under a single contract measured on outputs
- Senior level relationship involved in buying decision
- Concerned about risk and reputation, but price still a factor
- Long-term contract
- Difficult to change

Transformational partner

- Buys a solution to transform a business process/problem
- Seen as key partner in driving revenue, controlling cost, customer service or protecting a critical asset or reputation
- Senior/board or civil servant level relationship
- Long-term output-based contract
- High barriers to change

Level 2

Level 3

Level 4

Ensuring compliance / Reducing losses | **Business enhancing**

Operate → **Analysis and design** → **Manage**

Increasing customer partnership →

Chairman's statement

2010 was a difficult year for many businesses and G4S has not been immune to the continuing effects of the global downturn. Many of our customers have had to re-examine the value for money offered by their service providers. Even governments and public authorities are constrained in their ability to spend.

In circumstances like these I believe we can be particularly proud that we have been able to deliver revenue and profit growth yet again and maintain our margins. Proud, but not complacent.

In 2010, profit before interest, taxation and amortisation improved by 4.2%* to £527m and turnover increased 4.1 %* to £7,397m. The group's profit margin was maintained at 7.1% and adjusted earnings per share were up 7% to 21.6p. The directors are therefore able to recommend a final dividend of 4.73p or DKK 0.4082 per share, payable on 3 June 2011. With the interim dividend of 3.17p or DKK 0.2877 per share paid on 15 October 2010, the total dividend for the year ended 31 December 2010 will be 7.90p or DKK 0.6959 per share.

We have delivered another strong performance in 2010 – our sixth year of sustained revenue, profit and dividend growth.

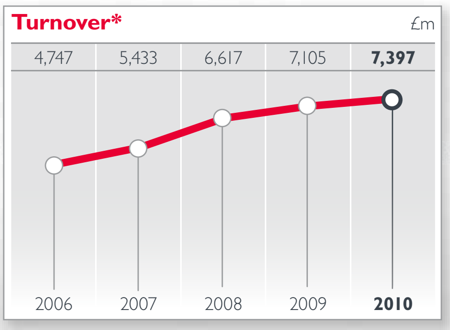
*To show a fair comparison, constant exchange rates are assumed.

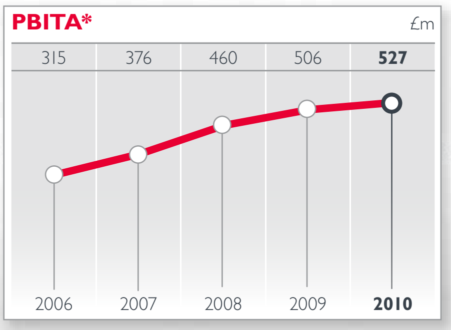
Our businesses around the world have worked extremely hard in 2010 to achieve these results – and I would like to thank every manager and employee in the group for playing their part. In 2011 we will need to do even more and we are ready for the challenge that lies ahead. We continue to implement our strategy of developing solutions for our customers over longer-term relationships and we have changed our management structure to allow this strategy to develop and thrive. We also continue to make acquisitions in those security-related solutions areas which will add to our expertise and in businesses which will broaden our geographical reach into new and important markets.

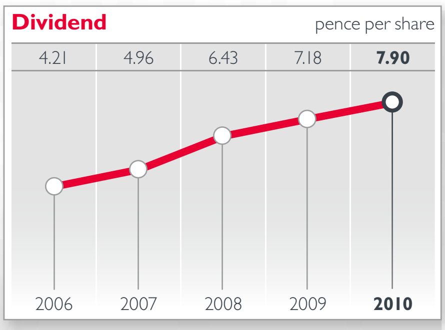
As chairman, I do of course have particular responsibility for ensuring that the board continues to do its part in developing the group's business and managing the company in the best interests of its stakeholders. As I mentioned last year, we planned then to refresh the composition of the board and I am very pleased to be able to report on how we have done this. Thorleif Krarup, who had been with the board since the group was founded by the merger between Group 4 Falck and Securicor in 2004, has retired and we have added two new non-executive directors: Clare Spottiswoode and Winnie Fok. Whilst good corporate governance rightly requires change to the make-up of the board to ensure independence, it is also important to maintain continuity and experience, particularly if the existing line-up is performing well. I am sorry therefore that we have lost Thorleif's experience. In Clare and Winnie though, we have acquired new and different experience and expertise, and they are already adding to the breadth of our debates.

For the future, whilst the different parts of the world in which we operate continue to be affected by the economic downturn in different ways and to different extents, overall we know that performing well in 2011 will require just as much effort and innovation as was demonstrated by the group in 2010. I am confident that the strategy we have adopted and the way in which it is being implemented, will give us the best chance of continuing to deliver value to all our stakeholders.

Alf Duch-Pedersen
Chairman







*2006 to 2009 at 2010 exchange rates and excluding all businesses disposed of during the period.

Chief Executive's interview

We are looking to the future – building on progress and focusing on new opportunities.

G4S is one of just 20 FTSE 100 companies that have delivered consecutive earnings growth over the past five years. This demonstrates the inherent strength of our business strategy and market positions. **It also means we are well placed for improved growth as global economies recover.**

2010 performance

How would you summarise the performance of the group in 2010?

In 2010 we achieved our **sixth consecutive year of underlying revenue, profit and dividend growth** since the group was formed in 2004, despite the significant economic uncertainties of the last two years.

We delivered **strong organic revenue growth of 7% in developing markets**, which now account for 29% of the group's revenue and 33% of profits. We are encouraged by **signs of economic recovery in our larger developed markets** of the US and the UK. In addition, our "integrated solutions" strategy is helping us to **build market share** with major global customers.

G4S is one of just 20 companies in the FTSE 100 that have **continued to deliver earnings growth year-on-year over the past five years** – a great result against a difficult set of circumstances and we are proud of everyone in the organisation who has played their part in enabling us to continue the earnings growth trend throughout that time.

What changes have you had to make as a result of the economic pressures of the last 18 months?

We continually review our key processes to make sure they are efficient and that we are not carrying unnecessary costs – so very little direct change has taken place as a result of the crisis.

One of the largest costs to the group is pay – with one of the largest private workforces in the world, it is a key consideration for us. As a result of the economic downturn we have awarded **modest pay rises** in economies where growth continues (generally in line with RPI), but elsewhere, in more challenging countries we have implemented pay freezes to ensure that pay remains in line with business performance and economic growth rates. As growth was challenging in the year, we had to implement some workforce reduction programmes in a few countries. However, overall we've increased our employee numbers by 30,000 during the year.

Unfortunately, we **lost a number of contracts in the year**. Some of the losses were the result of specific issues such as US and British troops withdrawing from Iraq and therefore no longer needing our support. Others were lost as the result of a competitive tender process. Losing contracts is obviously disappointing, but we aim to learn from such losses to develop our future bidding capabilities and improve service.

Towards the end of 2010, we implemented a **new management structure** – not as a result of the economic crisis, but more with an eye on the future and making sure we have the right management operating at the appropriate level to drive the business forward.

We have created four major regions and one major division all with a Regional or Divisional CEO with responsibility for around £1.5bn revenues in each. Each of the CEOs has created an executive management team which reflects the same structure as the group executive, represented by key operational and strategic functions.

We have also **extended the group executive team** to include the key functional areas of corporate communications and business development to ensure that these topics are given the highest profile and to input to the group strategy as it continues to develop.

These changes have provided us with the opportunity to ensure we have very high quality management in all of the key positions and, where necessary, we have brought new people on board. I'm very excited about the opportunities this brings both in terms of strategic development for the business, but also for succession planning and best practice sharing.

What were the biggest challenges that you faced in the year?

One of the key challenges was a slight shift in focus of some of our key customers – naturally in a time of economic uncertainty, thoughts switch to short-term issues and cost control, which can stifle creativity and longer term strategic thinking. Some customers are delaying decisions about the long term, and in particular on **outsourcing**, until they feel they have come through the worst of the current crisis. I have no doubt that this will be back on the agenda soon, but we have sensed an overall slowing in customers making strategic decisions in the last 12 months.

The change of government in the UK market created some challenges for our UK business in the year. As part of the **Comprehensive Spending Review**, we were tasked with helping key UK Government departments to achieve significant savings which would assist in relieving the UK budget pressures. In November 2010, we announced that we had reached agreement on a number of cost saving initiatives with the UK Government, achieved largely through specification amendments on existing contracts. In the longer term, we believe there are a number of areas where the private sector can deliver further cost savings to government as a result of opportunities for more extensive outsourcing to the private sector.

In the cash solutions division the **lowest interest rates on record** for many years in some countries had a short-term impact on our ability to grow the cash solutions business at the historically high levels of the past few years. Low interest rates remove the imperative for the cash cycle to operate at maximum efficiency and this has impacted our growth. That said, the great work that our cash experts have done in terms of managing the costs during the year has meant that the businesses have still performed very well despite these issues.

Continuing to **keep the workforce motivated** and looking to the future has been challenging during the year, when everywhere they turn there is talk of recession and crisis, but I am glad to say that we have a dedicated and hard working employee base who have continued to deliver the results despite this.

Looking forward

We've put a **strong and experienced management team** in place.

In 2010, four new Regional CEO roles were created to represent a new geographic continental management structure that will further underpin the group's global strategic development. Three Regional CEO roles have been filled by senior managers and one externally to broaden the management team. Key senior functional roles for business development and corporate communications were also added to the Group Executive team.

Nick Buckles
Group Chief Executive

Trevor Dighton
Chief Financial Officer

Søren Lundsberg-Nielsen
Group General Counsel

Ken Niven
Divisional CEO – Cash solutions

Debbie McGrath
Group Communications Director

Graham Levinsohn
Group Strategy and Development Director

What were the highlights in terms of business performance?

We performed well on all of the key financial metrics. Organic turnover growth was 2.1%, operating profits were up by more than 4%, margins were maintained at 7.1% and we achieved our operating cash flow target of 85% of PBITA.

We announced our **entry into the Brazilian market** in June 2010, with the acquisition of Instalarme, a specialist security systems company. This was closely followed by the further acquisition of systems integrator, Plantech. Brazil is one of the largest security markets in the world, with excellent growth prospects and has been a priority market for us for some time.

During the year, we have continued to develop our ability to offer **international contracts** to major customers, ensuring high levels of security for operations across international borders. Some of our major contract wins include large international banking groups, technology organisations and pharmaceutical companies.

At the same time, as part of our strategy development, we have created a group of **key sector experts**, with the ability to spread expertise and knowledge and to act as a catalyst to drive business development in key sectors. This has resulted in strong results, with aviation sector revenues up by nearly 30%, ports up by 64% and the oil and gas sector growing by 35% in 2010.

There were some key **contract wins** during the year including GSK internationally, Brussels airport, Baghdad airport, the Swedish Parliament, Lukoil in Iraq and multiple contracts for our CASH360 product, to name but a few.

In order to continue to share best practice, develop our management and continue to plan for future succession, we created a **Strategic Leadership Network**; a group of around 25 senior managers and directors responsible for a significant proportion of the group's revenues. By investing in the development of this group of leaders, we can drive forward the delivery of the group's strategy over the longer term.

Outside of the direct business performance, we were pleased to be a founder signatory to an industry-wide **International Code of Conduct** (the "Code") in November 2010, which sets out principles for security operations in so-called "complex environments" – areas experiencing or recovering from disaster or unrest and where governments and the rule of law are weak. We hope that the Code will help to drive up standards across the industry as the private sector is called upon to provide increased levels of services to governments and businesses in difficult environments and continues to touch the lives of millions of people worldwide.

Strategy

What is the current business strategy for the group and has that changed in the last 12 months?

There have been **no changes to the business strategy**. We still believe there is long-term value to be derived from creating security solutions which solve customer problems, using our cash cycle expertise to drive changes in banking policy, working closely with governments and leveraging our strong market positions in developed and New Markets. We believe that this will drive outsourcing, reduce commoditisation of security services and deliver strong results for the group.

Grahame Gibson
Chief Operating Officer and
Regional CEO – Americas

Willem van de Ven
Regional CEO – Europe

Irene Cowden
Group HR Director

Dan Ryan
Regional CEO – Asia Middle East

David Taylor-Smith
Regional CEO – UK and Africa

What progress have you made on delivering the group strategy during 2010?

Overall, what pleases me most is that **customers are recognising that G4S can add real value to their organisation**. Our positioning has moved significantly and many more of our conversations with customers are taking place at the boardroom level, and are covering aspects of risk and reputation rather than basic security needs. It could partly be a result of the world we now live in, but I get a strong feeling that customers are recognising that we can positively influence their own strategy – whether that's increasing their own revenue, managing their cost base, reducing their risk or helping to improve the service that they provide to their direct customers.

We have also made good **progress in key sectors**, with our sector specialists bringing together group-wide capability and expertise to enable us to bid for and win key contracts in areas such as aviation, major events, justice services and defence – something which wouldn't have been possible two to three years ago.

Outlook

What are the short-term priorities for the group – perhaps for the next 12 to 18 months?

We saw some improvements in the second half of 2010, but whilst some economies are making a slow recovery, others such as Ireland and Romania have slipped further into negative territory and have proved even more challenging. Overall, we have **continued to grow** the business despite GDP being negative overall – a strong achievement against the economic backdrop of the recent past.

So, in 2011, we will continue to **drive the group strategy** forward whilst bedding in the new group structure which will help us to make faster, better decisions and ensure we continue to have good controls across the business.

It would be great to **win some major contracts** in the first half of 2011 and we have made an excellent start by being appointed the official security services provider for the London 2012 Olympic and Paralympic Games. I know our business development teams are working hard to ensure that we have a strong contract pipeline going forward.

We expect to step up our **acquisition activities**, with a particular focus on growing our presence in the fast growing New Markets. We should spend around £200m in 2011.

What targets are you setting yourself and your senior management team?

Our targets are unchanged. We expect profits to grow well ahead of worldwide GDP and over the longer term, will continue to focus on improving our post tax return on invested capital, a good measure of strategic performance. We expect organic growth to return to high single digit levels as economies improve.

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

The group achieved strong results in 2010, with businesses performing well across all markets, service lines and customer segments. We are confident that our strategic plan, which enhances our ability to meet increasingly sophisticated customer needs by adding new capabilities and technologies to our offer, has put the group in a strong position. It allows us to maintain our longer term growth momentum as we pursue attractive global opportunities in our key target sectors.

We will continue to build on our successes and remain confident about the outlook for 2011, when we expect to deliver an improved organic revenue growth performance whilst continuing to maintain our discipline on margins and cash generation.

Nick Buckles
Chief Executive Officer

Strategy delivery

We deliver efficient and bespoke **security solutions for our customers**

Diverse market and customer expertise

One of the strengths of G4S is its broad customer and geographic base. We have thousands of customers ranging from small local companies to some of the largest governments and global corporations in the world.

The duration of contracts also varies – from high profile annual contracts, to secure sporting or entertainment events, to 25 year government contracts for the construction and management of prisons.

We pride ourselves on focusing on customer needs and delivering high quality customer services – this is demonstrated in our customer retention rates which average above 90% annually across most regions.

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

- → Increase their revenues
- → Manage their costs
- → Manage their risks and protect their critical assets
- → Improve the service they deliver to their customers

How we manage our business

At a strategic level, the CEO and CFO monitor the group's investments by the two main product areas of secure solutions and cash solutions, which have different business models. At an operational level, our business is managed on a geographic basis. We have four major regions and one major division, all with a Regional or Divisional CEO, each with responsibility for around £1.5bn revenues.

Each region has a spread of market and cultural environments – this is a key area of competitive advantage for the group, especially in New Markets.

The group executive is responsible for ensuring best practice is shared, setting strategy and policy. The group has invested in key sector expertise and business development capability which can be leveraged across the businesses.

Managing international customers

G4S created its International Accounts Division (IAD) in 2008 to address the increasing needs of global companies to ensure the highest standards of security and safety across operations in multiple countries.

The IAD team has dedicated resources around the world and overall responsibility for administering multinational customer relationships. Regional directors oversee local foreign field operations within their respective region and ensure they are compliant with global policies and standards as well as local regulations.

This unique programme has enabled the group to grow its international accounts base and to win new global contracts in key sectors such as technology, banking and pharmaceuticals.

Acquiring capability

In the last few years, G4S has made a number of capability-building acquisitions in areas such as risk consultancy, systems integration and sector expertise in areas such as Oil and Gas, Utilities and Ports. As a result, since 2008, G4S has invested £800m in acquisitions that contribute significant revenues and profits and will enable the group to generate future growth. All acquisitions are required to meet the group's stringent return on invested capital targets and are reviewed on a regular basis.

March 2008

GSL
Management of critical infrastructure and expansion into new government sectors and geographies

RockSteady
Expansion of major event security and safety capability

MJM
New investigations and compliance skills

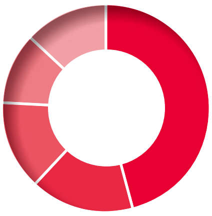
RONCO
Expansion of mine action capability

Touchcom
Security consultancy, design and systems integration

ArmorGroup
Additional skill in protective security solutions for governments and multinationals.
New specialist capabilities – mine action and risk consulting

SMI
Creating additional cash management expertise focused on central banks consultancy work

Top 10 International Accounts Division customers



Financial	46%
Oil and Gas	16%
Pharmaceutical	14%
Communication	11%
Technology	13%

Leveraging expertise across New Markets

G4S has an unrivalled geographic footprint which has been developed over many years. That means its management has extensive experience of working in sometimes complex environments, and has a detailed understanding of how to deliver business results in these countries.

G4S is able to export its knowledge and experience gained from more mature markets into New Markets, particularly in the areas of product development and outsourcing, which drives market growth whilst often improving standards in the industry.

Case study

We're building on strong positions in growth regions.

During 2010, G4S entered the dynamic Brazilian security market. Brazil is the fifth largest security market in the world with estimated annual revenues of around £4bn. The market has sustainable growth expectations supported by excellent economic prospects helped by vast natural resources and some one-off boosts from the 2014 World Cup and 2016 Olympics.

G4S entered Brazil through the acquisition of two systems integration companies – Instalarme and Plantech, both leaders in their areas and with national coverage. Over the course of the next few years, the group intends to expand its security offering to include risk consulting and manned security.

Adesta
Bringing additional expertise in ports capability, systems integration and project management

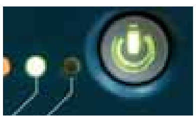
Hill & Assocs.
Risk consulting and mitigation

Instalarme
Entry into dynamic Brazil market – leading security systems business

January 2011

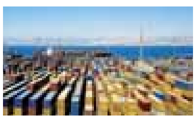
All Star
Extending secure facilities management expertise in high security government departments and sectors

SecPoint
Market leader in security systems in fast-growing Ghana market



NSSC
Additional consulting and specialist nuclear power expertise

Plantech
Leading systems integration business in Brazil



Resources

We have the **optimum level of resources in place** to ensure we deliver…

Overview

To be able to deliver our strategy and the best value to customers, we have to ensure we have the optimum level of resources available to us. This includes:

- → Our people and values
- → Technology
- → The G4S brand and reputation
- → Financial resources

People

We aim to ensure that we recruit the right people for the right roles and that employees feel listened to and supported in their working lives. We do this through focusing on workforce stability and employee engagement by means of one of the largest series of global employee surveys.

We have 625,000 employees and take great pride in the important work they do to ensure the security and safety of our customers and their assets. Keeping our people safe is our main priority through essential health and safety standards and training.

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

625,000*

*Number of employees at year end December 2010

Our values

G4S aims to act responsibly in how it manages relationships with customers, communities, employees and other stakeholders. The 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

Middle East
46,900

Asia Pacific
245,600

Technology expertise

The most efficient security solutions for customers increasingly involve security systems and systems integration expertise.

G4S technology can be found in a diverse range of markets including government, education, finance, transportation, healthcare and utilities. We serve these industries throughout the world, protecting everything from small offices and schools to large multinational organisations and high security government facilities.

We design, manufacture, install and maintain leading edge security solutions to protect our customers' staff, assets and premises.

In recent years, G4S has widened its security systems expertise into New Markets such as Brazil, with the acquisitions of Instalarme and Plantech, and South Africa with the acquisition of Skycom. G4S has also acquired leading security systems integrators in key sectors such as ports, energy and critical national infrastructure through the acquisitions of Adesta and NSSC.

We believe the combined offering of risk consulting, manpower and technology is a key differentiator for the group.

Brand

G4S was created in 2004, through the merger of Group 4 and Securicor. Today, just seven years later, the G4S brand is widely recognised as a leader in security solutions. This is particularly the case in our major developed markets and some key New Markets where we are one of the few international security companies with a local presence.

Financial resources

The group continues to have strong cash flow generation, equivalent to 85% of PBITA in 2010 and this is one of the key performance indicators for G4S management. In addition, the group's funding position is strong, with sufficient headroom and available committed facilities to finance current investment plans. For more details of our financial resources, please see the Financial review on pages 44 to 49.

Financial review
44–49

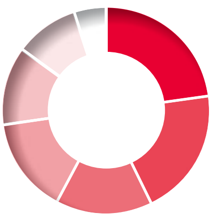
Market overview

Focusing on structural growth markets and sectors within the global security market

The global market

£75bn

The potential global outsourced security market has been estimated as having annual revenues of c£75bn



Source: Freedonia, Frost & Sullivan, Turner & Townsend, G4S analysis

Industrial	23%
Government	20%
CNI Energy/Utilities	15%
Financial Institutions	15%
Commercial	12%
CNI Ports, Airports/Rail	10%
Retail	5%

By sector

The largest outsourced sectors in the global security market are areas such as government and critical national infrastructure (CNI) and these sectors are where G4S has focused its strategy.

By geography

The developed markets of the US and the UK are some of the largest security markets in the world. However, there are some large and rapidly growing security markets in developing economies such as Brazil, Iraq and Turkey.

G4S currently derives more than 29% of its revenues and 33% of its profits from these New Markets. With our recent entry into Brazil, they are likely to be a growing proportion of group revenues and profits.

Key security market trends

Balance the needs of customers to cut costs and maintain security

Recent economic trends have put pressure on the security industry to recognise the needs of customers to cut costs without increasing risks.

The industry has therefore had to be creative with its combination of technology and manpower to remove costs without compromising security levels or customer service standards.

Innovative technology

This has seen security providers turning to in-house or external technological innovations such as access control, remote monitoring and incident capture and response – sometimes in very remote or geographically challenging locations – without the overheads of large scale manpower (see case studies on pages 24 to 31).

Consistency of global approach

Customers are also increasingly looking to the security industry to provide a consistent approach to managing their risks worldwide (see case studies on pages 24 to 31). This has been the case in the pharmaceutical and chemicals sectors, and is a key driver of future growth across aviation, ports and maritime, and oil and gas markets.

Government outsourcing opportunities

Economic pressures will continue to drive both creativity and future opportunities for the security industry. In the UK, G4S is one of 20 leading government suppliers being asked to help rebalance the country's budget deficit. We believe that in the medium-term outsourcing opportunities will help us demonstrate our innovation and give us additional long-term growth potential.

Government outsourcing opportunities are expected to continue in both developed and emerging markets as the focus on security threats increases, and the pressure on public sector and commercial budgets lead to more outsourcing and the chance to leverage private sector innovation (see case studies on pages 22 and 23).

Risk management

Finally, security and risk management have to be an integral part of corporate strategy in today's challenging climate and the security industry is working with customers to incorporate this into the customers' business (see case study on page 25).

G4S major markets
£100m+

With operations in more than 125 countries, G4S is truly a global security services provider. The map below shows the size of some of the larger security markets (in £ revenue per annum) and within those markets the scale of G4S's presence.

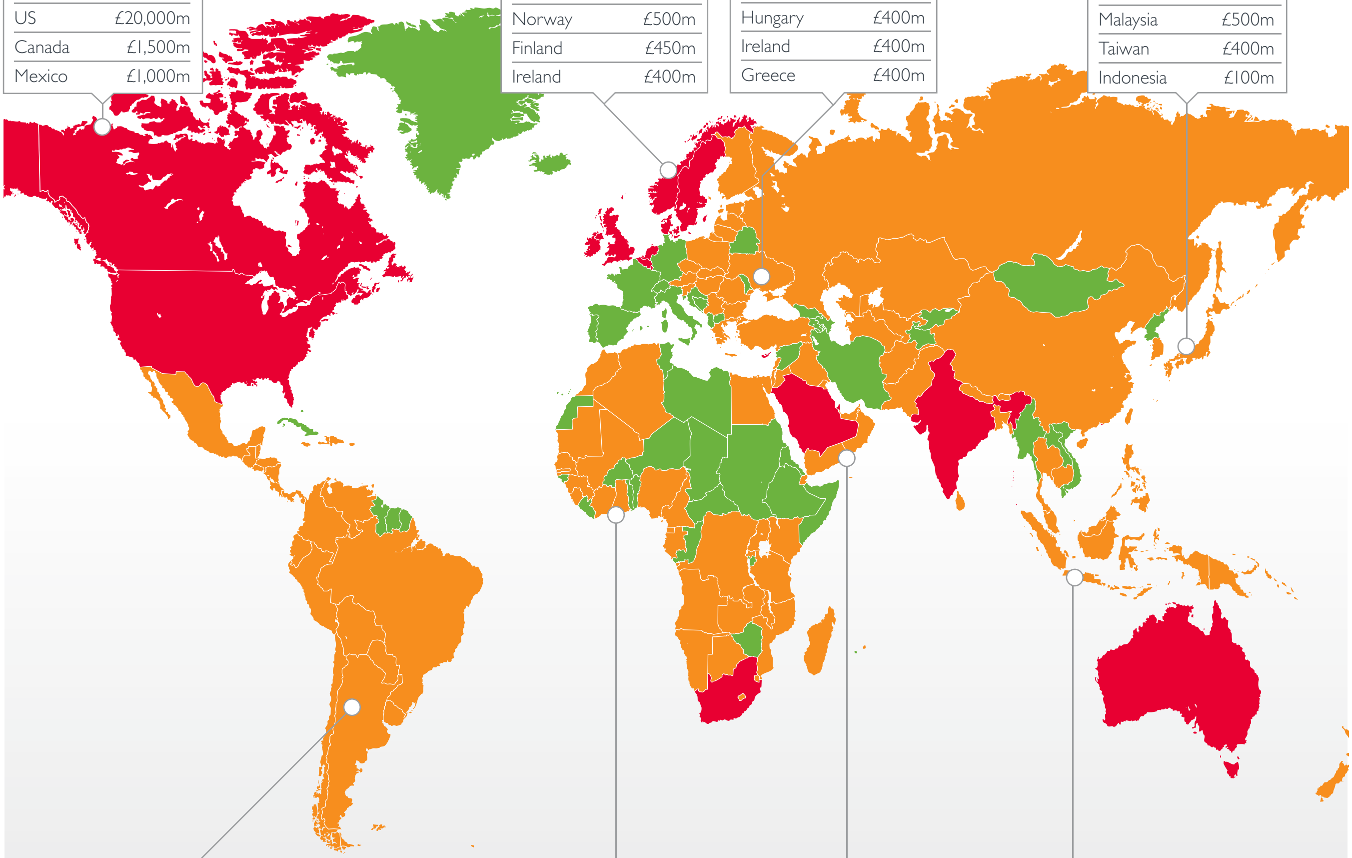
G4S markets with revenues of more than £100m | G4S markets with revenues of less than £100m | No G4S operations

North America	
US	£20,000m
Canada	£1,500m
Mexico	£1,000m

North Europe	
UK	£6,000m
Netherlands	£2,000m
Sweden	£1,100m
Belgium	£700m
Denmark	£650m
Norway	£500m
Finland	£450m
Ireland	£400m

South/Central Europe	
Turkey	£1,500m
Poland	£1,000m
Russia	£1,000m
Romania	£600m
Austria	£500m
Czech	£500m
Hungary	£400m
Ireland	£400m
Greece	£400m

Asia Pacific	
China	£7,000m
Australia	£1,300m
Thailand	£600m
Malaysia	£500m
Taiwan	£400m
Indonesia	£100m



Latin America	
Brazil	£4,000m
Argentina	£1,000m
Colombia	£750m
Peru	£500m
Chile	£450m
Venezuela	£250m

Africa	
South Africa	£1,500m
Nigeria	£500m

Middle East	
Iraq	£1,000m
Israel	£650m
Afghanistan	£500m
Saudi Arabia	£400m

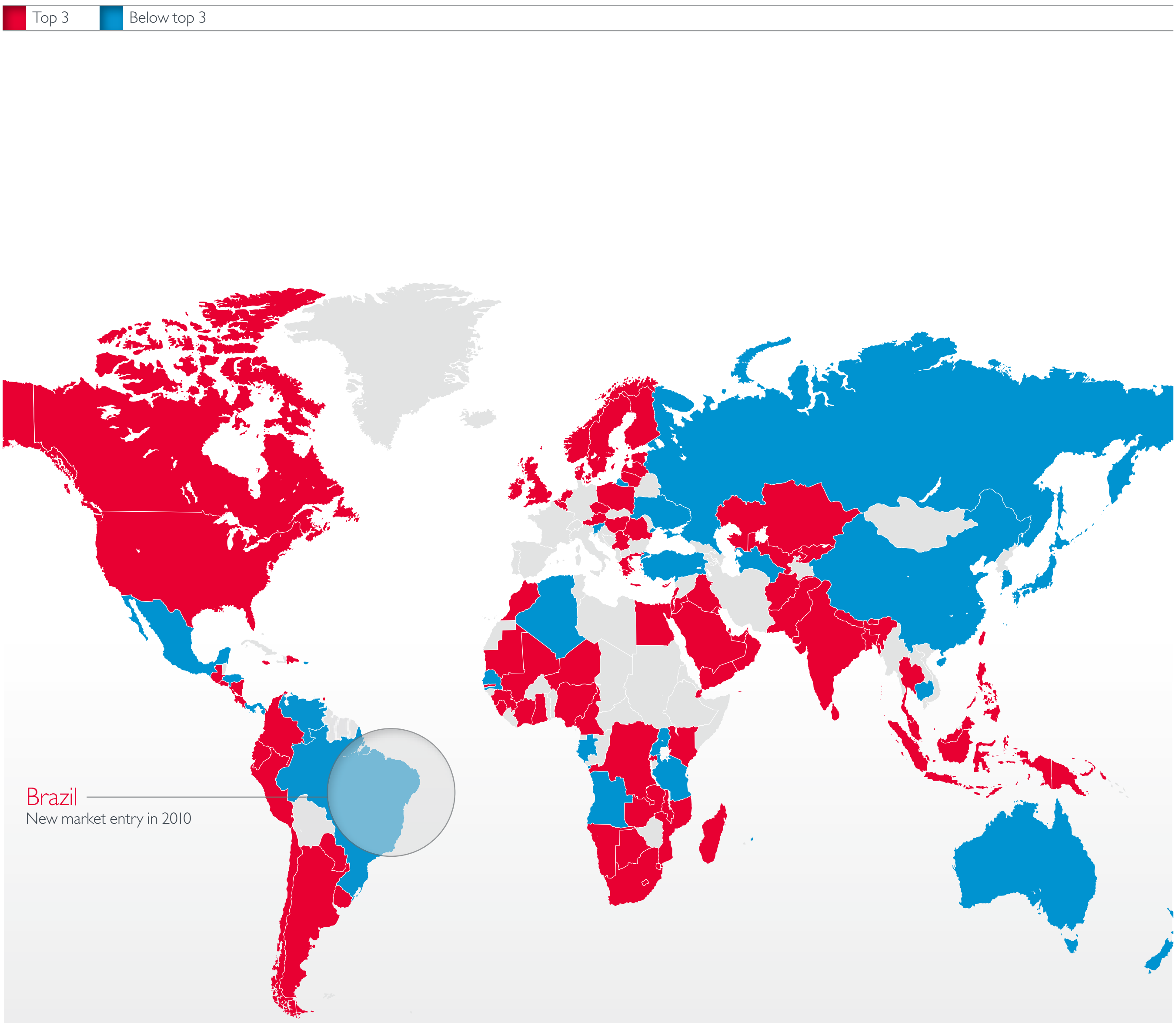
South Asia	
India	£650m
Kazakhstan	£400m

Market overview continued

G4S major market positions – secure solutions

G4S has strong secure solutions market positions in most of the countries in which it operates. The chart below shows G4S geographic presence and highlights those markets where G4S has a top three market position.

125+
Countries where secure solutions operates



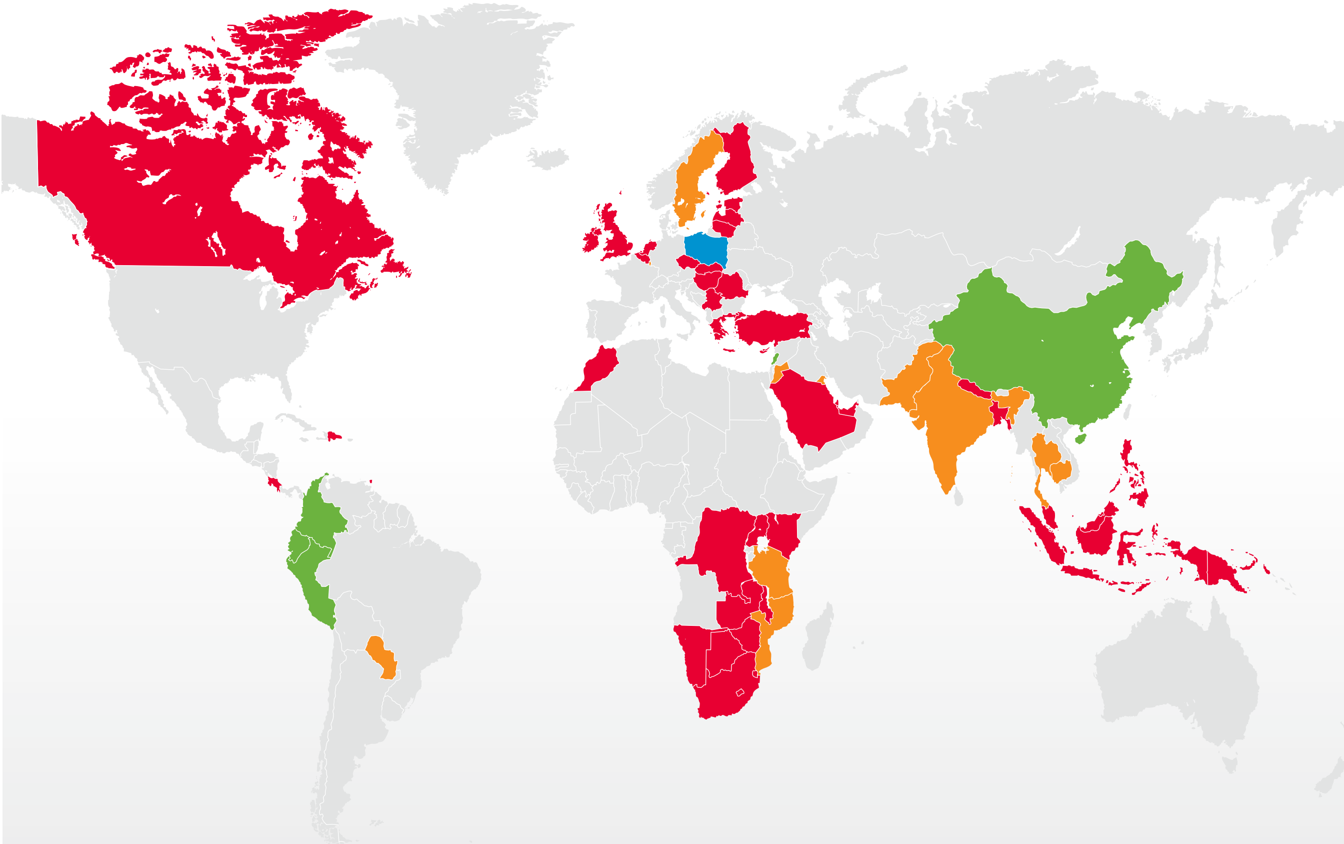
G4S major market positions – cash solutions

G4S has cash solutions businesses in more than 70 countries and in the majority of those countries is the market leader.

70+

Countries where cash solutions operates

Number 1 | Number 2 | Number 3 | Below top 3



Investment proposition case studies

These case studies show the type of work we do for customers to demonstrate our investment proposition

Government partnerships

Providing cost efficient front line services

At G4S, we draw on our global experience of working with governments to secure government buildings and key assets around the world, support the justice and security strategies of nations and ensure that government personnel are well prepared to operate in some of the world's conflict hotspots.

Developed Markets

UK

G4S is a major supplier to the UK Government in a number of areas including:

- → Construction and management of prisons
- → Tagging and monitoring of offenders in the community
- → Facilities services for schools and healthcare buildings
- → Protection of UK embassies and other secure facilities in the UK and overseas
- → Provision of support services to the police and armed services

The Comprehensive Spending Review conducted by the UK Government in 2010 called on major suppliers to help the Government find significant short-term savings. At the same time, it highlighted new opportunities where the Government could outsource to the private sector in the future, to increase efficiencies and make further cost savings.

In the medium term, the group believes there are a number of areas where the private sector can deliver further cost savings as a result of more extensive outsourcing and this will enable G4S to grow its market share in this area.

- → Short-term changes to contract specifications
- → Short-term opportunities through the bidding pipeline
- → Medium- and long-term opportunities through more extensive outsourcing

New Markets

South Africa

On 1 July 2011, Mangaung Correctional Centre (MCC) celebrates its tenth anniversary. It will be able to showcase a decade of successful contribution to the South African correctional environment, international accolades and accomplishments, and the economic impact it has had on the local Mangaung community.

To enhance the safety of the community and contribute to a safer society after the release of inmates, G4S invests heavily in the personal development of offenders. Professional staff, including social workers, psychologists and education professionals, deliver various developmental programmes to address offending behaviour.

These interventions are also available to the community and the focus is on creating secure environments for children to grow up in and preventing "at risk behaviour". The school desk project, run by MCC, has donated 1,119 revamped school desks to disadvantaged schools in the Mangaung area since its inception in 2006. Six hundred Grade 11 and 12 learners received maths and science education in the school holiday period during the World Cup in 2010, contributing to improved pass rates in these subjects, in their final exams.

- → High quality care
- → Numerous community initiatives
- → World-class reputation
- → Bidding on four more private prisons in South Africa

Solutions approach

Leveraging expertise around the world

Each of our individual areas of expertise is a driver of value for the group, but together they create a whole solution for a customer. 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.

Developed Markets

Introducing SecureTrax™ to the UK

One of the challenges within the security industry is the need to manage a large remote workforce, while ensuring that the contracted tasks are fulfilled. G4S North America decided to invest in technology which would meet our specific needs, report in real time and have an event monitoring function, thereby increasing the value of our security personnel in the field. The incident management analysis helps users identify trends and implement preventative measures to avoid potential damage and associated costs.

Learning from the expertise we have developed in the Americas, SecureTrax™ will be deployed internationally within G4S during 2011. The technology was launched in the UK security market at the end of 2010, and is helping to improve safety and security as well as saving time and reducing costs for customers. Pilot markets within which SecureTrax™ will be deployed during the first half of 2011 include Europe, Asia, Australia and the Middle East.

→ Monitors remote workforce

→ Real time reporting

→ Increases value of security personnel in the field

→ Analysis of incident management data helps identify trends and can prevent future incidents

New Markets

Risk consultancy

G4S Risk Management is a leading provider of risk mitigation, secure support services and integrated solutions to governments, international agencies, small to medium sized businesses and multinational corporations. We enable organisations to operate safely and securely, wherever they are in the world, including those environments that are complex or sensitive.

Our risk consulting business works with clients to help them identify, assess and mitigate risks to their operations. This multi-disciplined team brings together sector and subject matter expertise, enabling clients to manage their risk profile dynamically. From crisis response in the Middle East, resilience planning in the UK, through to early development of risk mitigation strategies in sub-Saharan Africa, risk consulting allows clients to take advantage of opportunities around the world.

Core areas of expertise include geopolitical intelligence on threats and hazards worldwide, the development of strategic plans to ensure effective operational design and complete project management, risk mitigation, business continuity and resilience, and crisis management for customers.

→ Risk consulting initiates and maintains relationships at the most senior levels within its customers' organisations

→ Early involvement in design and operational procedures maximises efficiency and reduces costs

→ Key role in crisis management and ensuring business continuity for customers

Integrated security solutions

Global bespoke security solutions for customers

G4S designs and manages security solutions that bring together our capabilities including 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.

Developed Markets

GSK

Designing and implementing an integrated security solution for customers means we help to solve their security challenges by offering a bespoke solution for their requirements. A good example of this is our contract with GlaxoSmithKline (GSK), one of the world's leading research-based pharmaceutical and healthcare companies. GSK is keen to ensure the safety of its employees, facilities and valuable products on a global basis.

In March 2010, G4S was awarded a five-year international contract by GSK for the provision of security services. Under the contract, G4S centrally manages GSK's security services from the UK, delivering consistent, co-ordinated and efficient operations, training and standards under a four-part roll-out across GSK's entire security portfolio in 79 countries. G4S offers a broad range of security services to ensure the right security solution is delivered for each site.

- → Bespoke high quality security solution on a global basis
- → Consistency of approach helps develop global KPIs and data management
- → Growth opportunities through additional services

New Markets

Protecting critical national infrastructure

In some developing markets there is a need to protect mobile telephone masts, particularly when they are located in remote locations. Because of their remoteness, the masts have on-site generators to power them and due to the value of the diesel that fuels the generators, are vulnerable to damage and theft. Historically, most protection has been carried out by manned security officers. This is not ideal because of the risk to them of potential attack.

Our new service for customers is an integrated solution of remote monitoring, access control, deterrent systems and a fast response team. In addition, we have created a "one-stop" service to reduce costs to customers by being able to offer facilities management at the sites too – supplying fuel and first-level maintenance to the masts.

→ Integrated solution – security and facilities management

→ Helps secure critical national infrastructure in remote locations

Unrivalled cash solutions expertise

Driving efficiency in cash management

Understanding and managing the cash cycle of a country is a core skill of the group. Central banks, commercial banks and retailers outsource their entire 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.

Developed Markets

G4S Cash Solutions UK

With a sustained period of low interest rates the drive to bank cash as quickly as possible has reduced significantly within our customer base. This, combined with an economic downturn, has led to some retail and banking customers in the UK rationalising their services. The challenge in the UK has been to find new ways to bring efficiencies to our customers' operations. Offering comprehensive outsourcing solutions and expert cash management technology, such as the revolutionary CASH360 system (see page 39), G4S Cash Solutions UK is able to create efficiencies for its customers in a tough economic environment.

With a relatively fixed cost-base G4S has also worked pro-actively to reduce its operating costs through continuous improvement programmes. These have ranged from improved staff engagement and enhanced customer communications to the implementation of new technology to handle and protect our customers' cash.

- → Smart collective agreements and engagement with all staff
- → Engaging with customers to work on most efficient routes
- → Industry leaders in new technology to reduce attacks
- → Continuous improvement programmes

New Markets

Standard Chartered Bank

Standard Chartered Bank (SCB) celebrated its 150th anniversary in Hong Kong in 2009, and G4S has enjoyed a long association with SCB in the region both as a supplier and as a banking customer. Replenishing ATMs and collecting from cash deposit machines are among the services that G4S has historically provided, alongside a variety of other suppliers who took care of maintenance and technical issues. With so many links in the chain, there was a possibility that ATMs could be out of order or out of cash for longer periods than acceptable.

Since mid-2009, SCB has outsourced its entire cash machine operations to G4S. By giving G4S responsibility for managing all aspects of the ATM chain – SCB now has an end-to-end solution. Within six months this resulted in improved service levels and therefore improved customer satisfaction, as well as providing greater flexibility in the roll-out of new machines.

- → End-to-end integrated solution
- → Cost-effective
- → Improved service levels and end customer satisfaction
- → Greater flexibility to roll-out new equipment

Strong New Markets positions

Structural growth markets

Our global presence, market share 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 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.

Developed Markets

Agilent

Agilent Technologies, Inc (Agilent) is an analytical instrument manufacturing company, with more than 170 locations in nearly 30 countries. For many years it used more than a dozen security suppliers around the world to fulfil its security requirements. A few years ago, Agilent decided it was time to move to one provider – a "one-stop shop" that could provide all security solutions in all its markets.

The general guidelines Agilent drew up to help choose a single provider pointed to a company with strong leadership, deep knowledge, investigative expertise, technical support for their worldwide security systems and the ability to carry out their existing educational and risk assessment programmes to new levels.

It was based on all these qualities that G4S was selected and now provides manned security in 14 countries at 48 sites and systems support in 26 countries

→ G4S chosen as a "one-stop shop" to provide all security solutions

→ Provide a consistent approach across nearly 30 countries

→ Provide thought leadership and expertise

New Markets

United Arab Emirates

G4S in UAE is truly a multinational business, employing 42 different nationalities, including 11 different nationalities in the management team. The competitive strength of the group in UAE is due to the experience and local knowledge of the management team and their ability to provide a complete solution to customers.

G4S's main customers in UAE are government agencies including embassies, critical national infrastructure and key sectors such as telecommunications, aviation, financial institutions and retail. Many customers expect the most sophisticated security solutions available. The UAE business has also experienced strong growth through new expertise and capabilities acquired by the group over the last few years. Examples include specialist events such as the Grand Prix and risk consultancy through Hill & Associates, acquired in 2010.

Another key area of competitive advantage is the quality of G4S's operational employees in UAE. Health & safety initiatives, social and welfare programmes, employee engagement and mentoring programmes for employees often many thousands of miles from home, are a key differentiator for the business, both as an employer and with customers.

- → Strong and experienced management
- → Sophisticated security solutions requirements
- → Employee welfare and mentoring programmes are a competitive differentiator
- → Strong growth through government agencies and specialist events

Divisional review

Secure solutions

The secure solutions business provides a broad range of solutions to both commercial and government customers. G4S secure solutions uses its 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. This will result in an increased number of long-term strategic customer partnerships across the group.

Sectors

Government	34%
Major Corporates and Industrials	29%
Financial Institutions	8%
Energy and Utilities	8%
Retail	7%
Ports and Airports	5%
Consumers	5%
Transport and Logistics	2%
Leisure and Tourism	2%

Strategy

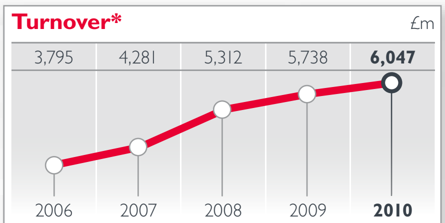
- → Use our expertise and geographic presence to differentiate our business
- → Drive outsourcing and minimise commoditisation of traditional security services
- → Offer an integrated security solution to customers

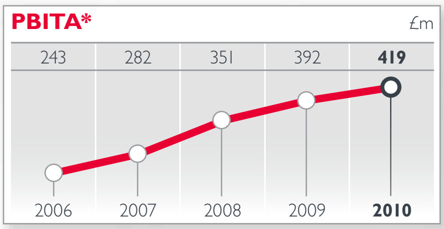
Key operational highlights

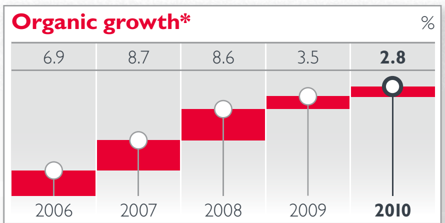
- → Strong growth continued in New Markets
- → Signs of recovery in some developed markets
- → Strict cost control and improved business mix helped grow margins from 6.8% in 2009 to 6.9% in 2010.

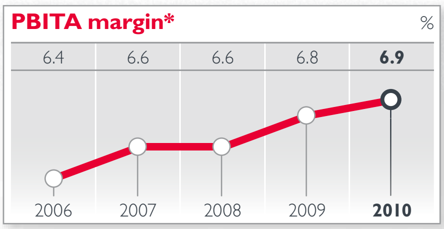
KPIs

During 2010, the secure solutions business achieved good organic growth of 2.8% and margins were up on the same period last year to 6.9%









*2006 to 2009 at 2010 exchange rates and excluding all businesses disposed of during the period.

Services

G4S provides a range of secure solutions to customers including:

- → Risk management and consultancy services
- → Secure facility outsourcing
- → Electronic monitoring of offenders
- → Manned security services
- → Electronic security systems
- → Monitoring and response services
- → Management of adult and juvenile custody facilities
- → Aviation security services
- → Fire protection and emergency response
- → Security training services
- → Project management

Contracts and relationships

The duration of contracts varies – from high profile annual events such as Wimbledon and the Ryder Cup to 25 year private prison contracts. However, even when the contract terms are short, in practise many relationships become long-term and result in contracts renewed year after year. This is demonstrated in our customer retention rates which average above 90% across most regions.

Customer needs and drivers for key sectors

UK	9%
US	10%
Rest of World	9%

Government

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.

Government contracts accounted for around 34% of secure solutions revenues and 28% of total G4S revenues in 2010 and are split broadly into three geographic areas – UK, US and Rest of World.

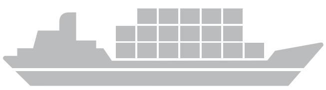
We anticipate further government outsourcing opportunities will arise in developed markets as pressure on public spending intensifies and government departments seek to manage their budgets, without compromising on service delivery standards or the integrity of vital front line public services. This expertise, particularly in Care and Justice Services, can then be exported into developing markets.

$100bn

of port operators' investment in building new green/brown field terminals globally

480m

containers being moved around the world every year. Container and port facility security is an area of growing focus



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

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 to cost-effective, flexible security providers who have consulting capability, new technology integration expertise and who can redesign systems and interfaces.

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. Key opportunities for the port sector lie with the large international private port operators, who have collectively committed more than $100bn of investment in building new green/brown field terminals globally to expand their portfolios and capacity, including $60bn announced recently in India.

Oil and Gas

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

The market for security across much of the energy market has been led by regulation, particularly of nuclear power.

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

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.

Divisional review

Secure solutions performance

"We believe our work with the UK Government on its Comprehensive Spending Review has delivered significant cost savings for them and provided potential further outsourcing opportunities for G4S."

David Taylor-Smith
Regional CEO – UK and Africa

Europe

Organic growth in Europe was 0.6% and margins were slightly higher due to excellent cost control across the region.

UK & Ireland

There was good organic growth of 3.8% in the **UK & Ireland** and margins strengthened further to 8.7% helped by continued strong performance of the commercial and government businesses, and despite revenue and margin reductions in Ireland.

Key UK Government contract wins in 2010 included a number of major contract extensions such as:

- taking over the national security contract for the Department of Works and Pensions which was mobilised on 1 January 2011
- a further extension of the Electronic Monitoring contact into 2013
- strong growth in the services we deliver to the Olympic Delivery Authority
- opening a new large prison wing at HMP Parc

G4S is bidding for a number of UK Government contracts and has been shortlisted by the Department for Work and Pensions to bid to deliver welfare-to-work services in seven out of the eleven UK regions. We expect the results of all these bids in 2011. G4S signed a memorandum of understanding with the UK Government which will deliver savings to the government largely through re-designing service provision.

The secure solutions business consolidated its position as the leading manned security provider in the UK with organic growth of 6%. Commercial contracts won include smart meter installation contracts for four major utility providers, re-winning a three year contract with Northern Rail, the UK's largest train operating company, a three year contract to provide security services at Belfast City Airport and G4S continues to roll-out global security contracts for international clients such as GSK and Shell.

Trading conditions in Ireland remained challenging in 2010 but our underlying trading was helped by prompt management action to address these issues. G4S was part of the consortium that delivered the new Dublin Criminal Courts PFI project ahead of schedule.

Continental Europe

The Continental Europe region performed well against an extremely difficult economic backdrop in Eastern Europe and we believe we have continued to gain market share with our solutions strategy outperforming single service providers. Overall organic growth was -1.9%, but margins were slightly above the prior year at 5.4% due to excellent cost control. Revenues for the security systems business, which accounts for around 30% of Continental European secure solutions, declined by 4%. Strong performers included **Norway**, helped by the Oslo airport contract, and **Netherlands** where G4S recently won the ProRail contract. In **Belgium**, G4S was successful in winning the Brussels airport security contract for up to five years from February 2011 and security for the European Commission building from April 2011. In **Sweden**, G4S has won the contract for the Swedish Parliament Administration from March 2011.

In **Israel**, G4S is the preferred bidder for a PFI police training academy which has a 25 year contract term and G4S has won two immigration accommodation contracts in **Cyprus**.

In Eastern Europe, we expect a return to revenue growth in 2011, especially in markets such as **Kazakhstan** and **the Baltics**, and increased profitability after some re-structuring in the region.

North America

Organic growth in North America was 2.2% and margins were slightly higher due to a greater proportion of solutions-based contracts, rigorous cost control with reduced overtime levels and lower employee turnover.

In the **United States** there was higher growth in the commercial sector during the second half of the year and the business entered 2011 with greater organic growth momentum than twelve months ago. Whilst the outlook for new US federal government outsourcing contracts in the short term is quite muted, federal government stimulus funding continues to drive the G4S Technology business with the opening 2011 order book well above 2010 levels. Government at a state and local level will present more opportunities as the pressure to look for more effective public service increases and leads to greater use of the private sector over the medium term.

Recent contract awards include work in the chemical, federal and retail sectors and additional locations for Shell and Cargill. Contracts re-won include work for a nuclear power station and county sheriffs' offices. Overall customer ratings were excellent and further growth opportunities exist both domestically and internationally with the existing customer base as well as with new prospects.

All our recent acquisitions in the US performed extremely well during 2010 and recorded growth and financial performance either in line with or ahead of expectations.

In **Canada**, the organic growth rate was over 6% with a number of large contracts starting during the second half including Shell, GSK, the Canadian Border Authority, a large financial institution and Kingston Hospital in Ontario. In addition, with support from around the group, the Canadian business is bidding on the opportunity to provide security solutions across airports in Canada.

"Whilst the outlook for new US federal government outsourcing is muted, federal government stimulus spending continues to drive the G4S technology business."

Grahame Gibson
Chief Operating Officer
Regional CEO – Americas

Total	**Turnover** £m 2010	2009	**PBITA** £m 2010	2009	**Margins** % 2010	2009	**Organic growth** % 2010
Europe*	**2,617**	2,612	**180**	175	**6.9%**	6.7%	**0.6%**
North America*	**1,676**	1,524	**96**	86	**5.7%**	5.6%	**2.2%**
New Markets*	**1,754**	1,602	**143**	131	**8.2%**	8.2%	**7.1%**
Total secure solutions*	**6,047**	5,738	**419**	392	**6.9%**	6.8%	**2.8%**
Exchange differences	**–**	(70)	**–**	(4)			
At actual exchange rates	**6,047**	5,668	**419**	388			

Europe	**Turnover** £m 2010	2009	**PBITA** £m 2010	2009	**Margins** % 2010	2009	**Organic growth** % 2010
UK & Ireland*	**1,179**	1,136	**103**	97	**8.7%**	8.5%	**3.8%**
Continental Europe*	**1,438**	1,476	**77**	78	**5.4%**	5.3%	**–1.9%**
Total Europe*	**2,617**	2,612	**180**	175	**6.9%**	6.7%	**0.6%**

America	**Turnover** £m 2010	2009	**PBITA** £m 2010	2009	**Margins** % 2010	2009	**Organic growth** % 2010
North America*	**1,676**	1,524	**96**	86	**5.7%**	5.6%	**2.2%**

New Markets	**Turnover** £m 2010	2009	**PBITA** £m 2010	2009	**Margins** % 2010	2009	**Organic growth** % 2010
Asia*	**600**	565	**40**	44	**6.7%**	7.8%	**3.5%**
Middle East*	**465**	429	**44**	39	**9.5%**	9.1%	**8.2%**
Africa*	**333**	313	**33**	29	**9.9%**	9.3%	**5.8%**
Latin America & Caribbean*	**356**	295	**26**	19	**7.3%**	6.4%	**14.2%**
Total New Markets*	**1,754**	1,602	**143**	131	**8.2%**	8.2%	**7.1%**

* At constant exchange rates

Case study

Behavioural detection officers

Passengers at Heathrow are now being protected by a new G4S team of undercover officers trained to detect the smallest signs of suspicious behaviour.

Anxiety, a lack of luggage or taking photos can indicate that someone is a potential high-risk, or they could simply be a normal passenger – and the new team of nine Behavioural Detection Officers can now help tell the difference.

Blending seamlessly into the check-in area, the officers use non-intrusive observation and analysis techniques to identify potential threats, and share intelligence with uniformed colleagues and the police.

New Markets

In New Markets, organic growth was excellent at 7.1% with strong improvements in margins in most regions.

Organic growth in Asia was 3.5% and margins were lower due to the loss of the DIAC contract in **Australia**, as previously announced. Excluding Australia, revenues were up 14.5% and margins were 7.1%, with strong revenue increases in **Papua New Guinea**, **Pakistan** and the **Philippines**. **India**, the largest market in the region, achieved double-digit revenue growth. Our risk consulting business Hill & Associates delivered a very strong performance and will be leveraging its expertise into the Middle East in 2011.

In the Middle East, growth continued to be excellent across the region with improved margins of 9.5%. **Qatar** and **UAE** performed particularly strongly, mainly as a result of the new airport contract in Qatar and federal wage legislation in UAE. In **Iraq**, as expected, the work for US forces has come to an end. The US Embassy contract in Kabul, **Afghanistan** will continue beyond 1 January 2011 as a result of the new incumbent failing to realise the contract transition. The work will continue for at least the first four months of 2011 at an improved profit contribution.

Africa performed well with organic growth of 5.8% and margins of 9.9%, helped by strong performances in **Morocco**, **Uganda**, **Botswana** and **Djibouti** and in our Care and Justice services business in **South Africa**. G4S has a unique network of operations in Africa which provides an excellent platform to support our global clients working in key sectors such as oil and gas, ports and mining.

The Latin America & Caribbean region has performed well as a result of a number of large contract wins in **Argentina**, **Brazil**, **Chile**, **Colombia**, **Ecuador**, **Mexico** and **Puerto Rico**. Overall for the region, organic growth was 14.2% and margins were 7.3%.

Cash solutions

The cash solutions business manages 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 considerable cost saving to our customers, and allows them to focus on their core businesses.

Sectors

Financial Institutions	71.3%
Retail	16.6%
Other	12.1%

Strategy

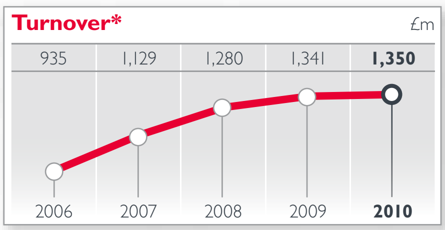
- → Play a key role in the management of the cash cycle on behalf of central banks, commercial banks and retailers, allowing them to focus on their core business
- → Use our developed market cash cycle expertise and track record to encourage central bank and financial institution outsourcing in New Markets
- → Continued roll-out of innovative technology such as CASH360 (see page 39)

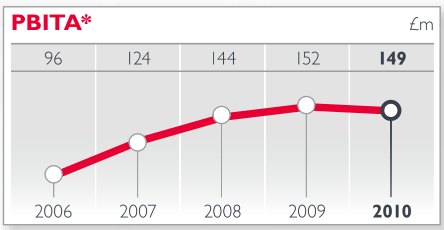
Key operational highlights

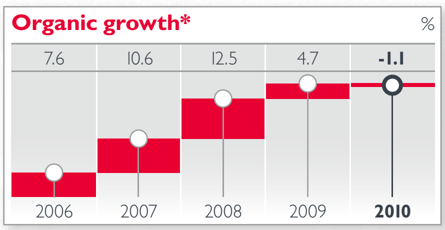
- → Continued strong performance in New Markets
- → Some service reductions due to low interest rates, lower inflation and recession
- → Strict cost control limited impact on margins
- → CASH360 sales gaining momentum

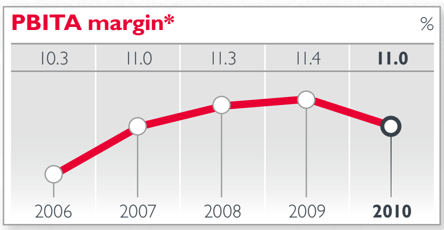
KPIs

During 2010, the cash solutions business performed robustly in an extremely difficult economic environment with organic growth of -1.1%. Margins were 11.0%









*2006 to 2009 at 2010 exchange rates and excluding all businesses disposed of during the period.

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

Contracts/relationships

The duration of contracts vary, with most being on an annual basis and those contracts requiring a higher capital intensity such as cash processing or CASH360 being usually five years' duration. However, even when the contract terms are short, in practice many relationships become long term, rolling over from one year to the next. This is demonstrated in our annual customer retention rates which average above 90% across most regions.

Customer needs and drivers for key sectors

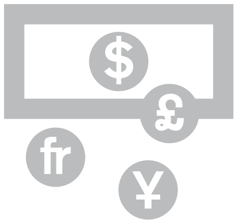
Retail

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.

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.

77.5%
of Europe's 388 billion retail payments in 2008 made using cash

1.7%
we estimate the average retailer spends around 1.7% of turnover managing cash



Financial institutions

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 more than 70 countries in which we operate our cash management services.

70+
countries in which we operate our cash management services

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.

Other

A portion of our cash solutions work is separate from the traditional work that is done for financial institutions and retailers. This specialist work will vary from country to country, covering areas such as toll collections, creating wage packets, through to specialist sporting and cultural events.

One business that provides a specialised solution is G4S International (G4Si), which meets the global demand for safe, reliable transport of valuable and vulnerable cargo.

G4Si applies its experience and expertise in secure international transportation across a range of sectors, including finance, mining, diamonds and jewellery, pharmaceuticals and government. In each instance, G4Si protects the reputational and commercial risk its clients face throughout the transport process for such commodities as precious metals, banknotes, credit cards, diamonds and controlled substances.

Divisional review

Cash solutions performance

Europe

Organic growth in Europe was -2.8% 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 11.3%.

In the **UK & Ireland**, the cash solutions business performed very robustly despite a 3% revenue decline. The first CASH360 sales have been achieved in the UK with companies such as CenterParcs and Burger King and with a strong pipeline of pilots. The cash consulting business, SMI (see page 39), acquired in 2009, continues to perform well, giving us increased exposure to central banks around the world. The travel logistics company TLCS was divested as part of a portfolio review, resulting in a profit on disposal of £8m. This was more than offset by restructuring costs in the UK, Ireland and **Sweden** cash solutions businesses and a significant restructuring in **Romania** as a result of a major downsizing of the contract with the state post office.

Ireland continued to face a particularly challenging economic environment but the business has won the provision of cash sourcing for An Post (post office) pension payments which will benefit 2011.

G4S International (see page 37), the international valuables transportation business, achieved a particularly strong performance, with organic growth of 9% and improved margins helped by higher commodity prices.

Elsewhere in Continental Europe, organic growth was affected by a reduction in cash transportation and ATM services but continued strong growth was achieved in **Greece** and in **Belgium**, where G4S has won a number of banking contracts.

North America

In North America, the business in **Canada** declined due the loss of the Bank of Montreal contract.

New Markets

Organic growth in New Markets was good at 4.4% but margins were lower at 12.5% with both numbers impacted by the previously announced loss of contracts in **South Africa**. Excellent growth and strong margins were achieved in **UAE**, **Qatar** and **Malaysia**.

	Turnover £m		PBITA £m		Margins %		Organic growth %
	2010	2009	**2010**	2009	**2010**	2009	**2010**
Europe*	**891**	919	**101**	100	**11.3%**	10.9%	**–2.8%**
North America	**106**	110	**4**	5	**3.8%**	4.5%	**–3.6%**
New Markets	**353**	338	**44**	49	**12.5%**	14.5%	**4.4%**
Total cash solutions	**1,350**	1,367	**149**	154	**11.0%**	11.3%	**–1.1%**
Exchange differences	**–**	(26)	**–**	(2)			
At actual exchange rates	**1,350**	1,341	**149**	152			

* At constant exchange rates

"Excellent growth and strong margins were achieved in UAE, Qatar and Malaysia."

Dan Ryan
Regional CEO
– Asia Middle East

"A sustained period of low interest rates in some countries has had a short term impact on our ability to grow the cash solutions business. However excellent cost control during the year has meant that the businesses have still performed very well."

Ken Niven
Divisional CEO – Cash solutions

Case study

Cash forecasting

CIMB Group, Malaysia's second largest financial institution and G4S have pioneered the use of an intelligent cash management and forecasting system called iCom in the Southeast Asia region. In a multicultural society such as Malaysia, there are many religious festivals that attract hundreds of thousands of devotees and tourists every year – the iCom system can anticipate the many fluctuations which these events cause and match availability against demand. This not only increases efficiency but reduces operating costs too.

Case study

SMI

Secura Monde International (SMI) was acquired by G4S in 2009 and is widely regarded as the world's principal independent technical and commercial advisory company – specialising in the markets and technology of banknote paper making, printing and cash cycle re-engineering. SMI has unique relationships with central banks around the world based on its expertise and is working with G4S cash businesses to encourage retail and central banks to outsource more cash services.

Case study

Cash management outsourcing in Kenya

G4S has enjoyed a 16-year partnership with Citibank Kenya, part of Citigroup, the world's largest financial services organisation. They work together to provide innovative ways of meeting the end customer's needs. Services include cash-in-transit, ATM management, wage preparation and distribution, repatriation of foreign currency to its country of origin and fully-outsourced cash processing.

Case study

CASH360

CASH360 is a revolution in the way the world's leading retailers manage cash. In just over two years, more than 50 retailers in eight countries have begun to use it to automate their cash handling from the retail point of sale to the retailer's bank account. It eliminates opportunities for robbery, theft and fraud as well as offering immediate operational efficiencies.

"In Continental Europe, organic growth was affected by a reduction in cash transportation and ATM services but continued strong growth was achieved in Greece and Belgium."

Willem van de Ven
Regional CEO – Europe

To see interviews with all the Regional and Divisional CEOs talking about 2010 business performance and outlook please see

http://reports.g4s.com/2010

Corporate Social Responsibility

Securing success through **responsible conduct.**

As the world's largest security solutions company, operating in more than 125 countries, we know that we can impact the lives of many, whether they are employees, customers, investors or members of the general public going about their daily routines.

It is our responsibility to make sure that the impact we have is a positive one and that we are contributing to a safer and more secure society for everyone.

More information and detailed information in our CSR Report 2010

Our CSR Committee has been in place for more than a year and is helping the organisation to gain some real traction on key issues affecting the business, our employees and the communities in which we operate. The Committee is ensuring that CSR remains a core element of the group's strategy and that G4S businesses around the world are aligned on our CSR goals.

One of the biggest challenges for the group in 2011 will be to make sure we have adequate procedures in place to ensure we are compliant with the UK Bribery Act. It will be a challenge but we are fully supportive of effective legal frameworks to ensure that business conducts itself ethically and honestly.

Over the next few pages we outline some of the key areas of Corporate Social Responsibility for the group and summarise the progress we have made since we last reported 12 months ago. They are managed within the following four key areas and more detail can also be found in our third CSR report .

- → **Safeguarding our integrity**
- → **Securing our workforce**
- → **Securing our environment**
- → **Securing our communities**

In the 2010 CSR report we have highlighted the contribution that G4S makes not just from an economic point of view, but also explores how we interact with groups of individuals facing hardship in our day-to-day work.

For more information on our full report, visit:

http://reports.g4s.com/2010

Managing our business responsibly

CSR governance

In January 2010 we established a CSR Committee 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 reports into the Audit Committee in order to ensure that our CSR strategy is closely aligned to issues such as risk management, audit and compliance.

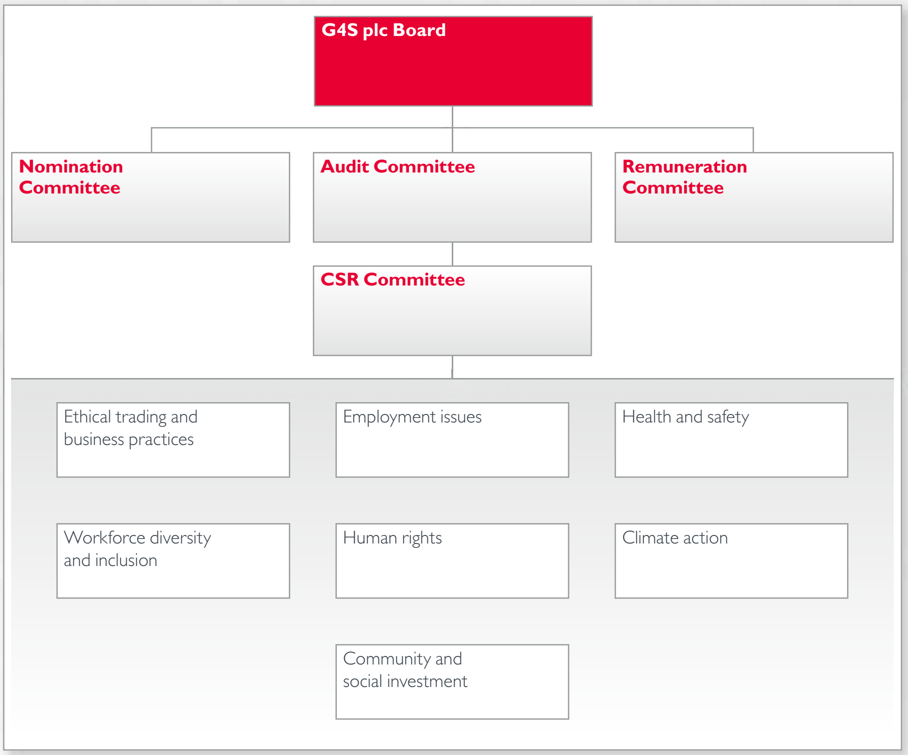
The Committee is chaired by Mark Elliott, a G4S plc non-executive director, who has extensive experience of CSR from his 30 years in international business with global organisations such as IBM.

Stakeholder engagement

We continue to improve 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.

Taking this proactive approach to raising global standards has helped build G4S's reputation with governments, customers and employees while ensuring we can deliver a sustainable return for our investors.

Illustrations of how stakeholder engagement has shaped our approach can be seen in our stand alone CSR report.



CSR benchmarking

In April 2010, we commissioned Corporate Citizenship, to conduct a benchmark analysis of G4S CSR activities versus its industry peer group and best practice. This enabled us to identify areas for improvement and to ensure that our CSR strategies develop in line with best practice.

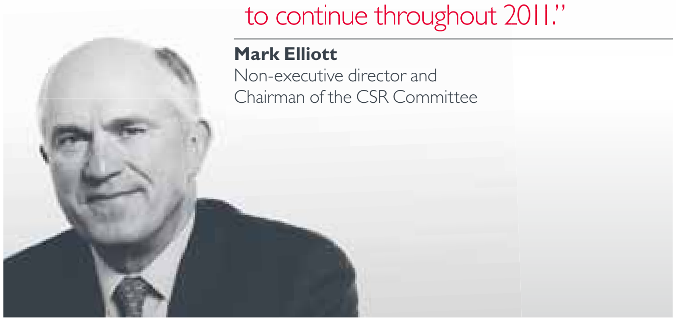
Socially Responsible Investment

In May 2010, we were pleased that GES Investment Services announced that we had been removed from its "exclude and engage list". GES stated that "over the last two years, G4S has demonstrated substantial improvements in its global management of employee relations and labour rights and engaged constructively on these and other issues".

This was followed in December 2010 with the inclusion of G4S in the Ethibel EXCELLENCE Investment Register (see www.ethibel.org). Forum ETHIBEL supports investors in their search for Socially Responsible Investment (SRI) products that offer a fair balance between economic progress, environmental protection, and social justice.

"The establishment of the CSR Committee has really helped to raise the profile of CSR both within the business and with external stakeholder groups. We have made significant progress in some challenging areas this year and expect that momentum to continue throughout 2011."

Mark Elliott
Non-executive director and
Chairman of the CSR Committee



Overview
Business review
Governance
Financial statements
Shareholder information

Corporate Social Responsibility

Our approach, progress and goals

We have made good progress in the four key areas of focus for the group during 2010. Below we explain our approach, summarise some of our achievements and outline our future CSR priorities.

Safeguarding our integrity

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.

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. In our view, ethical behaviour of corporations should not be just a reaction to regulation or legal compliance, but a means of doing business which gives customers, employees, partners and communities the confidence that they are working with an organisation which is not prepared to compromise on standards to achieve its financial objectives.

Performance in 2010

- Established an Anti-Corruption Steering Group to ensure group-wide ethical compliance and to focus on the implications of the UK Bribery Act
- Implemented a CSR Checklist for assessing acquisitions and major investments
- Became a founder signatory to the new International Code of Conduct for private security providers, which sets out principles for security operations in so-called "complex environments"
- Became a signatory to the UN Global Compact the international standard which promotes socially responsible business behaviour in the areas of human rights, labour, environment and anti-corruption
- Implemented Improved Mandatory Security Controls (based on the ISO standard 27001) across the group
- Increased number of internal audits by 38% from 102 to 141
- Introduced a group-wide simplified Ethics Code which can be easily understood by all employees

Focus for 2011

- Risk assessment for UK Bribery Act compliance
- Enhanced audit processes to cover UK Bribery Act implications
- Ensuring every country has local whistle-blowing hotline in place
- Implementing and promoting a global whistle-blowing hotline which is available to all employees

G4S has become a signatory to the UN Global Compact

More case studies and detailed information in our CSR report 2010

Securing our people

As one of the world's largest private global employers, our approach to people management has a material impact on our business and is a key focus for our management.

Our customers rightly expect high levels of professionalism and commitment from G4S in all parts of our organisation. They expect thought leadership and innovation in the design and delivery of solutions, which will minimise risk and improve the performance and reputation of their businesses. They also expect a consistently high quality of service delivery.

To ensure that our people are fully engaged and motivated to meet customers' expectations, we invest in and involve them so that they feel engaged and motivated about being part of G4S. This is the key to sustained business success. We endeavour to continuously improve levels of employee engagement, motivation, expertise and performance and through doing so achieve increased customer satisfaction and the continued growth of our business.

Performance in 2010

- Continued reduction in work-related accidents and fatalities from 90 in 2009 to 59 in 2010
- Ethical Employment Partnership continued positively
- 131 Diversity & Inclusion assessments carried out by businesses representing 92% of the group and action plans for improvements have been agreed
- Gender diversity of the G4S plc board has increased with the appointment of two female non-executive directors in 2010
- Increased the proportion of females in the group talent pools from 13% in 2009 to 20% in 2010
- Employee retention rates improved, with the voluntary turnover rate falling from 27% in 2009 to 22% in 2010

Focus for 2011

- Introduce core team of health & safety experts
- Improve health & safety benchmarking
- Continued reduction in health & safety incidents
- Improvement in employee satisfaction and engagement – survey to take place in 2011
- Improvement in employee retention rates
- Further implementation of Diversity & Inclusion strategy
- Continued positive progress with the implementation of the Ethical Employment Partnership
- Increase the membership of the Group Leadership Programme to 75 managers across the group (currently 53)

Continued reduction in work-related accidents and fatalities in work-related accidents and facilities from 90 in 2009 to 59 in 2010

More case studies and detailed information in our CSR report 2010

Securing our environment

As an organisation that specialises in managing risk, G4S recognises that the threat to people and infrastructure from climate change is an important and ongoing concern for our group, our customers and our employees.

At G4S we are endeavouring to be the leader in our industry in measuring, reporting and reducing the intensity of our greenhouse gas emissions. We have set ourselves a series of challenging targets to increase the sustainability of our operations and reduce our carbon footprint.

In partnership with our customers, employees and suppliers, we are investing in energy efficient technologies, reducing waste and encouraging our stakeholders to think about the environmental impact of their decisions with the aim of reducing the resource footprint of our operations.

Performance in 2010

- → Measured the carbon emissions of businesses representing 94% of the group
- → Achieved overall reduction in carbon intensity of 5.4%
- → Developed and expanded a global network of environmental co-ordinators
- → Implemented Greenstone Carbon Management System across the group to track and analyse carbon emissions
- → Introduced multiple programmes to reduce carbon intensity across the group

Focus for 2011

- → Continue to implement carbon reduction strategies to reduce carbon intensity measured against revenue by 13% from 2009 to 2012 (averaging 4.5% pa)
- → Systematically measure the carbon emissions of at least 94% of the group
- → Introduce a Green Building minimum standard for new-build or long lease facilities.
- → Introduce measurement of waste and water consumption to our Climate Action Programme

Achieved overall reduction in carbon intensity of 5.4%

More case studies and detailed information in our CSR report 2010

Securing our communities

The economic and social impact of G4S reaches well beyond its working environment and touches the lives of millions of people around the world. G4S provides funding, volunteers and services to a broad range of organisations within the communities in which we live and work with the majority of our investment being focused on the health, education, welfare and support of children and young people

Performance in 2010

- → Conducted a review of key community projects across the group carried out during 2010
- → Identified 63 separate community investment programmes with a combined value of £654,000 taking place across the world
- → G4S community programmes touched the lives of 22,500 adults and children across 32 countries

Focus for 2011

- → Conduct an annual review of G4S impact in the community
- → Conduct Economic Impact Assessments of G4S operations in three major countries – South Africa, India and Chile – additional markets to follow

G4S community programmes touched the lives of 22,500 adults and children across 32 countries

More case studies and detailed information in our CSR report 2010

There are two additional areas of special focus for 2011:

Bribery Act

The UK Bribery Act is expected to come in to force during 2011. During 2010, the Anti-Corruption Steering Group has been developing plans for its implementation during this year. This will include:

- → Adapting all current policies to ensure compliance with the Act
- → Communicating the detail and implications of the Act with employees and other affected parties
- → Developing and implementing training programmes to ensure all relevant staff are aware of their obligations
- → Establishing an independent, global whistle-blowing facility for reporting non-compliance
- → Conducting a risk assessment of key countries and business units
- → Developing the current audit processes and content to incorporate additional requirements of the Act

Human rights

Whilst the group already takes its responsibility for human rights extremely seriously and we are clear about our obligations and requirements at a business unit or service level, we recognise that it would be beneficial to have a more systematic, global approach to human rights due diligence.

During 2011, we will conduct a risk assessment based on the countries in which we operate and the services that we provide and develop a human rights framework and strategy for implementation across the group.

Financial review

We remain **highly cash generative** and with the recent renewal of our £1.1bn revolving credit facility we remain in a strong financial position to help drive future growth.

We have achieved our sixth consecutive year of underlying revenue and profit growth since the group was formed in 2004 **and we have grown dividends by 292% over the same period.**

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 75 to 80 and those that are most critical and/or require the greatest level of judgement are discussed in note 4 on page 80.

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 14 to 39. Profit from operations before amortisation of acquisition-related intangible assets and acquisition-related expenses (PBITA) amounted to £527m, an increase of 5.4% on the £500m in 2009 and an increase of 4% at constant exchange rates.

Associates

Included within PBITA is £5m (2009: £1m) 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 and from MW-All Star, also in the US, which joined the group in 2009 as part of the acquisition of All Star International.

Acquisitions and acquisition-related intangible assets

Investment in acquisitions in the year amounted to £65m. This comprises a cash outlay of £42m and deferred consideration of £23m. This investment generated goodwill of £46m and other acquisition-related intangible assets of £14m. In addition, the group incurred acquisition costs of £4m which have been expensed.

The group undertook several acquisitions in the year, the most significant of which were the purchase of the controlling interest in SSE Do Brasil Ltda, the parent company of Instalarme Soluções Eletrônica Ltda ("Instalarme"), an electronic software and hardware integration company in Brazil, Plantech Engenharia e Sistemas Ltda ("Plantech"), a leading integrator in the Brazilian security systems market and the entire share capital of Skycom (Pty) Ltd ("Skycom"), a market leader in the South African security systems market.

In addition, the group increased its holding in an Argentine business.

The group undertook several acquisitions in the prior 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 in the prior year included the purchase of controlling interests in 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; SecuraMonde, a cash solutions business in the UK; 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 buy-outs of non-controlling interests in certain businesses in New Markets during the prior year.

The contribution made by acquisitions to the results of the group during the year is shown in note 17 on pages 90 to 92.

The charge for the year for the amortisation of acquisition-related intangible assets other than goodwill amounted to £88m. Goodwill is not amortised. Acquisition-related intangible assets included in the consolidated statement of financial position at 31 December 2010 amounted to £2,147m goodwill and £286m other.

Financing items

Finance income was £98m and finance costs £203m, giving a net finance cost of £105m. Net interest payable on net debt was £96m. This is an increase of 8% over the 2009 cost of £89m due principally to the increase in the group's average gross debt. The group's average cost of gross borrowings in 2010 was 4.8% compared to 4.7% in 2009. The cost based on prevailing interest rates at 31 December 2010 was 4.2% compared to 4.5% at 31 December 2009.

Also included within financing are other net interest costs of £3m (2009: £7m), and a net cost of £6m (2009: £19m) in respect of movements in the group's net retirement benefit obligations.

Taxation

The taxation charge of £102m provided upon profit from operations before amortisation of acquisition-related intangible assets and acquisition-related expenses, represents a tax rate of 24%, compared to 26% in 2009. The cash tax rate is 20% compared to 17% in 2009.

The group's target is to further reduce the effective tax rate in the short-term. This will be driven by the gradual reduction in UK corporation tax rates, the ongoing rationalisation of the group's 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 £25m.

Disposals and discontinued operations

The group disposed of its cash solutions business in Taiwan on 15 July 2010 and of Travel Logistics Limited, a UK expeditor of travel documents, on 24 September 2010.

During the prior year the group disposed of its manned security business in France on 28 February 2009. In addition, during the prior 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.

The total consideration from business disposals in 2010 was £13m.

The loss from discontinued operations in 2010 of £9m relates to the post-tax trading of discontinued businesses and costs related to business disposals made in prior years.

The loss attributable to discontinued operations in 2009 comprised a profit of £6m in respect of post-tax trading of discontinued businesses and a loss of £13m in respect of the disposals made in the previous year.

The contribution to the turnover and operating profit of the group from discontinued operations is shown in note 6 on pages 81 to 85 and their contribution to net profit and cash flows is detailed in note 7 on page 85.

Profit for the year

Profit for the year was £245m, compared to £219m in 2009. The increase represents the £27m increase in PBITA, the £9m decrease in net interest cost and the £1m decrease in the tax charge, less the £5m increase in amortisation of acquisition-related intangible assets, the £4m acquisition-related costs and the £2m increase in loss from discontinued operations.

Non-controlling interests

Profit attributable to non-controlling interests was £22m in 2010, an increase on £17m for 2009, reflecting non-controlling partner shares in the group's organic and acquisitive growth, less a reduction in non-controlling 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 15.9p compared to 14.4p for 2009. 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 89, excludes the result from discontinued operations, amortisation of acquisition-related intangible assets, acquisition-related costs, 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 21.6p, an increase of 7% on 20.2p for 2009.

Dividends

The directors recommend a final dividend of 4.73p (DKK 0.4082) per share. This represents an increase of 14% upon the final dividend for the year to 31 December 2009 of 4.16p (DKK 0.3408) per share. The interim dividend was 3.17p (DKK 0.2877) per share and the total dividend, if approved, will be 7.90p (DKK 0.6959) per share, representing an increase of 10% over the 7.18p (DKK 0.5624) per share total dividend for 2009.

The proposed dividend cover is 2.7 times (2009: 2.8 times) on adjusted earnings. The group's intention is that dividends will continue to increase broadly in line with normalised adjusted earnings.

£245m

Profit for the year 2010

4.73p

Final dividend recommended by the directors

Overview
Business review
Governance
Financial statements
Shareholder information

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:

	2010 £m	2009 £m
PBITA	527	500
Less share of profit from associates	(5)	(1)
PBITA before share of profit from associates (Group PBITA)	522	499
Depreciation, amortisation and profit on disposal of non-current assets	132	136
Movement in working capital and provisions	(73)	(15)
Net cash flow from capital expenditure	(139)	(170)
Operating cash flow	442	450
Operating cash flow as a percentage of group PBITA	85%	90%

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 IAS 7 Cash Flow Statements as follows:

	2010 £m	2009 £m
Cash flow from operating activities (IAS 7 definition)	448	509
Net cash flow from capital expenditure	(139)	(170)
Discontinued operations and other items	14	13
Add-back additional retirement benefit contributions	33	30
Add-back tax paid	86	68
Operating cash flow (G4S definition)	442	450

Financial review

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

	2010 £m	2009 £m
Operating cash flow	**442**	450
Net interest paid	**(94)**	(87)
Tax paid	**(86)**	(68)
New finance leases	**(9)**	(20)
Free cash flow	**253**	275

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

Free cash flow	**253**	275
Discontinued operations	**(5)**	(13)
Additional retirement benefit contributions	**(33)**	(30)
Net cash outflow on acquisitions	**(56)**	(153)
Net cash inflow from disposals	**–**	(10)
Net cash flow from associates	**3**	2
Dividends paid to non-controlling interests	**(12)**	(18)
Transactions with non-controlling interests	**(3)**	–
Share issues less share purchases	**(10)**	(7)
Dividends paid to equity holders of the parent	**(103)**	(94)
Net cash flow from hedging financial instruments	**–**	(10)
Movement in net debt in the year	**34**	(58)
Foreign exchange translation adjustments to net debt	**(27)**	(27)
Net debt at 1 January	**(1,433)**	(1,348)
Net debt at 31 December	**(1,426)**	(1,433)

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 111.

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 101 to 103.

Financing

The group's funding position is strong, with sufficient headroom against available committed facilities with no debt maturing before 2013.

The group's primary source of finance is a £1.1bn multicurrency revolving credit facility provided by a consortium of lending banks at a margin of 0.80% over LIBOR and maturing on 10 March 2016.

The group also has $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 previous 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 2010 the group had uncommitted facilities of £575m.

The group's net debt at 31 December 2010 of £1,426m represented a gearing of 90%. The group headroom at 31 December 2010 was £552m. The group has sufficient capacity to finance current investment plans.

Interest rates

The group's investments and borrowings at 31 December 2010 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 2010 was limited to four years. The market value of the Loan Note-related pay-variable receive-fixed swaps outstanding at 31 December 2010, accounted for as fair value hedges, was a gain of £55m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross-currency swaps outstanding at 31 December 2010, accounted for as cash flow hedges, was a net gain of £23m.

Foreign currency

The group has many overseas subsidiaries and associates denominated in various different 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 2010, the group's US dollar and euro net assets were approximately 65% and 60% 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 gain of £41m (2009: loss of £64m). These differences are net of a £27m loss (2009: £27m) on the retranslation of net debt and a £nil cash outflow (2009: £10m) from forward exchange contracts.

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 2010, more than 130 group companies participated in the pool. Debit and credit balances of £230m were held within the cash pool and were offset for reporting purposes.

Retirement benefit obligations

The group's primary defined benefit retirement benefit scheme is in the UK, but it also operates such schemes in a number of other countries, particularly in Europe and North America. The latest full actuarial assessment of the three sections of the UK scheme was carried out at 5 April 2009. The three sections of the UK scheme are the Group 4 scheme (approximately 8,000 members), the Securicor scheme (approximately 20,000 members) and the GSL scheme (approximately 2,000 members) acquired in 2008. This assessment and those of the group's other schemes have been updated to 31 December 2010. The group's funding shortfall on the valuation basis specified in IAS19 Employee Benefits was £265m before tax or £191m after tax (2009: £328m and £236m respectively).

The valuation of gross liabilities has barely changed during 2010, with a £32m reduction in liabilities arising from the announcement by the government that pension increases will be in line with CPI rather than RPI, accounted for as a credit to the statement of comprehensive income, offset by the impact of the unwinding of the discount on the liabilities.

The net impact of actuarial changes is very small. The lower discount rate of 5.5% (2009: 5.7%) and an updating of the mortality assumptions following from the full actuarial valuation have increased liabilities. But the lower inflation assumption and lower than previously assumed pay increases during 2010 have decreased liabilities. Assets have increased in value during the year, in line with the previous assumption, and additional company contributions of £33m were paid into the schemes.

The group believes that, over the very long term in which retirement benefits become payable, investment returns should eliminate the deficit reported in the schemes in respect of past service liabilities. However, in recognition of the regulatory obligations upon pension fund trustees to address reported deficits, the group has agreed a new deficit recovery plan with the trustees during the year. The new plan will see additional cash contributions made to the scheme of approximately £35m in 2011 with modest annual increments thereafter.

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate Governance Statement on pages 59 to 61.

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

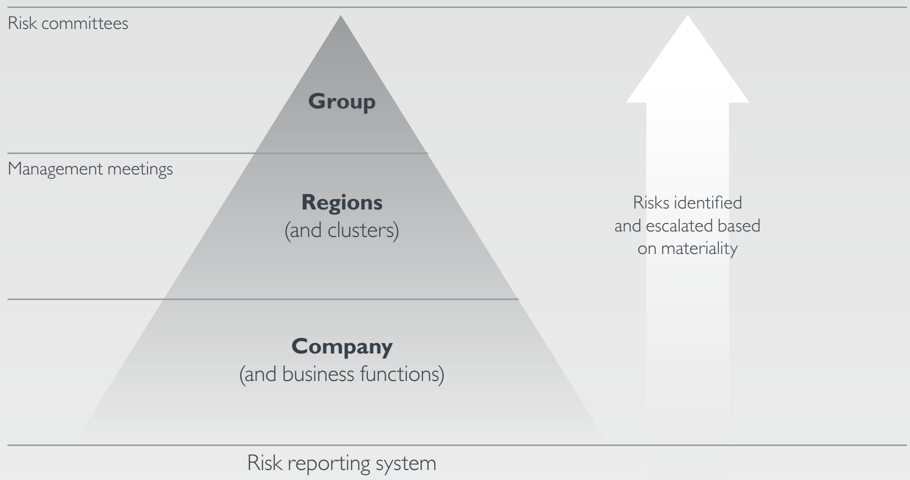
Managing risk and limiting the impact of any issue is **a core skill** of G4S

Risk and potential impact	Mitigation	
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.	→ 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.	→ The group implemented a new customer measurement process during 2010 which should further enhance competitor analysis. → In addition in 2011 the group will be rolling out a new customer relationship management system.
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.	→ 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.	→ 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. → The group has formed an anti-corruption steering group which is working on addressing the implications of the UK Bribery Act and similar legislation.
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.	→ 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.	
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.	→ Any new contracts entered into are subject to a defined approval process. Standard contracts are used where practicable. 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 or group legal department review.	→ 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.
Information technology Cyber attacks and incidents on G4S and client systems and services, especially around critical national infrastructure, could result in financial loss, breach of contract, legal action and reputational damage.	→ The group employs IT specialists at all levels and has in place mandatory minimum security controls (relating to 35 specific controls). In addition penetration testing of networks and systems is performed regularly to ensure that key systems are robust.	

Our risk assessment and management process

The group operates around 160 businesses spread over more than 125 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 and potential impact	Mitigation
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.	→ The group has formal systems and policies in place documenting physical security procedures and directives and adheres to a security framework to help reduce the risk of cash losses. → The group also operates a captive insurance business unit 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. → In addition there is regular reporting of any cash losses/attacks and audits of security are performed in branches. → The group has in place regional cash reconciliation managers to increase the focus on cash reconciliations throughout the group.
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.	→ 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. → 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. → The group has begun a consultation process to close the defined benefit scheme to future accrual which should limit the growth in future liabilities.
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.	→ The group has standard recruitment policies and procedures in place designed 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. → There are controls and monitoring, such as formal compliance reviews by regional human resources management designed to ensure business unit compliance with these standards. → Particular attention is given to acquired businesses to ensure that they meet the group standards.
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.	→ 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. → The group's historical main source of funding has been a revolving bank facility of £1.1bn which was renewed in March 2011 until 2016. Recently the group has sought to diversify its sources of finance by issuing a number of private placement bonds in the US and more recently a public bond 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.

Overview
Business review
Governance
Financial statements
Shareholder information

Board of directors

A board with **diverse skills** to manage the company in the best interests of its stakeholders

Alf Duch-Pedersen

Chairman

Alf was appointed to the board in May 2004 and became chairman of the board 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 has been chairman of the board of Danske Bank A/S since 2004 (and a member of its board of directors since 2000) although he has announced his intention to retire from that post on 29 March 2011.

Age 64

Lord Condon

Deputy chairman and 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.

Age 64

Clare Spottiswoode

Non-executive director

Clare was appointed to the board in June 2010 and is a member of the Remuneration Committee.

A mathematician and economist by training, Clare's career has included time at the UK Treasury, as director general of Ofgas, the UK gas regulator, and as policyholder advocate for Norwich Union's with-profits policyholders at Aviva. In addition she has set up and managed her own businesses and has considerable experience in the gas and oil sectors.

Clare is chairman of Gas Strategies Group Limited, a non-executive director of Tullow Oil plc, EnergySolutions Inc. and Illika plc and a member of the Independent Commission on Banking.

Age 57

Mark Seligman

Non-executive director

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, a member of the Regional Growth Fund Advisory Panel and a non-executive director of BG Group plc.

Age 55

Nick Buckles

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.

Age 50

Trevor Dighton

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.

Age 61

Grahame Gibson

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.

Age 58

Mark Elliott

Non-executive director

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 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.

Age 61

Winnie Kin Wah Fok

Non-executive director

Winnie was appointed to the board in October 2010 and is a member of the Audit Committee.

An accountant by training, Winnie's career has involved management roles in finance, audit and corporate advisory companies and a wide range of roles in asset management firms investing with a focus in Asia.

Winnie is an advisor to Husqvarna, a senior advisor to Investor AB and a non-executive director of Volvo Car Corporation, AB SKF and Kemira Oyj.

Age 54

Bo Lerenius

Non-executive director

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 Ernstromgruppen 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 Koole Tanktransport BV, a non-executive director of Land Securities Group plc and Thomas Cook Group Plc, honorary vice president of the Swedish Chamber of Commerce for the United Kingdom and a senior advisor to the infrastructure fund of Swedish venture capital group EQT.

Age 64

Executive management team

Nick Buckles

Chief executive officer

Nick has worked in the security industry for 26 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.

Trevor Dighton

Chief financial officer

Trevor has worked in the security industry for 25 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.

Grahame Gibson

Chief operating officer and Regional CEO – Americas

Grahame has been involved in the security industry for 28 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 plc in April 2005.

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

Debbie McGrath

Group Communications director

Debbie is Group Communications Director, heading the corporate communications team which focuses on the group's key audiences – investors, media, government, employees and customers. Debbie has a broad range of experience in marketing, corporate communications, brand development and implementation, and crisis communications. Prior to the merger between Group 4 Falck and Securicor, Debbie was employed in a number of senior marketing and communications roles within the Securicor group from 1993 to 2004.

Before joining Securicor, Debbie had also held marketing positions with ICC Information Group and Honeywell Bull. Debbie is also chairman of the CBI South East Regional Council (the representative body for all CBI member companies based in the South East of England and the Thames Valley) and a member of the CBI Chairmen's Committee which takes the lead responsibility for setting the CBI's position on all policy matters.

Graham Levinsohn

Group Strategy and Development director

Graham has more than 17 years experience in the security industry, having joined Securicor Cash Services in 1994 as general manager – marketing. Since then, Graham has held a number of commercial and line management positions in both the cash and security lines of business. Graham was responsible for the creation of the UK Cash Centres outsourcing business in 2001 as managing director, before moving on to become divisional managing director for G4S Cash Services UK, and then regional president – Nordics. He became group strategy & development director in 2008 and moved on to the Executive Committee in 2010.

David Taylor-Smith

Regional CEO – UK and Africa

David was appointed as Regional CEO – UK and Africa in July 2010, having previously been CEO, G4S UK and Ireland, and divisional managing director of G4S Justice Services.

He joined the Group in 1998 as managing director of Hong Kong and a member of the Asia Pacific Board, following a successful earlier career where he held senior roles with Jardine Matheson, ORBIS and Operation Raleigh.

Prior to this he was a British army officer and served in Northern Ireland, Germany, England and in Cyprus with the United Nations.

David is a Fellow of the Royal Geographical Society. He has sat on the board of several charities, and currently sits on the board of WWF-UK. In 2003 he was awarded the MBE in recognition of his charitable activities overseas.

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 member of the advisory board of the Danish UK Chamber of Commerce and author of the book "Executive Management Contracts", published in Denmark.

Ken Niven

Divisional CEO – Cash solutions

Ken has 15 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, Exel 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.

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 33 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).

Willem van de Ven

Regional CEO – Europe

Willem has served nearly 20 years with G4S and its corporate predecessors in Holland. He started out in the former Randstad group where he became Regional Director. Willem then served as HR director and managing director of the Netherlands security company Randon which was subsequently acquired by Securicor. In April 2003, Willem was appointed as Securicor's regional managing director (Africa), becoming the regional president for G4S Africa (Sub-Sahara) after the merger in 2004.

In July 2010, Willem was appointed regional CEO – Europe.

Dan Ryan

Regional CEO – Asia Middle East

Dan joined G4S in August 2010, from global logistics and transportation company Neptune Orient Lines (NOL) where he held a number of senior management positions including regional president for Greater China for NOL's APL and APLL divisions, and regional president for the Middle East for the APL division and regional president for Europe for the group's APL Logistics division. He was a member of the NOL Group Executive Team.

He also held various managing director positions for NOL including Middle East, Hong Kong/South China and Indonesia and a regional head for the Middle East a during his 20-year career with the group.

Dan is also a Charter Member of the Middle East Logistics/Supply Chain Management Forum, Hong Kong Liner Shipping Association and the American Chamber of Commerce – Shanghai.

Report of the directors

For the year ended 31 December 2010

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 2010.

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

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 69.

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 and prospects of the group and other information which fulfils the requirements of the Business Review are contained on pages 10 to 51 and are incorporated in this report by reference. The Corporate Governance Statement set out on pages 59 to 61 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 101 to 103.

3 Dividends

The directors propose the following net dividend for the year:

→ Interim dividend of 3.17p (DKK 0.2877) per share paid on 15 October 2010.

→ Final dividend of 4.73p (DKK 0.4082) per share payable on 3 June 2011*.

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 4 May 2011.

(* Shareholders on the VP Services register will be paid on 6 June, as 3 June is a public holiday in Denmark.)

4 Significant business acquisitions, disposals and developments

In January 2010, 90% of International Multi Services Limited was acquired in Senegal.

In March 2010, G4S Security Services Ltd was disposed of in Serbia.

In May 2010, 25% of Search Organizacion de Seguridad S.A. was acquired in Argentina taking G4S's stake to 75%.

In June 2010, SSE Do Brasil Ltda, the parent company of Instalarme Soluções Eletrônica Ltda was acquired in Brazil.

In July 2010, 49% of Falcon Travel was acquired in the UAE.

In July 2010, the business and assets of Western Investigations Pty Ltd were acquired in Australia.

In August 2010, 51% of Plantech Engenheiria E Sistemas S.A. was acquired in Brazil.

In September 2010, Skycom (Pty) Ltd and Impro Distribution and Support (Kzn) (Pty) were acquired in South Africa.

In December 2010, Guernsey Air Conditioning Limited was acquired in Guernsey.

In May 2010, 40% of the G4S business in Kazakhstan was disposed of.

In May 2010, 50% of Activos Compartidos S.A. was disposed of in Argentina.

In September 2010, Travel Logistics Limited was disposed of in the UK.

5 Capital

The authorised and issued share capital of G4S plc at 31 December 2010 is set out on page 110 (note 37 to the consolidated financial statements). There were 1,410,618,639 shares in issue as at 14 March 2011.

Information concerning the company's shares held under option is set out on page 110 (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 125 to 127 and further explanation is provided on pages 128 and 129. At 31 December 2010, the directors had authority in accordance with a resolution passed at the company's Annual General Meeting held on 28 May 2010 to make market purchases of up to 141,000,000 of the company's shares.

The company does not hold any treasury shares as such. However, the 5,029,315 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 110 (note 38 to the consolidated financial statement) 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 the income statement during the year amounted to £5m (2009: £6m).

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 2010 the trade creditors of the company represented 28 days (2009: 31 days) of annual purchases.

At 31 December 2010 the consolidated trade creditors of the group represented 33 days (2009: 37 days) of annual purchases.

8 Employees

To ensure that the group's employees are fully engaged and motivated to meet customers' expectations, the group invests in and involves them so that they feel engaged and motivated about being part of G4S. The group endeavours to continuously improve levels of employee engagement, motivation, expertise and performance and through doing so achieve increased customer satisfaction and the continued growth of the business.

Businesses communicate with their employees through a variety of means such as magazines, meetings, intranets etc., to ensure they are kept abreast of matters of concern to them, including the performance of the business. Employees are consulted on a regular basis, through their representatives where appropriate, so that their views can be taken into account when decisions are made which are likely to affect their interests.

This focus on developing the group's people has continued during the year with the creation of talent pools at all levels of the organisation and the development of group-wide leadership programmes to support succession planning. To ensure potential employees are attracted from all backgrounds and to make the best use of their capabilities and potential the group also continues to invest in developing a diverse and inclusive workplace. This includes appointing, promoting and developing 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. A self assessment tool has been launched to measure progress and drive future strategy in this area, and the plans developed as a result of the self assessments are now being implemented for 2011.

Another key strand of the group's people strategy is health and safety, and performance in this area is continually reviewed and challenged by the board, demonstrating the importance attached to this issue throughout G4S. All businesses are assessed regularly against the group health and safety model and minimum standards, to ensure their strategy is focused in the appropriate areas and sufficient progress is being achieved. In 2010 the clearest benefit of this rigorous approach to health and safety has been the continuing reduction in work-related fatalities.

The Ethical Employment Partnership entered into with UNI in 2008 has had a positive impact on the business over the last two years, with strong relationships bringing benefits for employees as well as the company. The relationship at a global level between G4S and UNI has continued to develop positively over this time, and in many developing markets labour relations have also entered new, constructive phases, mirroring the many constructive relationships enjoyed in our developed markets.

Together, this progress in talent, diversity and inclusion, health and safety and social dialogue have helped increase employee engagement and motivation across G4S, evidenced by a significant reduction in employee turnover during the year. Further details of the group's approach in these areas can be found in the group's separate CSR 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 company during the year amounted to £375,000.

Charitable contributions made by the group in the UK, amounted to £63,000. The purposes for which such contributions were made and the amount donated to each purpose were: child welfare: £20,000; health and medical: £22,000; local communities: £16,000; NGOs: £2,000; poverty relief: £1,000 and sports: £2,000.

In addition, G4S encourages businesses around the group to play their part in engaging with and helping to improve their local communities. In 2010, G4S completed its first review of its regional and country managed community investment activity around the world. The review took a clear snapshot of G4S community activity, identifying 110 core community programmes across the globe including amongst others pro bono contributions in goods and services and projects with local partners providing schooling for underprivileged children. Further details regarding community programmes can be found in the group's 2010 CSR report.

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 $18,000 in aggregate to a number of candidates seeking election and organisations carrying on activities in the US.

10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 14 March 2011 in the ordinary capital of G4S plc:

Harris Associates LP	85,135,700 (6.04%)
Prudential plc group of companies	71,384,444 (5.06%)
BlackRock, Inc	70,570,646 (5.00%)
Legal & General Group Plc	56,054,546 (3.97%)

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 52 and 53, held office throughout the year, with the exception of Clare Spottiswoode who was appointed on 14 June 2010 and Winnie Fok who was appointed on 1 October 2010.

Thorleif Krarup was a director throughout the year and retired from the board on 31 January 2011.

In accordance with the code provisions on re-election of directors in the UK Corporate Governance Code, each of the continuing directors will offer themselves for re-election (or, in the cases of Clare Spottiswoode and Winnie Fok, election). The board believes that the directors standing for re-election 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.

Ms Spottiswoode and Ms Fok have been appointed to the board since the last Annual General Meeting and so they would, in any event, be required to retire in accordance with the company's articles of association. Being eligible, they offer themselves for election. The board believes that Ms Spottiswoode's wide experience of both the public and private sectors in many parts of the world and Ms Fok's extensive business background and intimate knowledge of the Asian markets will add significant value to the board and therefore recommends that each of them is elected at the Annual General Meeting.

The contracts of service of the executive directors have no unexpired term since they are not for a fixed term. They 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 for each of the directors other than Ms Spottiswoode and Ms Fok (whose indemnities have been in effect since 14 June 2010 and 1 October 2010 respectively). Copies of the forms of indemnity are 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 62 to 66.

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 or she ought to have taken as a director to make him or herself 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
14 March 2011

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), five 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.

The company's articles of association require that all continuing directors are subject to election by shareholders at the next Annual General Meeting following their appointment and that they submit themselves for re-election at least every three years and that at least one third of the directors not standing for election for the first time stand for re-election at each Annual General Meeting. However, in accordance with the code provision on re-election of directors in the UK Corporate Governance Code which replaces the Combined Code and will apply to the company's Annual General Meeting in 2011, all the directors will stand for election or re-election at that meeting.

Membership of the three board committees is as follows:

Audit Committee

Mark Seligman (chairman)

Lord Condon

Winnie Fok (joined October 2010)

Bo Lerenius

Remuneration Committee

Lord Condon (chairman)

Mark Elliott

Bo Lerenius

Mark Seligman

Clare Spottiswoode (joined June 2010)

Nomination Committee

Alf Duch-Pedersen (chairman)

Lord Condon

Mark Elliott

Mr Seligman is the member of the Audit Committee with recent and relevant financial experience. Thorleif Krarup was a member of the Audit Committee throughout the year to 31 December 2010 and until his retirement from the board on 31 January 2011. Winnie Fok joined the Audit Committee on 1 October 2010.

Clare Spottiswoode joined the Remuneration Committee on 14 June 2010.

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 eight board meetings during the year ended 31 December 2010. One of the meetings was also an extended board and strategy session at which presentations on development and implementation of the company's strategy were made to the board by senior executives. One of the board meetings was held in Hong Kong to enable the board to have greater interaction with some of the group's businesses in Asia. All members attended each of the board meetings except that Messrs Elliott, Krarup and Seligman were each absent from one meeting and Ms Spottiswoode was absent from two (her inability to attend such meetings having been advised at the time of her appointment). Some 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 seven board meetings scheduled for the current year, including an extended, two-day, strategy review session.

There is a detailed schedule of matters reserved to the board which is 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.

(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 Committee met four times, the Remuneration Committee met six times and the Nomination Committee met twice. All members attended each of the meetings except that Ms Spottiswoode and Mr Lerenius were each absent from one meeting of the Remuneration 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 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, Remuneration and Nomination Committees and a number of actions have been agreed as a means of improving performance. As a result, the board will have greater interaction with the group's businesses and customers, there will be more detailed feedback to the board from investor contacts and board strategy sessions will be facilitated so as to maximise non-executive director involvement. The Remuneration Committee concluded that its members should undertake external training courses where appropriate and the Audit Committee is to benchmark its performance against other companies' audit committees and recommended best practice.

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. Last year it considered the skill sets of the existing directors and compared them with what would be the ideal skills and experience of the board in order to draw up a specification for new non-executive directors. External search consultants were then engaged to seek out candidates who met these requirements and, as a result, two new board members were appointed. Both the committee and the board itself have given consideration to the succession planning process for the group's senior executives.

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 reappoints 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 and that it complies with the Auditing Practices Board Ethical Standards. The Audit Committee's existing policy on the provision by the external auditor of non-audit services is to be reviewed in the light of the Guidance on Audit Committees issued by the Financial Reporting Council published in December 2010. Details of the fees paid to the auditor for audit services, audit-related services and other non-audit services is provided in note 10 to the consolidated financial statements on page 86.

The work of the Remuneration Committee is more fully described in the Directors' Remuneration Report which appears on pages 62 to 66.

(b) Compliance with provisions of Combined Code

The company complied throughout the year under review with the provisions set out in Section 1 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.

(c) Risk management and internal control continued

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 and divisional committees meet at least annually and the group committee meets 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 and regional 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/division and group level are reported monthly and variances are reviewed. A programme of business internal financial reviews is performed by a finance team from either region/division 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 2010 by considering reports from the Audit Committee and has taken account of events since 31 December 2010.

By order of the board

Peter David
Secretary
14 March 2011

* 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 which include a risk review by an external advisor.

Directors' remuneration report

at 31 December 2010

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 six 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, Mark Seligman and Clare Spottiswoode. Ms Spottiswoode was appointed to the committee on 14 June 2010. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the eight 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 Watson UK Limited[1] ("Towers Watson") as the committee's appointed advisors on executive and senior management remuneration matters. Towers Watson has also provided management remuneration information and retirement benefits advice to the company during the period under review. In this regard, the committee is satisfied that any potential conflicts are managed appropriately. Their terms of appointment are available on the company's website. In addition Alithos Limited[1] ("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.

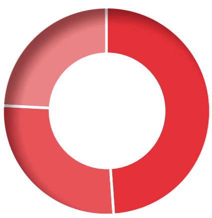
Remuneration policy

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.

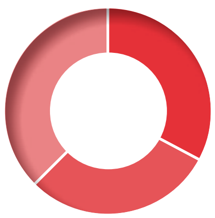
In terms of market positioning, the overall objective is to achieve remuneration levels which provide a market competitive base salary with the opportunity to earn above market norms through the company's incentive schemes on the delivery of superior performance. A significant proportion of total remuneration 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 were introduced last year, provide suitable controls and incentives which are designed to avoid rewarding excessive risk taking or behaviour aimed at short term, unsustainable gains. The committee does not anticipate any change to this policy in 2011.

Target performance



- Base salary
- Annual bonus
- Long-term incentive

Stretch performance



- Base salary
- Annual bonus
- Long-term incentive

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 Watson 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 Watson. 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. Base salaries for the executive directors have trailed competitive mid-market norms for some time and were frozen in 2009 and again in 2010 in view of the wider economic environment. As indicated in last year's report, this position was not consistent with the company's long-standing competitive market remuneration policy. Having carefully taken into consideration the pay and employment conditions across the group as well as the commercial needs of the business, the committee has decided to increase base salaries in 2011 for Messrs Buckles, and Dighton to £830,000 and £510,000 respectively and for Mr Gibson to $917,112 and £53,444. The impact of these changes is to align total remuneration for executive directors more closely with the committee's overall remuneration policy.

(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. For achievement between the 95% threshold and on-target performance, the level of bonus payable increases on a straight-line basis.

A claw back provision applies under which any deferred awards under the scheme can be clawed back if the year's profit figures are restated materially in line with a recommendation by the Audit Committee within two years of the year end.

The group performed well in 2010 in what were again very difficult economic conditions, PBTA increased by £23m (£17m at 2009 constant exchange rates) exceeding the threshold of £411.9m, but falling below the target which was £433.6m. The committee has therefore agreed that the resulting bonus payment will be at 52.95% 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 is adjusted for 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 reinsert the operating profit or loss for the business in question in the actual and budgeted PBTA targets.

For 2011 only, the maximum bonus entitlement will remain unchanged, although threshold and budgeted target bonus opportunity will be equivalent to 50% and 75% respectively of maximum bonus entitlement.

(c) Performance Share Plan (long-term incentive plan)

The Performance Share Plan (PSP) was introduced in July 2004. Under the PSP, 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 PSP 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 PSP vest is determined, as to two-thirds of the award, by the company's normalised earnings per share (EPS) growth relative to the UK retail prices index (UK 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.

The following targets apply to two-thirds of awards, with the three-year EPS period ending on 31 December in the third year (so for the year under review, the period ends on 31 December 2012):

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%

In respect of awards made from March 2011 onwards, the inflation measure applied to EPS will be CPI weighted according to the group's geographical revenue sources and the lower end of the range will be plus 4% per annum rather than the existing plus 6% per annum.

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

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%

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.

Furthermore, there will only be a transfer of shares under the final third if the Remuneration Committee is satisfied that such a transfer is reflective of the company's underlying performance.

Elements of remuneration continued

(c) Performance Share Plan (long-term incentive plan) continued

The committee believes that a combination of EPS growth and TSR 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 is determined by Towers Watson whose findings are verified by Althos.

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. Such awards would be pro-rated relative to 36 months, based on the number of months which have elapsed from the award date to the date of leaving, rounded up to the next month. The committee does however retain the ability to allow for a greater award to vest if it considers it to be appropriate in exceptional circumstances.

Following a review of the vesting conditions by the committee in the year, PSP awards from March 2011 will include an inflation measure applied to EPS based on consumer price indices (CPIs) weighted according to the group's geographical revenue sources rather than UK RPI. The committee believes this approach more accurately reflects the global profile of the group. The EPS range will be international CPI plus 4% per annum to 11% per annum which the committee believes is required to maintain an appropriate degree of challenge and stretch in the plan in light of the company's future prospects in a challenging economic climate. The TSR comparator group will also be expanded to 17 companies in respect of awards made from March 2011 onwards.

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, a formal policy has been adopted under which executive directors are 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.

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 would consider the application of mitigation obligations in relation to any termination payments. The committee is satisfied that the current arrangements are appropriate and in line with best practice.

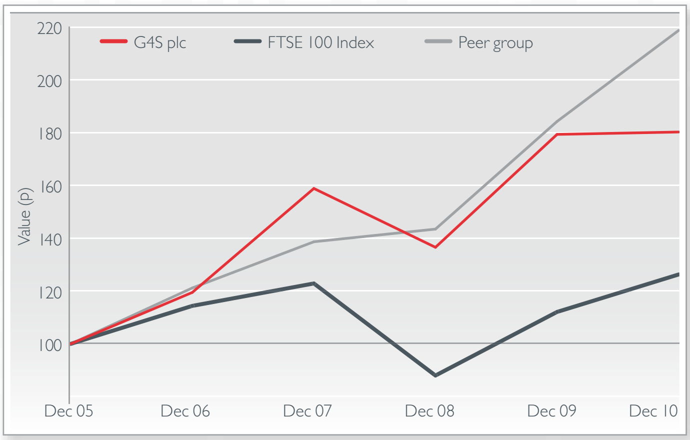
The chairman and the other non-executive directors do not have service contracts but letters of appointment. Ms Spottiswoode's and Ms Fok's two-year terms of appointment began on 14 June 2010 and 1 October 2010 respectively. Mr Elliott and Mr Seligman have each been granted two-year extensions to their terms of appointment. Those extensions began respectively on 1 September 2009 and 1 January 2011. The other non-executive directors have each been granted two-year extensions to their letters of appointment, such extensions having begun on 19 May 2010. All continuing directors are required to stand for re-election by the shareholders at least once every three years, although they have agreed to submit themselves for re-election annually in accordance with the UK Corporate Governance Code.

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 was a non-executive director of Arriva plc until 27 August 2010 for which he received fees of £52,500 in the year ended 31 December 2010. Neither of the other executive directors currently holds an external non-executive appointment.

Performance graph

This performance graph shows the total cumulative shareholder return of the company over the five years to the end of December 2010, 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. 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, 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 (excluding pension contribution) £	Performance Related Bonus[1] £	**2010 Total £**	2009 Total £
Chairman (non-executive)					
Alf Duch-Pedersen	270,000	–	–	**270,000**	270,000
Executive directors					
Nick Buckles (see notes 1 & 2 below)	761,400	50,034	604,742	**1,416,176**	1,656,251
Trevor Dighton (see notes 1 & 2 below)	475,240	35,782	314,549	**825,571**	949,574
Grahame Gibson (see notes 1, 2, 3 & 4 below)	627,986	57,139	415,648	**1,100,773**	1,225,437
Other non-executive directors					
Lord Condon	125,350	–	–	**125,350**	125,350
Mark Elliott	54,100	–	–	**54,100**	54,100
Winnie Fok (appointed 1 October 2010)	13,525	–	–	**13,525**	–
Thorleif Krarup	54,100	–	–	**54,100**	61,058
Bo Lerenius	54,100	–	–	**54,100**	54,100
Mark Seligman	70,800	–	–	**70,800**	63,842
Clare Spottiswoode (appointed 14 June 2010)	29,304	–	–	**29,304**	–
Total	2,535,905	142,955	1,334,939	**4,013,799**	4,459,712

Notes:

1. The benefits paid to directors included the provision of a company car or a cash allowance in lieu thereof, private medical insurance, income protection on long-term disability, life assurance, pensions advice and, in Mr Gibson's case, certain housing costs.
2. Any bonus due above 50% of the individual's maximum 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 of the closing prices of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement on 15 March 2011.
3. The company paid air fares amounting to US$ 22,592 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.
4. 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.

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2010 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
Winnie Fok	54,100
Thorleif Krarup (retired 31 January 2011)	54,100
Bo Lerenius	54,100
Mark Seligman	70,800
Clare Spottiswoode	54,100

Directors' interests in Performance Share Plan

	At 31.12.09	Shares awarded conditionally during year	Date of award	Market price at date of award	Vesting date	2007 awards	**At 31.12.10**
Nick Buckles	1,987,612	587,500	22.03.10	261.90 p	22.03.13	483,250	**2,091,862**
Trevor Dighton	1,002,877	275,023	"	"	"	298,860	**979,040**
Grahame Gibson	1,107,298	301,117	"	"	"	336,480	**1,071,935**

Directors' interests in Performance Share Plan continued

The conditions subject to which allocations of shares vest under this plan are described under (c) Performance Share Plan on pages 63 and 64.

During the year under review the following performance share plan awards vested:

Nick Buckles – 483,250 shares gross (100% vested; 414,446 shares released after tax and NIC)

Trevor Dighton – 298,860 shares gross (100% vested; 256,309 shares released after tax and NIC)

Grahame Gibson – 336,480 shares gross (100% vested; 259,019 shares released after tax, NIC etc)

The market price at date of award (6 June 2007) was 212.50p per share, Messrs Buckles and Dighton paid the tax liabilities associated with the EPS portion of their awards in cash at the time of the accelerated vesting of those awards on 23 March 2010 and so did not rely on the sale of part of their award to fund that liability. The TSR portion of their awards, and all of Mr Gibson's award, vested on 7 June 2010 and shares were sold to meet PAYE liabilities arising therefrom. The market prices at these vesting dates (23 March 2010 and 7 June 2010) were 263.20p and 266.50p per share respectively.

Directors' interests in shares of G4S plc (unaudited)

(including awards of deferred shares but excluding shares awarded conditionally under the performance share plan as shown above)

	At 31.12.10	At 31.12.09
Nick Buckles	**2,083,147**	1,602,194
Lord Condon	**2,029**	2,029
Trevor Dighton	**1,339,558**	1,052,061
Alf Duch-Pedersen	**128,560**	128,560
Mark Elliott	**25,000**	25,000
Winnie Fok	**20,000**	–
Grahame Gibson	**868,033**	927,382
Thorleif Krarup (retired 31 January 2011)	**3,206**	3,206
Bo Lerenius	**16,000**	16,000
Mark Seligman	**75,496**	50,496
Clare Spottiswoode	**–**	–

All interests shown above are beneficial.

There have been no changes in the directors' holdings since 31 December 2010.

As at 31 December 2010, each of Nick Buckles, Trevor Dighton and Grahame Gibson also had a deemed interest in 5,029,315 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 schemes 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 2010 (all figures are in £'000s):

	Gross increase in accrued pension(1)	Increase in accrued pension net of inflation(2)	Total accrued pension at 31/12/10(3)	Value of net increase in accrual over period(4)	Total change in transfer value during period(5)	**Transfer value of accrued pension at 31/12/10(6)**	Transfer value of accrued pension at 31/12/09(7)
Nick Buckles	15	4	361	69	852	**7,106**	6,255
Trevor Dighton	16	13	115	305	378	**2,742**	2,364
Grahame Gibson	–	–7	230	–125	357	**4,041**	3,684

Notes

(i) 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.

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

(iii) 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.

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

Lord Condon
Chairman of the Remuneration Committee
14 March 2011

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

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 judgements 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 52 and 53 of this annual report confirm that, to the best of his or her 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 10 to 51, 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 they face.

The statement of directors' responsibilities was approved by a duly authorised committee of the board of directors on 14 March 2011 and signed on its behalf by Trevor Dighton, Chief financial officer.

Trevor Dighton
Chief financial officer
14 March 2011

Independent auditor's report to the members of G4S plc

We have audited the financial statements of G4S plc for the year ended 31 December 2010 set out on pages 69 to 124. 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 auditor's 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 67, 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, and express an opinion on, 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/private.cfm.

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 2010 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.

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.

Under the Listing Rules we are required to review:

→ the directors' statement, set out on page 67, in relation to going concern; and

→ the part of the Corporate Governance Statement on pages 59 to 61 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and

→ certain elements of the report to shareholders by the Board on directors' remuneration.

A G Cates (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
14 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Continuing operations			
Revenue	5, 6	**7,397**	7,009
Profit from operations before amortisation of acquisition-related intangible assets and share of profit from associates		**522**	499
Share of profit from associates		**5**	1
Profit from operations before amortisation of acquisition-related intangible assets (PBITA)	6	**527**	500
Amortisation of acquisition-related intangible assets		**(88)**	(83)
Acquisition-related expenses		**(4)**	–
Profit from operations before interest and taxation (PBIT)	6, 8	**435**	417
Finance income	12	**98**	82
Finance costs	13	**(203)**	(196)
Profit before taxation (PBT)		**330**	303
Taxation:			
– Before amortisation of acquisition-related intangible assets		**(102)**	(100)
– On amortisation of acquisition-related intangible assets		**25**	23
– On acquisition-related expenses		**1**	–
	14	**(76)**	(77)
Profit after taxation		**254**	226
Loss from discontinued operations	7	**(9)**	(7)
Profit for the year		**245**	219
Attributable to:			
Equity holders of the parent		**223**	202
Non-controlling interests		**22**	17
Profit for the year		**245**	219
Earnings per share attributable to equity shareholders of the parent	16		
For profit from continuing operations:			
Basic and diluted		**16.5p**	14.9p
For profit from continuing and discontinued operations:			
Basic and diluted		**15.9p**	14.4p

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Profit for the year		**245**	219
Other comprehensive income			
Exchange differences on translation of foreign operations		**41**	(93)
Change in fair value of net investment hedging financial instruments		**–**	29
Change in fair value of cash flow hedging financial instruments		**15**	(23)
Actuarial losses on defined retirement benefit schemes		**15**	(63)
Tax on items taken directly to equity	14	**(11)**	22
Other comprehensive income, net of tax		**60**	(128)
Total comprehensive income for the year		**305**	91
Attributable to:			
Equity holders of the parent		**283**	74
Non-controlling interests		**22**	17
Total comprehensive income for the year		**305**	91

Consolidated statement of financial position

At 31 December 2010

	Notes	2010 £m	2009 £m
ASSETS			
Non-current assets			
Goodwill	19	**2,147**	2,049
Other acquisition-related intangible assets	19	**286**	359
Other intangible assets	19	**71**	69
Property, plant and equipment	20	**580**	546
Investment in associates	22	**10**	7
Trade and other receivables	25	**138**	111
Deferred tax assets	36	**161**	178
		3,393	3,319
Current assets			
Inventories	23	**84**	78
Investments	24	**82**	84
Trade and other receivables	25	**1,463**	1,351
Cash and cash equivalents	28	**351**	309
Assets classified as held for sale	27	**–**	29
		1,980	1,851
Total assets	6	**5,373**	5,170
LIABILITIES			
Current liabilities			
Bank overdrafts	28, 29	**(45)**	(38)
Bank loans	29	**(113)**	(146)
Obligations under finance leases	30	**(21)**	(23)
Trade and other payables	31	**(1,208)**	(1,106)
Current tax liabilities		**(58)**	(54)
Retirement benefit obligations	34	**(61)**	(55)
Provisions	35	**(33)**	(30)
Liabilities associated with assets classified as held for sale	27	**–**	(31)
		(1,539)	(1,483)
Non-current liabilities			
Bank loans	29	**(574)**	(516)
Loan notes	29	**(1,153)**	(1,117)
Obligations under finance leases	30	**(49)**	(63)
Trade and other payables	31	**(48)**	(43)
Retirement benefit obligations	34	**(245)**	(313)
Provisions	35	**(44)**	(73)
Deferred tax liabilities	36	**(98)**	(122)
		(2,211)	(2,247)
Total liabilities	6	**(3,750)**	(3,730)
Net assets		**1,623**	1,440
EQUITY			
Share capital	37	**353**	353
Share premium and reserves	38	**1,224**	1,054
Equity attributable to equity holders of the parent		**1,577**	1,407
Non-controlling interests		**46**	33
Total equity		**1,623**	1,440

The consolidated financial statements were approved by the board of directors and authorised for issue on 14 March 2011.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Consolidated statement of cash flow

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit before taxation		**330**	303
Adjustments for:			
Finance income		**(98)**	(82)
Finance costs		**203**	196
Depreciation of property, plant and equipment		**131**	121
Amortisation of acquisition-related intangible assets		**88**	83
Amortisation of other intangible assets		**17**	15
Acquisition-related expenses		**4**	–
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related		**(16)**	–
Profit on disposal of subsidiaries		**(8)**	–
Share of profit from associates		**(5)**	(1)
Equity-settled transactions		**7**	7
Operating cash flow before movements in working capital		**653**	642
(Increase)/decrease in inventories		**(2)**	2
(Increase)/decrease in receivables		**(83)**	1
Increase in payables		**43**	5
Decrease in provisions		**(32)**	(26)
Decrease in retirement benefit obligations		**(40)**	(33)
Net cash flow from operating activities of continuing operations		**539**	591
Net cash used by operating activities of discontinued operations		**(5)**	(14)
Cash generated by operations		**534**	577
Tax paid		**(86)**	(68)
Net cash flow from operating activities		**448**	509
Investing activities			
Interest received		**11**	12
Cash flow from associates		**3**	2
Purchases of property, plant and equipment and intangible assets other than acquisition-related		**(179)**	(187)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**40**	17
Acquisition of subsidiaries		**(59)**	(128)
Net cash balances acquired/(disposed of)		**7**	(12)
Disposal of subsidiaries		**9**	8
Sale/(purchase) of investments		**5**	(1)
Own shares purchased		**(10)**	(10)
Net cash used in investing activities		**(173)**	(299)
Financing activities			
Share issues		**–**	3
Dividends paid to non-controlling interests		**(12)**	(18)
Dividends paid to equity shareholders of the parent		**(103)**	(94)
Proceeds on issue of loan notes		**–**	347
Repayment of revolving credit facilities with proceeds from issue of loan notes		**–**	(347)
Other net movement in borrowings		**(18)**	24
Transactions with non-controlling interests		**(3)**	(30)
Interest paid		**(105)**	(99)
Net cash flow from hedging financial instruments		**–**	(10)
Repayment of obligations under finance leases		**(20)**	(24)
Net cash flow from financing activities		**(261)**	(248)

Consolidated statement of cash flow continued

For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	39	**14**	(38)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**291**	361
Effect of foreign exchange rate fluctuations on cash held		**1**	(32)
Cash, cash equivalents and bank overdrafts at the end of the year	28	**306**	291

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserve* £m	Translation reserve* £m	Merger reserve* £m	Reserve for own shares* £m	Total reserves £m
At 1 January 2009	352	256	252	(47)	200	426	(12)	1,427
Total comprehensive income attributable to equity shareholders of the parent	–	–	140	4	(70)	–	–	74
Shares issued	1	2	–	–	–	–	–	3
Dividends declared	–	–	(94)	–	–	–	–	(94)
Own shares purchased	–	–	–	–	–	–	(10)	(10)
Own shares awarded	–	–	(10)	–	–	–	10	–
Equity-settled transactions	–	–	7	–	–	–	–	7
At 31 December 2009	353	258	295	(43)	130	426	(12)	1,407
At 1 January 2010	353	258	295	(43)	130	426	(12)	1,407
Total comprehensive income attributable to equity shareholders of the parent	–	–	238	11	34	–	–	283
Dividends declared	–	–	(103)	–	–	–	–	(103)
Own shares purchased	–	–	–	–	–	–	(10)	(10)
Own shares awarded	–	–	(10)	–	–	–	10	–
Transactions with non-controlling interests	–	–	(7)	–	–	–	–	(7)
Equity-settled transactions	–	–	7	–	–	–	–	7
At 31 December 2010	**353**	**258**	**420**	**(32)**	**164**	**426**	**(12)**	**1,577**

*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 within the Business Review on pages 10 to 39 and 44 to 49. 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 132.

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 116 to 124.

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. Further information on the going concern assessment is given in the Financial Review on pages 44 to 49 and in note 33 on pages 101 to 103.

The comparative consolidated statement of financial position as at 31 December 2009 has been restated to reflect the completion during 2010 of the initial accounting in respect of acquisitions made during 2009. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £5m, 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.

The presentation of the consolidated financial statements has been changed to round results to the nearest £1m whereas previously they were rounded to the nearest £0.1m. This change has required the 2009 figures to be restated and as a result there are some immaterial inconsistencies between the restated rounded 2009 figures in the 2010 accounts compared to the same figures disclosed to the nearest £0.1m in the 2009 accounts. In addition there may be immaterial rounding inconsistencies between the notes to the accounts and the primary statements for the 2009 figures.

(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. The cost of acquisition is measured as the acquisition date fair values of the assets transferred to the vendor and does not include transaction costs. The cost of acquisition in respect of acquisitions made prior to 1 January 2010 included transaction costs and has not been restated. 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 deferred consideration payable, including that in respect of put options held by non-controlling shareholders, as estimated at the date of acquisition. For acquisitions prior to 1 January 2010 subsequent changes to the present value of the estimate of contingent consideration and any difference upon final settlement of such a liability are recognised as adjustments to the cost of acquisition. For acquisitions after 1 January 2010 such changes are recognised in the income statement. Non-controlling interests are stated at their proportion of the fair values of the assets and liabilities recognised. Profits and losses are applied in the proportion of their respective ownership to the interest of the parent and to the non-controlling interest.

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 consolidated statement of financial position 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.

Notes to the consolidated financial statements continued

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 consolidated statement of financial position as financial assets or liabilities at fair value. Fair value is measured using one of the valuation techniques based on one of the three 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 remeasurement 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 acquisition 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. No goodwill arises on the acquisition of an additional interest from a non-controlling interest in a subsidiary as this is accounted for as an equity transaction. 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.

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

3 Significant accounting policies continued

(e) Intangible assets continued

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 eight 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 50 years
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	one to ten years

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 re-assessed 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.

Service concession assets
Under the terms of a Private Finance Initiative (PFI) or similar project the risks and rewards of ownership of an asset remain largely with the purchaser of the associated services. In such cases, the group's interest in the asset is classified as a financial asset and included at its discounted value within trade and other receivables, to the extent to which the group has an unconditional right to receive cash from the grantor of the concession for the construction of the asset. To the extent that the group has the right to charge for the use of such an asset, conditional upon the extent of the use, the group recognises an intangible asset.

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.

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.

3 Significant accounting policies continued

(i) Impairment

The carrying value of the group's assets, with the exception of 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 consolidated statement of comprehensive income.

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.

Changes to the value of accrued benefits arising from government action are accounted for as changes in actuarial assumptions following the guidance issued by the UK ASB in UITF 48 *Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits.*

The retirement benefit obligation recognised in the consolidated statement of financial position 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.

(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 onerous 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.

3 Significant accounting policies continued

(m) Revenue recognition continued

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 consolidated statement of financial position 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.

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

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the income statement.

(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.

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. This classification can be a matter of fine judgement.

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 consolidated statement of financial position 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) Operating segments

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.

3 Significant accounting policies continued

(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) Dividend distribution

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders in general meeting.

(u) Adoption of new and revised accounting standards and interpretations

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

- Revised IAS 24 *Related Party Disclosures* is applicable for 2011. This standard amends the definition of related parties and modifies certain disclosures.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* are applicable for 2011. The amendments state that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.
- Amendments to IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction* is applicable for 2011. These amendments remove consequences arising from the treatment of prepayments where there is a minimum funding requirement.
- Amendments to IAS 1 *Presentation of Financial Statements* are applicable for 2011. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

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 cost is 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	2010 £m	2009 £m
Continuing operations			
Sale of goods		125	158
Rendering of services		7,064	6,727
Revenue from construction contracts		208	124
Revenue from continuing operations as presented in the consolidated income statement	6	7,397	7,009
Discontinued operations			
Sale of goods		1	–
Rendering of services		2	34
Revenue from construction contracts		–	7
Revenue from discontinued operations	6, 7	3	41
Other operating income			
Interest income		11	13
Net gain in fair value of loan note derivative financial instruments and hedged items		–	1
Expected return on defined retirement benefit scheme assets		87	68
Total other operating income		98	82

6 Operating segments

The group operates in two core product areas: secure solutions and cash solutions which represent the group's reportable segments. For each of the reportable segments, the group's CEO (the chief operating decision maker) reviews internal management reports on a regular basis. The group operates on a worldwide basis and derives a substantial proportion of its revenue, PBITA 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).

Segment information is presented below:

Revenue by reportable segment

	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m
Secure solutions						
UK and Ireland	1,179	–	1,179	1,139	–	1,139
Continental Europe	1,438	1	1,439	1,498	34	1,532
Europe	2,617	1	2,618	2,637	34	2,671
North America	1,676	–	1,676	1,495	–	1,495
Middle East and Gulf States	465	–	465	425	–	425
Latin America and the Caribbean	356	–	356	283	–	283
Africa	333	–	333	306	–	306
Asia Pacific	600	–	600	522	–	522
New Markets	1,754	–	1,754	1,536	–	1,536
Total secure solutions	6,047	1	6,048	5,668	34	5,702
Cash solutions						
Europe	891	–	891	929	–	929
North America	106	–	106	99	–	99
New Markets	353	2	355	313	7	320
Total cash solutions	1,350	2	1,352	1,341	7	1,348
Total revenue	7,397	3	7,400	7,009	41	7,050

Notes to the consolidated financial statements continued

6 Operating segments continued

Revenue by geographical area

	Total 2010 £m	Total 2009 £m
UK and Ireland*	**1,657**	1,629
Continental Europe	**1,852**	1,971
Europe	**3,509**	3,600
North America	**1,782**	1,594
Middle East and Gulf States	**521**	476
Latin America and the Caribbean	**412**	327
Africa	**458**	427
Asia Pacific	**718**	626
New Markets	**2,109**	1,856
Total revenue	**7,400**	7,050

* UK and Ireland revenue includes £1,548m relating to the UK (2009: £1,508m).

Revenue from internal and external customers by reportable segment

	Total gross segment revenue 2010 £m	Inter-segment revenue 2010 £m	External revenue 2010 £m	Total gross segment revenue 2009 £m	Inter-segment revenue 2009 £m	External revenue 2009 £m
Secure solutions	**6,055**	**(7)**	**6,048**	5,711	(9)	5,702
Cash solutions	**1,353**	**(1)**	**1,352**	1,348	–	1,348
Total revenue	**7,408**	**(8)**	**7,400**	7,059	(9)	7,050

Inter-segment sales are charged at prevailing market prices.

6 Operating segments continued

PBITA by reportable segment

	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m
Secure solutions						
UK and Ireland	**103**	**–**	**103**	97	–	97
Continental Europe	**77**	**(6)**	**71**	80	(11)	69
Europe	**180**	**(6)**	**174**	177	(11)	166
North America	**96**	**–**	**96**	85	(1)	84
Middle East and Gulf States	**44**	**–**	**44**	38	–	38
Latin America and the Caribbean	**26**	**–**	**26**	18	–	18
Africa	**33**	**–**	**33**	29	–	29
Asia Pacific	**40**	**–**	**40**	41	–	41
New Markets	**143**	**–**	**143**	126	–	126
Total secure solutions	**419**	**(6)**	**413**	388	(12)	376
Cash solutions						
Europe	**101**	**–**	**101**	102	–	102
North America	**4**	**–**	**4**	4	–	4
New Markets	**44**	**(3)**	**41**	46	(2)	44
Total cash solutions	**149**	**(3)**	**146**	152	(2)	150
Total PBITA before head office costs	**568**	**(9)**	**559**	540	(14)	526
Head office costs	**(41)**	**–**	**(41)**	(40)	–	(40)
Total PBITA	**527**	**(9)**	**518**	500	(14)	486

PBITA by geographical area

	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m
Europe	**281**	**(6)**	**275**	279	(11)	268
North America	**100**	**–**	**100**	89	(1)	88
New Markets	**187**	**(3)**	**184**	172	(2)	170
Total PBITA before head office costs	**568**	**(9)**	**559**	540	(14)	526
Head office costs	**(41)**	**–**	**(41)**	(40)	–	(40)
Total PBITA	**527**	**(9)**	**518**	500	(14)	486

Result by reportable segment

	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m
Total PBITA	**527**	**(9)**	**518**	500	(14)	486
Amortisation of acquisition-related intangible assets	**(88)**	**–**	**(88)**	(83)	–	(83)
Acquisition-related costs	**(4)**	**–**	**(4)**	–	–	–
Total PBIT	**435**	**(9)**	**426**	417	(14)	403
Secure solutions	**351**	**(6)**	**345**	330	(12)	318
Cash solutions	**125**	**(3)**	**122**	127	(2)	125
Head office costs	**(41)**	**–**	**(41)**	(40)	–	(40)
Total PBIT	**435**	**(9)**	**426**	417	(14)	403

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.

Notes to the consolidated financial statements continued

6 Operating segments continued

Segment assets and liabilities

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

Total assets	2010 £m	2009 £m
By reportable segment		
Secure solutions	**3,428**	3,256
Cash solutions	**1,151**	1,140
Head office	**207**	194
Inter-segment trading balances	**(133)**	(98)
Total segment operating assets	**4,653**	4,492
By geographical area		
UK and Ireland*	**1,516**	1,555
Continental Europe	**887**	923
Europe	**2,403**	2,478
North America	**1,032**	972
Middle East and Gulf States	**204**	168
Latin America and the Caribbean	**229**	147
Africa	**300**	276
Asia Pacific	**411**	355
New Markets	**1,144**	946
Head office	**207**	194
Inter-segment trading balances	**(133)**	(98)
Total segment operating assets	**4,653**	4,492
Non-operating assets	**720**	678
Total assets	**5,373**	5,170

Total liabilities	2010 £m	2009 £m
By reportable segment		
Secure solutions	**(1,140)**	(1,055)
Cash solutions	**(247)**	(204)
Head office	**(26)**	(57)
Inter-segment trading balances	**133**	98
Total segment operating liabilities	**(1,280)**	(1,218)
Non-operating liabilities	**(2,470)**	(2,512)
Total liabilities	**(3,750)**	(3,730)

* UK and Ireland operating assets include £1,418m of assets relating to the UK (2009: £1,439m).

Assets and liabilities relating to 2009 have been re-analysed between reportable segments and geographical areas to be consistent with the groupings used for revenue and PBITA.

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 £nil (2009: £3m) and £nil (2009: £26m) respectively relating to assets classified as held for sale. Included within operating and non-operating liabilities are £nil (2009: £11m) and £nil (2009: £20m) respectively relating to liabilities associated with assets classified as held for sale. Disposal groups are analysed in note 27.

6 Operating segments continued

Other information

By reportable segment	Depreciation and amortisation 2010 £m	Capital additions 2010 £m	Depreciation and amortisation 2009 £m	Capital additions 2009 £m
Secure solutions	**148**	**202**	165	251
Cash solutions	**86**	**63**	53	86
Head office	**2**	**4**	1	16
Total	**236**	**269**	219	353

By geographical area	Capital additions 2010 £m	Capital additions 2009 £m
UK and Ireland	**50**	66
Continental Europe	**62**	66
Europe	**112**	132
North America	**48**	113
Middle East and Gulf States	**6**	8
Latin America and the Caribbean	**66**	11
Africa	**11**	43
Asia Pacific	**22**	43
New Markets	**105**	105
Head office	**4**	3
Total	**269**	353

7 Discontinued operations

Operations qualifying as discontinued in 2009 comprised the security services business in France, which principally comprised Group 4 Securicor SAS; the systems installation business in Slovakia; the security services business in Germany, which principally comprised G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH; and the cash solutions business in Taiwan, which was disposed of on 15 July 2010. No further businesses qualified as discontinued during 2010.

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

	2010 £m	2009 £m
Revenue	**3**	41
Expenses	**(12)**	(55)
Operating loss before interest and taxation (PBIT)	**(9)**	(14)
Attributable tax credit	**–**	20
Total operating (loss)/profit for the year	**(9)**	6
Loss on disposal of discontinued operations	**–**	(13)
Net loss attributable to discontinued operations	**(9)**	(7)

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

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:

	2010 £m	2009 £m
Net cash flows from operating activities	**(5)**	(14)
Net cash flows from investing activities	**(1)**	(9)
Net cash flows from financing activities	**(25)**	1
	(31)	(22)

Notes to the consolidated financial statements continued

8 Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

Continuing operations	2010 £m	2009 £m
Revenue	7,397	7,009
Cost of sales	(5,811)	(5,473)
Gross profit	1,586	1,536
Administration expenses	(1,156)	(1,120)
Share of profit from associates	5	1
PBIT	435	417

Included within administration expenses is £88m (2009: £83m) of amortisation of acquisition-related intangible assets and £4m (2009: £nil) of acquisition-related expenses.

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):

	2010 £m	2009 £m
Cost of sales		
Cost of inventories recognised as an expense	102	92
Write-down of inventories to net realisable value	1	–
Administration expenses		
Amortisation of acquisition-related intangible assets	88	83
Amortisation of other intangible assets	17	15
Depreciation of property, plant and equipment	131	121
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related	(16)	–
Profit on disposal of subsidiaries	(8)	–
Impairment of trade receivables	5	8
Litigation settlements	1	1
Research and development expenditure	5	6
Operating lease rentals payable	142	131
Operating sub-lease rentals receivable	(13)	(10)
Cost of equity-settled transactions	7	7
Government grants received as a contribution towards wage costs	(1)	(1)
Net foreign translation adjustments	–	2

10 Auditor's remuneration

	2010 £m	2009 £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	1	1
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	5	4
Corporate finance services	–	1
Fees payable to other auditors for the audit of the company's subsidiaries pursuant to legislation	1	1

In addition, the group paid £0.4m (2009: £0.4m) for taxation services.

The Corporate governance statement on pages 59 to 61 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:

	2010 Number	2009 Number
By reportable segment		
Secure solutions	**563,519**	542,044
Cash solutions	**52,678**	50,804
Not allocated, including shared administration and head office	**129**	116
Total average number of employees	**616,326**	592,964
By geographical area		
Europe	**124,580**	129,479
North America	**54,599**	51,177
New Markets	**437,018**	412,192
Not allocated, including shared administration and head office	**129**	116
Total average number of employees	**616,326**	592,964

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

	2010 £m	2009 £m
Wages and salaries	**4,240**	4,060
Social security costs	**510**	505
Employee benefits	**152**	158
Total staff costs	**4,902**	4,723

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 62 to 66.

12 Finance income

	2010 £m	2009 £m
Interest income on cash, cash equivalents and investments	**8**	12
Other interest income	**3**	1
Expected return on defined retirement benefit scheme assets	**87**	68
Loss arising from change in fair value of derivative financial instruments hedging loan notes	**(16)**	(53)
Gain arising from fair value adjustment to the hedged loan note items	**16**	54
Total finance income	**98**	82

13 Finance costs

	2010 £m	2009 £m
Interest on bank overdrafts and loans	**23**	28
Interest on loan notes	**75**	66
Interest on obligations under finance leases	**6**	7
Other interest charges	**6**	8
Total group borrowing costs	**110**	109
Finance costs on defined retirement benefit obligations	**93**	87
Total finance costs	**203**	196

Included within interest on bank overdrafts and loans is a charge of £14m (2009: £12m) relating to cash flow hedges that were transferred from equity during the year.

Notes to the consolidated financial statements continued

14 Taxation

	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m	Continuing operations 2009 £m	Discontinued operations 2009 £m	Total 2009 £m
Current taxation expense/(credit)						
UK corporation tax	**15**	**–**	**15**	19	–	19
Overseas tax	**79**	**–**	**79**	73	(1)	72
Adjustments in respect of prior years:						
UK corporation tax	**–**	**–**	**–**	(3)	–	(3)
Overseas tax	**(8)**	**–**	**(8)**	9	–	9
Total current taxation expense/(credit)	**86**	**–**	**86**	98	(1)	97
Deferred taxation (credit)/expense (see note 36)						
Current year	**(11)**	**–**	**(11)**	(14)	(19)	(33)
Adjustments in respect of prior years	**1**	**–**	**1**	(7)	–	(7)
Total deferred taxation credit	**(10)**	**–**	**(10)**	(21)	(19)	(40)
Total income tax expense/(credit) for the year	**76**	**–**	**76**	77	(20)	57

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profits for the period. Overseas tax 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:

	2010 £m	2009 £m
Profit before taxation		
Continuing operations	**330**	303
Discontinued operations	**(9)**	(26)
Total profit before taxation	**321**	277
Tax at UK corporation tax rate of 28% (2009: 28%)	**90**	77
Expenses that are not deductible in determining taxable profit	**6**	10
Tax losses not recognised in the current year	**–**	(19)
Different tax rates of subsidiaries operating in non-UK jurisdictions	**(11)**	(9)
Movement in deferred tax balance due to reduction in UK rate to 27% from 1 April 2011	**(2)**	–
Adjustments for previous years	**(7)**	(2)
Total income tax charge	**76**	57
Effective tax rate	**24%**	21%

The following taxation charge/(credit) has been recognised directly in equity within the consolidated statement of comprehensive income:

	2010 £m	2009 £m
Tax relating to components of other comprehensive income		
Net investment hedges	**–**	2
Cash flow hedges	**4**	(7)
Defined retirement benefit schemes	**7**	(17)
Total tax debited/(credited) to other comprehensive income	**11**	(22)

15 Dividends

	Pence per share	DKK per share	2010 £m	2009 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2008	3.68	0.3052	–	52
Interim dividend for the six months ended 30 June 2009	3.02	0.2599	–	42
Final dividend for the year ended 31 December 2009	4.16	0.3408	58	–
Interim dividend for the six months ended 30 June 2010	3.17	0.2877	45	–
			103	94
Proposed final dividend for the year ended 31 December 2010	4.73	0.4082	66	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 3 June 2011* to shareholders who are on the UK register on 6 May 2011. The exchange rate used to translate it into Danish krone is that at 14 March 2011.

* Shareholders on the VP Services register will be paid on 6 June, as 3 June is a public holiday in Denmark.

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

	2010 £m	2009 £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity holders of the parent	223	202
Number of shares (m)		
Weighted average number of ordinary shares	1,406	1,404
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	15.9p	14.4p
From continuing operations		
Earnings		
Profit for the year attributable to equity holders of the parent	223	202
Adjustment to exclude loss for the year from discontinued operations (net of tax) (note 7)	9	7
Profit from continuing operations	232	209
Earnings per share from continuing operations (pence)		
Basic and diluted	16.5p	14.9p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic and diluted	(0.6)p	(0.5)p
From adjusted earnings		
Earnings		
Profit from continuing operations	232	209
Adjustment to exclude net retirement benefit finance cost (net of tax)	4	14
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	64	60
Adjustment to exclude acquisition-related expenses (net of tax)	3	–
Adjusted profit for the year attributable to equity holders of the parent	303	283
Weighted average number of ordinary shares (m)	1,406	1,404
Adjusted earnings per share (pence)	21.6p	20.2p

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 SSE Do Brasil Ltda, the parent company of Instalarme Soluções Eletrônica Ltda ("Instalarme"), an electronic software and hardware integration company in Brazil; a controlling interest in Plantech Engenharia e Sistemas Ltda ("Plantech"), a leading integrator in the Brazilian security systems market; and the entire share capital of Skycom (Pty) Ltd ("Skycom"), a market leader in the South African security systems market.

The group also increased its holding in an Argentinian business during the year, which has been accounted for in equity.

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

	Europe £m	New Markets £m	**Total group £m**
Provisional fair value of net assets acquired of subsidiary undertakings	5	14	**19**
Goodwill	2	44	**46**
Total purchase consideration	7	58	**65**

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	13	**14**
Property, plant and equipment	7	(2)	**5**
Inventories	3	–	**3**
Trade and other receivables	12	–	**12**
Cash and cash equivalents	6	–	**6**
Trade and other payables	(6)	(2)	**(8)**
Current tax liabilities	(1)	–	**(1)**
Provisions	–	(5)	**(5)**
Borrowings	(4)	–	**(4)**
Deferred tax liabilities	–	(3)	**(3)**
Net assets acquired of subsidiary undertakings	18	1	**19**
Goodwill			**46**
Total purchase consideration			**65**
Satisfied by:			
Cash			**42**
Deferred consideration			**23**
Total purchase consideration			**65**

Summary of current year acquisition activities

Total purchase consideration relating to current year acquisitions	**65**
Additional consideration recognised in the current year relating to acquisitions completed in prior years	**12**
Total consideration recognised in the current year	**77**
Goodwill recognised on current year acquisitions	**46**
Goodwill recognised in the current year relating to acquisitions completed in prior years	**12**
Total goodwill recognised in the current year	**58**

Deferred consideration in respect of acquisitions made in 2010 has been recognised at the amount which is expected to be paid in the future, being £27m discounted to its present value of £23m. The amount of deferred consideration which will be paid is in part dependent upon the future performance of the acquired businesses. The maximum undiscounted amount of deferred consideration which could be payable is £32m.

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 £13m. 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, developed expertise and processes 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.

17 Acquisitions continued

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
Instalarme	12	1	1
Plantech	6	1	–
Western Investigations	1	–	–
Skycom (Pty) Ltd	1	–	–
Others	3	–	–
Total contribution from acquired businesses	23	2	1

If all the acquisitions had occurred on 1 January 2010 the results of the group for the period would have been as follows:

Group's results if all acquisitions had occurred on 1 January 2010	Revenue £m	PBITA £m	Profit £m
Group results for the period	7,397	527	245
Impact of backdating acquisitions to 1 January 2010			
Instalarme	8	1	1
Plantech	13	2	1
Western Investigations	1	–	–
Skycom (Pty) Ltd	5	1	1
Others	8	1	1
Group result for the period if all acquisitions had occurred on 1 January 2010	7,432	532	249

Prior year acquisitions

Principal acquisitions in subsidiary undertakings in the prior year included 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; SecuraMonde, 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 buy-outs of the non-controlling interests in certain businesses in New Markets.

At 31 December 2009, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2009 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	1	48	**49**
Property, plant and equipment	3	–	**3**
Inventories	4	–	**4**
Trade and other receivables	51	2	**53**
Deferred tax assets	1	–	**1**
Cash and cash equivalents	5	1	**6**
Trade and other payables	(34)	–	**(34)**
Provisions	(1)	(5)	**(6)**
Borrowings	(1)	–	**(1)**
Deferred tax liabilities	–	(17)	**(17)**
Net assets acquired of subsidiary undertakings	29	29	**58**
Acquisition of non-controlling interests	7	–	**7**
Goodwill			**88**
Total purchase consideration			**153**
Satisfied by:			
Cash			**159**
Transaction costs[1]			**(7)**
Contingent consideration			**1**
Total purchase consideration			**153**

1 Transaction costs are net of an £11m refund of tax expenses incurred when G4S plc acquired Securicor plc in 2004.

Notes to the consolidated financial statements continued

17 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 £48m.

On completion of the fair value exercise during 2010, adjustments made to the provisional calculation amounted to £5m, with an equivalent increase in the reported value of goodwill. The comparative consolidated statement of financial position at 31 December 2009 has been restated accordingly.

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 £22m arising on the acquisition of non-controlling interests.

In the year of acquisition, in aggregate, the acquired businesses contributed £35m to revenues, £5m to PBITA and £3m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2009, group revenue would have been £7.2bn, PBITA would have been £516m and profit for the year would have been £227m.

Post balance sheet acquisitions

No significant 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 15 July 2010, the group disposed of the cash solutions business in Taiwan.

On 24 September 2010, the group disposed of Travel Logistics Limited, a UK-based expeditor of travel documents.

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

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

The net assets and profit/(loss) on disposal of operations disposed of were as follows:

	2010 £m	2009 £m
Goodwill	**3**	13
Acquisition-related intangible assets	**3**	–
Property, plant and equipment and intangible assets other than acquisition-related	**–**	3
Current assets	**1**	84
Liabilities	**(2)**	(79)
Net assets of operations disposed	**5**	21
Profit/(loss) on disposal	**8**	(13)
Total consideration	**13**	8
Satisfied by:		
Cash received	**9**	14
Deferred receipts	**4**	–
Disposal costs	**–**	(6)
Total consideration	**13**	8

19 Intangible assets

	Goodwill	Acquisition-related intangible assets			Other intangible assets		Total
		Trademarks	Customer related	Technology	Development expenditure	Software	
	£m	£m	£m	£m	£m	£m	£m
2010							
Cost							
At 1 January 2010	**2,120**	**34**	**601**	**17**	**16**	**118**	**2,906**
Acquisition of businesses	**58**	**–**	**14**	**–**	**–**	**–**	**72**
Additions	**–**	**–**	**–**	**–**	**6**	**15**	**21**
Disposals	**(3)**	**–**	**(13)**	**–**	**–**	**1**	**(15)**
Translation adjustments	**45**	**–**	**7**	**1**	**–**	**(2)**	**51**
At 31 December 2010	**2,220**	**34**	**609**	**18**	**22**	**132**	**3,035**
Amortisation and accumulated impairment losses							
At 1 January 2010	**(71)**	**(22)**	**(257)**	**(14)**	**(5)**	**(60)**	**(429)**
Amortisation charge	**–**	**(3)**	**(84)**	**(1)**	**(4)**	**(13)**	**(105)**
Disposals	**–**	**–**	**10**	**–**	**–**	**(1)**	**9**
Translation adjustments	**(2)**	**–**	**(4)**	**–**	**–**	**–**	**(6)**
At 31 December 2010	**(73)**	**(25)**	**(335)**	**(15)**	**(9)**	**(74)**	**(531)**
Carrying amount							
At 1 January 2010	**2,049**	**12**	**344**	**3**	**11**	**58**	**2,477**
At 31 December 2010	**2,147**	**9**	**274**	**3**	**13**	**58**	**2,504**
2009							
Cost							
At 1 January 2009	2,113	34	566	19	12	104	2,848
Acquisition of businesses	90	–	49	–	–	–	139
Additions	–	–	–	–	5	24	29
Disposals	(22)	–	–	–	–	(8)	(30)
Translation adjustments	(61)	–	(14)	(2)	(1)	(2)	(80)
At 31 December 2009	2,120	34	601	17	16	118	2,906
Amortisation and accumulated impairment losses							
At 1 January 2009	(34)	(17)	(187)	(13)	(2)	(52)	(305)
Amortisation charge	–	(5)	(75)	(3)	(3)	(12)	(98)
Disposals	9	–	–	–	–	7	16
Translation adjustments	(46)	–	5	2	–	(3)	(42)
At 31 December 2009	(71)	(22)	(257)	(14)	(5)	(60)	(429)
Carrying amount							
At 1 January 2009	2,079	17	379	6	10	52	2,543
At 31 December 2009	2,049	12	344	3	11	58	2,477

Included within software is internally generated software with a gross carrying value of £12m (2009: £9m), and accumulated amortisation of £1m (2009: £1m), giving a net book value of £11m (2009: £8m). During the year, additions amounted to £3m (2009: £4m) and the amortisation charge associated to these assets was £nil (2009: £1m).

Customer-related intangibles comprise the contractual and other relationships with customers 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 2010 was £72m (2009: £96m), and the amortisation period remaining in respect of these assets is three 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.

Notes to the consolidated financial statements continued

19 Intangible assets continued

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 20%, 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 6.5% (2009: 8.4%), 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 4.7% in Singapore to 38.4% in Zambia.

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 2010 or for the year ended 31 December 2009. 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 2010	Discount rate 2009	**Growth rate* 2010**	Growth rate* 2009	**Goodwill 2010 £m**	Goodwill 2009 £m
US secure solutions (manned security)	**6.4%**	7.2%	**2.5%**	2.5%	**372**	359
Former GSL business acquired in 2008	**6.5%**	8.4%	**2.5%**	2.5%	**258**	258
UK cash solutions	**6.5%**	8.4%	**2.5%**	2.5%	**239**	241
Netherlands security solutions	**6.0%**	7.3%	**3.3%**	3.5%	**121**	126
UK secure solutions (manned security)	**6.5%**	8.4%	**2.5%**	2.5%	**117**	117
UK secure solutions (justice services)	**6.5%**	8.4%	**2.5%**	2.5%	**95**	95
Estonia secure solutions and cash solutions	**7.0%**	13.1%	**4.0%**	4.0%	**65**	67
Other (all allocated)					**880**	786
Total goodwill					**2,147**	2,049

* 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 6.5% to 7.5% with equivalent increases to the discount rates in all countries would result in a goodwill impairment to the group of £5m. A significant increase of 3% in the group discount rate from 6.5% to 9.5%, and an equivalent increase in all countries, would result in a group impairment of £18m.

A decrease in the underlying growth rate in all countries of 1% would result in a group impairment of £3m. A decrease of 3% in growth rate would result in a group impairment of £12m. 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**
2010			
Cost			
At 1 January 2010	**227**	**903**	**1,130**
Acquisition of businesses	**–**	**5**	**5**
Additions	**19**	**152**	**171**
Disposals	**(22)**	**(62)**	**(84)**
Translation adjustments	**(1)**	**31**	**30**
At 31 December 2010	**223**	**1,029**	**1,252**
Depreciation and accumulated impairment losses			
At 1 January 2010	**(58)**	**(526)**	**(584)**
Depreciation charge	**(15)**	**(116)**	**(131)**
Disposals	**10**	**50**	**60**
Translation adjustments	**2**	**(19)**	**(17)**
At 31 December 2010	**(61)**	**(611)**	**(672)**
Carrying amount			
At 1 January 2010	**169**	**377**	**546**
At 31 December 2010	**162**	**418**	**580**

20 Property, plant and equipment continued

	Land and buildings £m	Equipment and vehicles £m	Total £m
2009			
Cost			
At 1 January 2009	230	861	1,091
Acquisition of businesses	–	3	3
Additions	23	159	182
Disposals	(16)	(79)	(95)
Translation adjustments	(10)	(41)	(51)
At 31 December 2009	227	903	1,130
Depreciation and accumulated impairment losses			
At 1 January 2009	(59)	(503)	(562)
Depreciation charge	(13)	(108)	(121)
Disposals	10	66	76
Translation adjustments	4	19	23
At 31 December 2009	(58)	(526)	(584)
Carrying amount			
At 1 January 2009	171	358	529
At 31 December 2009	169	377	546

During the year management have reassessed the useful economic life of assets within the equipment and vehicles category resulting in the life of certain items being revised.

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

	2010 £m	2009 £m
Net book value	**61**	73
Accumulated depreciation	**102**	87
Depreciation charge for the year	**19**	19

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

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

	2010 £m	2009 £m
Net book value	**33**	34
Accumulated depreciation	**77**	73
Depreciation charge for the year	**10**	10

The net book value of land and buildings comprises:

	2010 £m	2009 £m
Freeholds	**66**	66
Long leaseholds (50 years and over)	**20**	21
Short leaseholds (under 50 years)	**76**	82

At 31 December 2010 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2m (2009: £2m).

Notes to the consolidated financial statements continued

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	**2010 £m**	2009 £m
Income	**55**	46
Expenses	**(52)**	(42)
Profit after tax	**3**	4

Balance sheet	**2010 £m**	2009 £m
Assets		
Non-current assets	**38**	43
Current assets	**8**	9
	46	52
Liabilities		
Current liabilities	**(10)**	(11)
Non-current liabilities	**(32)**	(37)
	(42)	(48)
Net assets	**4**	4

22 Investment in associates

	2010 £m	2009 £m
Total assets	**19**	13
Total liabilities	**(9)**	(6)
Net investment in associates	**10**	7
Revenue	**79**	34
Profit for the year	**5**	1

The net investment and results presented above largely relate to Space Gateway Support LLC and MW-All Star, both in the USA, in which the group holds investments of 46% and 49% respectively. The results of both associates are reported in the North America security segment.

23 Inventories

	2010 £m	2009 £m
Raw materials	**16**	16
Work in progress	**13**	10
Finished goods including consumables	**55**	52
Total inventories	**84**	78

24 Investments

Investments comprise primarily listed securities of £43m (2009: £59m) 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

	2010 £m	2009 £m
Within current assets		
Trade debtors	**1,231**	1,178
Allowance for doubtful debts	**(73)**	(66)
Amounts owed by associated undertakings	**2**	1
Other debtors (including tax receivable)	**155**	115
Prepayments and accrued income	**105**	94
Amounts due from construction contract customers (see note 26)	**32**	17
Derivative financial instruments at fair value (see note 32)	**11**	12
Total trade and other receivables included within current assets	**1,463**	1,351
Within non-current assets		
Derivative financial instruments at fair value (see note 32)	**85**	58
Other debtors	**17**	13
Amounts receivable under service concession arrangements	**36**	40
Total trade and other receivables included within non-current assets	**138**	111

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 120 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:

	2010 £m	2009 £m
At 1 January	**(66)**	(59)
Amounts written off during the year	**5**	8
Increase in allowance	**(12)**	(15)
At 31 December	**(73)**	(66)

Included within trade receivables are trade debtors with a carrying amount of £393m (2009: £368m) 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 2010 that were overdue for payment was 37% (2009: 36%). The group-wide average age of all trade debtors at year end was 57 days (2009: 56 days).

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 is 49 days (2009: 48 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 service concession arrangements

Amounts receivable under service concession arrangements 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 (ninety days for the Bloemfontein contract) and the payment of appropriate compensation. The specified assets remain the property of the customers. The group's joint ventures have the right to receive payment for the infrastructure and 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 service concession arrangements are pledged as security against borrowings of the group.

Notes to the consolidated financial statements continued

26 Construction contracts

Contracts in place at the balance sheet date are as follows:

	2010 £m	2009 £m
Amounts due from contract customers included in trade and other receivables (see note 25)	32	17
Amounts due to contract customers included in trade and other payables (see note 31)	(7)	(2)
Net balances relating to construction contracts	25	15
Contract costs incurred plus recognised profits less recognised losses to date	212	181
Less: Progress billings	(187)	(166)
Net balances relating to construction contracts	25	15

At 31 December 2010, advances received from customers for contract work amounted to £9m (2009: £6m). 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

As at 31 December 2010 there were no disposal groups classified as held for sale. Disposal groups classified as held for sale as at 31 December 2009 comprised primarily the assets and liabilities associated with the cash solutions business in Taiwan, sold on 15 July 2010.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2010 £m	2009 £m
ASSETS		
Property, plant and equipment and intangible assets other than acquisition-related	–	2
Trade and other receivables	–	1
Cash and cash equivalents	–	26
Total assets classified as held for sale	–	29
LIABILITIES		
Bank overdrafts	–	(6)
Bank loans	–	(13)
Trade and other payables	–	(11)
Retirement benefit obligations	–	(1)
Total liabilities associated with assets classified as held for sale	–	(31)
Net liabilities of disposal group	–	(2)

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 consolidated statement of financial position is presented below:

	2010 £m	2009 £m
Cash and cash equivalents	351	309
Bank overdrafts	(45)	(38)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	–	20
Total cash, cash equivalents and bank overdrafts	306	291

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 2010 bore interest at a weighted average rate of 0.9% (2009: 1.1%). 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 130 group companies at 31 December 2010. It is anticipated that the number of participants in the group will continue to grow. 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 2010 £230m (2009: £147m) of the cash balances and the equivalent amount of the overdraft balances were offset.

Cash and cash equivalents of £26m (2009: £20m) 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

	2010 £m	2009 £m
Bank overdrafts	**45**	38
Bank loans	**687**	662
Loan notes*	**1,153**	1,117
Total bank overdrafts, bank loans and loan notes	**1,885**	1,817
The borrowings are repayable as follows:		
On demand or within one year	**158**	184
In the second year	**551**	15
In the third to fifth years inclusive	**222**	604
After five years	**954**	1,014
Total bank overdrafts, bank loans and loan notes	**1,885**	1,817
Less: Amount due for settlement within 12 months (shown under current liabilities):		
– Bank overdrafts	**(45)**	(38)
– Bank loans	**(113)**	(146)
	(158)	(184)
Amount due for settlement after 12 months	**1,727**	1,633

*Loan notes includes £803m 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**	**1**	**–**	**29**	**45**
Bank loans	**258**	**256**	**147**	**26**	**687**
Loan notes	**419**	**–**	**734**	**–**	**1,153**
At 31 December 2010	**692**	**257**	**881**	**55**	**1,885**
Bank overdrafts	16	10	–	12	38
Bank loans	121	174	324	43	662
Loan notes	419	–	698	–	1,117
At 31 December 2009	556	184	1,022	55	1,817

Of the borrowings in currencies other than sterling, £951m (2009: £1,010m) is designated as net investment hedging instruments.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2010 adjusted for hedging were as follows::

	2010 %	2009 %
Bank overdrafts	**1.5**	1.4
Bank loans	**3.0**	3.6
Private loan notes	**4.2**	4.2
Public loan notes	**7.8**	7.8

The group's committed bank borrowings comprise a multi-currency revolving credit facility totalling £1,100m with a maturity date of March 2016, and the group's uncommitted facilities amount to £575m (2009: £516m). At 31 December 2010, undrawn committed available facilities amounted to £552m (2009: £615m). 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 (£341m) 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$514m (£318m) 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 ($75m).

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 2010 and the year to 31 December 2009. The group has not defaulted on, or breached the terms of, any material loans during the year.

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 (£169m) of the loan notes issued in July 2008 have a fair value market gain of £39m (2009: £30m). The fair value of the remaining notes approximates to their book value.

Notes to the consolidated financial statements continued

30 Obligations under finance leases

	Minimum lease payments 2010 £m	Minimum lease payments 2009 £m	Present value of minimum lease payments 2010 £m	Present value of minimum lease payments 2009 £m
Amounts payable under finance leases:				
Within one year	**24**	28	**21**	23
In the second to fifth years inclusive	**52**	61	**46**	53
After five years	**4**	11	**3**	10
	80	100	**70**	86
Less: Future finance charges on finance leases	**(10)**	(14)		
Present value of lease obligations	**70**	86		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(21)**	(23)
Amount due for settlement after 12 months			**49**	63

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 2010, the weighted average effective borrowing rate was 6.8% (2009: 7.4%). 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

	2010 £m	2009 £m
Within current liabilities:		
Trade creditors	**196**	192
Amounts due to construction contract customers (see note 26)	**7**	2
Amounts owed to associated undertakings	**2**	1
Other taxation and social security costs	**208**	206
Other creditors	**461**	398
Accruals and deferred income	**325**	295
Derivative financial instruments at fair value (see note 32)	**9**	12
Total trade and other payables included within current liabilities	**1,208**	1,106
Within non-current liabilities:		
Derivative financial instruments at fair value (see note 32)	**7**	10
Other creditors	**41**	33
Total trade and other payables included within non-current liabilities	**48**	43

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2009: 37 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 of £41m included within non-current liabilities comprises £31m relating to creditors due between one and two years, and £10m 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 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m
Cross currency swaps designated as cash flow hedges	**39**	30	**–**	–
Interest rate swaps designated as cash flow hedges	**–**	–	**16**	22
Interest rate swaps designated as fair value hedges	**55**	40	**–**	–
Commodity swaps	**2**	–	**–**	–
	96	70	**16**	22
Less: Non-current portion	**(85)**	(58)	**(7)**	(10)
Current portion	**11**	12	**9**	12

32 Derivative financial instruments continued

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 risen by £33m during the year.

The interest rate, cross currency and commodity swaps have the following maturities:

	Assets 2010 £m	Assets 2009 £m	**Liabilities 2010 £m**	Liabilities 2009 £m
Within one year	**1**	–	**3**	3
In the second year	**1**	–	**7**	6
In the third year	**10**	–	**4**	8
In the fourth year	**–**	7	**1**	4
In the fifth year or greater	**29**	23	**1**	1
Total carrying value	**41**	30	**16**	22

Projected settlement of cash flows (including accrued interest) associated with derivatives:

	Assets 2010 £m	Assets 2009 £m	**Liabilities 2010 £m**	Liabilities 2009 £m
Within one year	**1**	1	**11**	13
In the second year	**1**	–	**5**	7
In the third year	**9**	–	**1**	2
In the fourth year	**–**	8	**1**	1
In the fifth year or greater	**32**	21	**1**	–
Total cash flows	**43**	30	**19**	23

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, which has been retained.

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 timeframe 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 2010 was 7.4%.

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 2009	28%
31 March 2010	21%
30 June 2010	21%
30 September 2010	19%
31 December 2010	26%

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.

33 Financial risk continued

The group's committed facilities, restated at hedged rates where applicable, have the following maturity dates:

July 2013	£33m
March 2014	£64m
July 2015	£76m
March 2016	£1,100m
July 2016	£25m
March 2017	£128m
July 2018	£180m
March 2019	£93m
May 2019	£350m
July 2020	£48m
March 2022	£67m

Re-financing 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.

On 10 March 2011 the group completed its refinance of its multi-currency revolving credit facility. The new £1.1bn facility has a margin of 0.80% over LIBOR and matures in March 2016.

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 2010, the group's US dollar and euro net assets were approximately 65% and 60% respectively hedged by foreign currency loans (2009: US dollar 75%, euro 87%).

Cross currency swaps with a nominal value of £134m 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 2010 the nominal value of such contracts was £134m (in respect of US dollar) (2009: £170m) and £167m (in respect of euro) (2009: £218m), their weighted average interest rate was 5.0% (US dollar) (2009: 5.0%) and 3.7% (euro) (2009: 3.7 %), and their weighted average period to maturity was one and a half 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 and on the GBP Public Bond issued in May 2009 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 2010 debt position constant throughout 2011, an additional interest charge of £8m would be expected in the 2011 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 18 million litres of projected 2011 diesel consumption, 15 million litres of projected 2012 diesel consumption, 15 million litres of projected 2013 diesel consumption and 7 million litres of projected 2014 diesel consumption were in place at 31 December 2010.

Counterparty credit risk

The group's strategy for treasury 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.

33 Financial risk continued

Counterparty credit risk continued

Treasury transactions are dealt with the group's relationship banks, all of which have a strong investment grade rating. At 31 December 2010 the largest two counterparty exposures related to treasury transactions were £37m and £21m and both were held with institutions with long-term Moody's credit ratings of Aa3. These exposures represent 39% and 21% of the carrying values of derivative financial instrument, with a fair value gain at the balance sheet date. Both of these banks had significant loans outstanding to G4S plc at 31 December 2010.

The group operates a multi-currency notional pooling cash management system with a wholly-owned subsidiary of an Aa3 rated bank. At year end credit balances of £230m were pooled with debit balances of £236m, resulting in a net pool balance of £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 £110m (2009: £109m).

In the UK, following the closure of the defined benefit schemes to new entrants in 2004, 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 2010 totalled £8m (2009: £7m). The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2011 in respect of the ongoing accrual of benefits is approximately £8m 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 sections 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 2010 totalled £3m (2009: £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 scheme is in the UK, it also operates other material schemes in the Netherlands, Canada, Israel and Greece.

The carrying values of retirement benefit obligations at the balance sheet date are presented below:

	2010 £m	2009 £m
UK	**256**	307
Rest of World	**9**	21
Net liability on material funded defined retirement benefit schemes	**265**	328
Unfunded and other funded defined retirement benefit obligations	**41**	40
	306	368
Less: Amounts included within current liabilities	**(61)**	(55)
Included within non-current liabilities	**245**	313

The defined benefit scheme in the UK accounts for 97% of the net balance sheet liability on material funded defined retirement benefit schemes. It comprises three sections: 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. The three schemes in the UK have combined under one trustee body with effect from 1 January 2010 and the resultant scheme was formally actuarially assessed at 5 April 2009. Pension obligations stated in the statement of financial position take account of future earnings increases, have been updated to 31 December 2010 and use the valuation methodologies specified in IAS 19 *Employee Benefits.*

Notes to the consolidated financial statements continued

34 Retirement benefit obligations continued

Since the year end the group has entered into a consultation period with a view to closing the UK scheme to future accrual during 2011 which would limit the future growth in liabilities. Existing members would retain their benefits accrued to-date and would be transferred to a new defined contribution scheme for future pension benefits.

During the year the UK Government announced that the minimum rates at which pensions will increase will change from using RPI to CPI. This change has resulted in a one-off reduction in the liabilities, mainly associated with UK deferred pensioners, by £32m. This has been accounted for as a credit to reserves in line with the recently announced UITF 48 *Accounting implications of the replacement of the Retail Prices Index with the Consumer Prices Index for Retirement Benefits.*

As at the latest actuarial valuation, the participants of the UK pension scheme sections 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 2010		
Discount rate	**5.5%**	**5.6%**
Expected return on scheme assets (as at 1 January 2010)	**6.9%**	**5.6%**
Expected rate of salary increases	**3.6%**	**2.3%**
Future pension increases (LPI5%)	**3.3%**	**1.4%**
Inflation	**3.5%**	**2.1%**
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%

In addition to the above, the group uses appropriate mortality assumptions when calculating the schemes obligations. The mortality tables used for the scheme in the UK are as follows:

→ Current and future pensioners. Birth year table S1P[M/F] A base allowing for individual scaling factors based on analysis of mortality experienced, medium cohort improvement factors with an underpin of 1.0% per annum.

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 2010			
Current service cost	**(11)**	**(4)**	**(15)**
Settlement and curtailment gains	**–**	**9**	**9**
Finance cost on defined retirement benefit obligations	**(87)**	**(6)**	**(93)**
Expected return on defined retirement benefit scheme assets	**82**	**5**	**87**
Total amounts recognised in income	**(16)**	**4**	**(12)**
Amounts recognised in income 2009			
Current service cost	(9)	(4)	(13)
Finance cost on defined retirement benefit obligations	(81)	(6)	(87)
Expected return on defined retirement benefit scheme assets	64	4	68
Total amounts recognised in income	(26)	(6)	(32)

34 Retirement benefit obligations continued

The amounts recognised in income are included within the following categories in the income statement:

	2010 £m	2009 £m
Cost of sales	**(10)**	(9)
Administration expenses	**4**	(4)
Finance income	**87**	68
Finance costs	**(93)**	(87)
Total	**(12)**	(32)

Actuarial gains and losses recognised cumulatively in the statement of comprehensive income are as follows:

	2010 £m	2009 £m
At 1 January	**(268)**	(205)
Actuarial gains/(losses) recognised in the year	**19**	(63)
Restriction to defined benefit asset due to the asset ceiling	**(4)**	–
At 31 December	**(253)**	(268)

The asset ceiling restriction reflects an inability to derive economic value from an IAS 19 surplus in a plan in the Netherlands.

The amounts included in the consolidated statement of financial position arising from the group's obligations in respect of its defined benefit schemes are as follows:

	UK £m	Rest of World £m	Total £m
2010			
Present value of defined benefit obligations	**1,566**	**95**	**1,661**
Fair value of scheme assets	**(1,310)**	**(90)**	**(1,400)**
Restriction to defined benefit asset due to the asset ceiling	**–**	**4**	**4**
Deficit in scheme	**256**	**9**	**265**
2009			
Present value of defined benefit obligations	1,547	116	1,663
Fair value of scheme assets	(1,240)	(95)	(1,335)
Deficit in scheme	307	21	328
2008			
Present value of defined benefit obligations	1,296	111	1,407
Fair value of scheme assets	(1,040)	(81)	(1,121)
Deficit in scheme	256	30	286
2007			
Present value of defined benefit obligations	1,291	85	1,376
Fair value of scheme assets	(1,170)	(71)	(1,240)
Deficit in scheme	121	14	136
2006			
Present value of defined benefit obligations	1,329	61	1,390
Fair value of scheme assets	(1,118)	(45)	(1,164)
Deficit in scheme	211	16	226

Notes to the consolidated financial statements continued

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:

2010	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2010	**1,547**	**116**	**1,663**
Service cost	**11**	**4**	**15**
Interest cost	**87**	**6**	**93**
Contributions from scheme members	**5**	**3**	**8**
Actuarial (gains)/losses	**(26)**	**6**	**(20)**
Benefits paid	**(58)**	**(2)**	**(60)**
Curtailments	**–**	**(2)**	**(2)**
Settlements	**–**	**(37)**	**(37)**
Translation adjustments	**–**	**1**	**1**
At 31 December 2010	**1,566**	**95**	**1,661**
Assets			
At 1 January 2010	**1,240**	**95**	**1,335**
Expected return on scheme assets	**82**	**5**	**87**
Actuarial (losses)/gains	**(4)**	**3**	**(1)**
Actual returns on schedule assets	**78**	**8**	**86**
Contributions from the sponsoring companies	**45**	**14**	**59**
Contributions from scheme members	**5**	**3**	**8**
Benefits paid	**(58)**	**(2)**	**(60)**
Settlements	**–**	**(30)**	**(30)**
Translation adjustments	**–**	**2**	**2**
At 31 December 2010	**1,310**	**90**	**1,400**

2009	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2009	1,296	111	1,407
Service cost	9	4	13
Interest cost	81	6	87
Contributions from scheme members	5	3	8
Actuarial losses	205	1	206
Benefits paid	(49)	(4)	(53)
Translation adjustments	–	(5)	(5)
At 31 December 2009	1,547	116	1,663
Assets			
At 1 January 2009	1,040	81	1,121
Expected return on scheme assets	64	4	68
Actuarial gains	134	9	143
Actual return on scheme assets	198	13	211
Contributions from the sponsoring companies	46	5	51
Contributions from scheme members	5	3	8
Benefits paid	(49)	(4)	(53)
Translation adjustments	–	(3)	(3)
At 31 December 2009	1,240	95	1,335

The contribution from sponsoring companies in 2010 included £33m (2009: £30m) of additional contributions in respect of the deficit in the schemes.

34 Retirement benefit obligations continued

There was a significant restructuring of the UK assets during the course of 2010 and the fund is now invested in a wider range of assets than previously. The composition of the scheme assets at the reporting date is as follows:

	UK	Rest of World	Total
2010			
Equity instruments	**18%**	**38%**	**19%**
Debt instruments	**16%**	**43%**	**18%**
Property	**0%**	**3%**	**0%**
Cash	**24%**	**2%**	**23%**
Other assets	**42%**	**14%**	**40%**
	100%	**100%**	**100%**
2009			
Equity instruments	59%	45%	57%
Debt instruments	26%	38%	27%
Property	0%	10%	1%
Other assets	15%	7%	15%
	100%	100%	100%

Other assets in the UK comprised a range of derivatives, private equity holdings, macro-orientated and multi-strategy alternative investments and a credit portfolio including corporate bond exposure, credit long/short funds and distressed debt investments.

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
2010 (return expected in 2011)	7.0%	4.5%	6.8%
2009 (return expected in 2010)	6.9%	5.6%	6.8%
2008 (return expected in 2009)	6.3%	5.9%	6.3%

For the UK, the expected return on assets is based on the return targeted under the new investment strategy. For the rest of the world 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
2010			
Experience adjustments on scheme liabilities			
Amount (£m)	**(28)**	**(3)**	**(31)**
Percentage of scheme liabilities (%)	**(2)**	**(3)**	**(2)**
Experience adjustments on scheme assets			
Amount (£m)	7	(4)	3
Percentage of scheme assets (%)	–	(4)	–
2009			
Experience adjustments on scheme liabilities			
Amount (£m)	10	(2)	8
Percentage of scheme liabilities (%)	1	(1)	–
Experience adjustments on scheme assets			
Amount (£m)	(133)	(8)	(141)
Percentage of scheme assets (%)	(11)	(9)	(11)
2008			
Experience adjustments on scheme liabilities			
Amount (£m)	–	1	1
Percentage of scheme liabilities (%)	–	1	–
Experience adjustments on scheme assets			
Amount (£m)	(315)	(17)	(332)
Percentage of scheme assets (%)	(30)	(21)	(30)

Notes to the consolidated financial statements continued

34 Retirement benefit obligations continued

	UK	Rest of World	Total
2007			
Experience adjustments on scheme liabilities			
Amount (£m)	6	(3)	3
Percentage of scheme liabilities (%)	–	(4)	–
Experience adjustments on scheme assets			
Amount (£m)	(17)	(5)	(22)
Percentage of scheme assets (%)	(1)	(7)	(2)
2006			
Experience adjustments on scheme liabilities			
Amount (£m)	29	–	29
Percentage of scheme liabilities (%)	2	–	2
Experience adjustments on scheme assets			
Amount (£m)	45	3	48
Percentage of scheme assets (%)	4	6	4

The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2011 in respect of the ongoing accrual of benefits should be approximately £10–20m depending on the outcome of the consultation period and whether the UK scheme is closed to future accrual. Additional contributions of approximately £35m will also be made in 2011 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 5.5%, in respect of the UK schemes at 31 December 2010 (5.7% at 31 December 2009). 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 £26m.

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 22.1 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 £73m.

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 £12m.

35 Provisions

	Employee benefits £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Total £m
At 1 January 2010	18	4	40	41	103
Additional provision in the year	6	1	26	3	36
On acquisition of subsidiary	–	–	–	5	5
Utilisation of provision	(5)	(1)	(26)	(24)	(56)
Unused amounts reversed	(4)	(1)	(3)	–	(8)
Transfers and reclassifications	–	–	4	(9)	(5)
Translation adjustments	1	–	1	–	2
At 31 December 2010	**16**	**3**	**42**	**16**	**77**
Included in current liabilities					**33**
Included in non-current liabilities					**44**
					77

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 and termination indemnity schemes.

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.

35 Provisions continued

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 2009	82	(116)	8	44	18
(Charge)/credit to the income statement	(5)	23	20	2	40
Acquisition of subsidiaries	–	(17)	–	–	(17)
Credit to equity	17	–	–	–	17
Translation adjustments	–	3	–	(5)	(2)
Transfers/other	(2)	1	–	1	–
At 31 December 2009	92	(106)	28	42	56
At 1 January 2010	92	(106)	28	42	56
(Charge)/credit to the income statement	(11)	26	(2)	(3)	10
Acquisition of subsidiaries	–	(3)	–	–	(3)
Disposal of subsidiaries	–	2	–	–	2
(Charge)/credit to equity	(7)	–	–	5	(2)
Translation adjustments	1	(3)	1	1	–
At 31 December 2010	**75**	**(84)**	**27**	**45**	**63**

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:

	2010 £m	2009 £m
Deferred tax liabilities	**(98)**	(122)
Deferred tax assets	**161**	178
Total deferred tax position	**63**	56

At 31 December 2010, the group has unutilised tax losses of approximately £526m (2009: £528m) potentially available for offset against future profits. A deferred tax asset of £27m (2009: £27m) has been recognised in respect of approximately £76m (2009: £78m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £450m (2009: £450m) 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 £5m, £3m, £2m and £1m which will expire in 2011, 2012, 2013 and 2014 respectively. Other losses may be carried forward indefinitely.

At 31 December 2010, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,445m (2009: £1,329m). 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 31 December 2010, the group has total unprovided contingent tax liabilities of approximately £8m (2009: £nil) relating to unresolved tax issues in various jurisdictions.

Notes to the consolidated financial statements continued

37 Share capital

G4S plc	2010 £	2009 £
Issued and fully paid ordinary shares of 25p each (2009: 25p each)	**352,654,660**	352,629,660

	Number	Nominal value £m
Ordinary shares in issue		
At 1 January 2009	1,408,298,639	352
Shares issued on exercise of options:		
Executive Scheme	2,220,000	1
At 1 January 2010	1,410,518,639	353
Shares issued on exercise of options:		
Executive Scheme	100,000	–
At 31 December 2010	**1,410,618,639**	**353**

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.

One option over G4S plc shares remains outstanding at 31 December 2010. This option rolled over at 19 July 2004 from options previously held over Securicor plc shares. The option is for 50,000 shares with an exercise price of 91p with an exercise date of 2010–2013.

The proceeds from shares allotted under this scheme during the year amounted to £127,338 (2009: £2,772,488).

5,029,315 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 5,029,315 shares at 31 December 2010 (2009: 5,543,818 shares) to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes. During the year 3,882,900 shares were purchased by the trust, whilst 4,397,403 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2010, the cost of shares held by the trust was £12,125,010 (2009: £12,054,145), whilst the market value of these shares was £12,804,636 (2009: £14,447,190). 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 statement of financial position is presented below:

	2010 £m	2009 £m
Cash and cash equivalents	351	309
Investments	82	84
Net cash and overdrafts included within disposal groups classified as held for sale	–	20
Net debt (excluding cash and overdrafts) included within disposal groups classified as held for sale	–	(13)
Bank overdrafts	(45)	(38)
Bank loans	(687)	(662)
Loan notes	(1,153)	(1,117)
Fair value of loan note derivative financial instruments	96	70
Obligations under finance leases	(70)	(86)
Total net debt	(1,426)	(1,433)

An analysis of movements in net debt in the year is presented below:

	2010 £m	2009 £m
Increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	14	(38)
(Sale)/purchase of investments	(5)	1
Decrease in debt and lease financing	38	1
Change in net debt resulting from cash flows	47	(36)
Borrowings acquired with subsidiaries	(4)	–
Net additions to finance leases	(9)	(20)
Movement in net debt in the year	34	(56)
Translation adjustments	(27)	(29)
Net debt at the beginning of the year	(1,433)	(1,348)
Net debt at the end of the year	(1,426)	(1,433)

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:

	2010 £m	2009 £m
Within one year	149	143
In the second to fifth years inclusive	335	301
After five years	215	198
Total operating lease commitments	699	642

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 eight 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 £10m (2009: £11m).

Notes to the consolidated financial statements continued

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 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 2010	**Weighted average exercise price (pence) 2010**	Number of shares under option 2009	Weighted average exercise price (pence) 2009
Outstanding at 1 January	**150,000**	**115.23**	2,370,000	124.28
Exercised during the year	**(100,000)**	**127.34**	(2,220,000)	122.82
Outstanding and exercisable at 31 December	**50,000**	**91.00**	150,000	115.23

The weighted average share price at the date of exercise for share options exercised during the year was 266.27p (2009: 243.95p). All options outstanding at 31 December 2010 were vested.

No share option expense has been recognised in the income statement during the year as all share options had previously vested (2009: all vested).

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 after three years, 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 2010 Number	**PSP 2010 Number**	**Total 2010 Number**	Performance-related bonus scheme 2009 Number	PSP 2009 Number	Total 2009 Number
Outstanding at 1 January	**1,322,739**	**14,962,009**	**16,284,748**	2,257,765	11,861,814	14,119,579
Allocated during the year	**546,896**	**5,204,762**	**5,751,658**	553,382	6,576,223	7,129,605
Transferred during the year	**(344,286)**	**(4,053,117)**	**(4,397,403)**	(1,488,408)	(3,238,023)	(4,726,431)
Forfeited during the year	**–**	**(1,177,848)**	**(1,177,848)**	–	(201,393)	(201,393)
Expired during the year	**–**	**(21,000)**	**(21,000)**	–	(36,612)	(36,612)
Outstanding at 31 December	**1,525,349**	**14,914,806**	**16,440,155**	1,322,739	14,962,009	16,284,748

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2010 was 15 months (2009: 17 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 259.20p (2009: 210.25p) and the contractual life of all conditional allocations was three years.

Under the PSP, the vesting of one third of the shares allocated conditionally depends upon Total Shareholder Return (a market performance condition) over the vesting period 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 to 25%.

Total expenses of £7m were recognised in the income statement in the year (2009: £7m) 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 2010 £m	Joint ventures 2009 £m	**Associates 2010 £m**	Associates 2009 £m
Transactions				
Revenue	**11**	9	**–**	–
Balances				
Amounts due to related parties				
Creditors	**–**	–	**2**	1
Amounts due from related parties				
Debtors	**5**	4	**2**	1

Revenue includes fees of £8m (2009: £7m) charged to Bridgend Custodial Services Ltd and fees of £3m (2009: £3m) 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.

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 G4S plc. The significant transactions with these entities are:

	2010 Services/sales to £m	2009 Services/sales to £m
White Horse Education Partnership Limited	**2**	2
Integrated Accommodation Services plc	**45**	41
Fazakerley Prison Services Limited	**30**	28
Onley Prison Services Limited	**12**	13
ECD Cookham Wood Limited	**–**	6
ECD Onley Limited	**10**	11
Stratus Integrated Services Limited	**7**	7
UK Court Services (Manchester) Limited	**2**	2
East London Lift Company Limited	**1**	1
Health Improvement Partnership (Wolverhampton City & Walsall) Ltd	**–**	1
Brent, Harrow & Hillingdon LIFT Company Ltd	**1**	1
Bexley, Bromley & Greenwich LIFT Company Ltd	**1**	–
Total	**111**	113

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 £2m at 31 December 2010 (2009: £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 62 to 66.

	2010 £	2009 £
Short-term employee benefits	**7,730,354**	5,721,186
Post-employment benefits	**692,188**	504,608
Other long-term benefits	**39,505**	28,631
Share-based payment	**3,291,345**	2,488,363
Total	**11,753,392**	8,742,788

44 Events after the balance sheet date

No significant post-balance sheet events have affected the group since 31 December 2010.

Notes to the consolidated financial statements continued

45 Significant investments

The companies listed below are those which were part of the group at 31 December 2010 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. A comprehensive list of all subsidiaries will be disclosed as an appendix to the group's annual return.

The principal activities of the companies listed below are indicated according to the following key:

Secure solutions	S
Cash solutions	C

These businesses operate principally in the country in which they are incorporated.

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
G4S Soluciones de Seguridad S.A.	S	Argentina	75%
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 Solutions (Belgium) SA/NV	C	Belgium	100%
Instalarme Indústria e Comércio Ltda	S	Brazil	100%
G4S Cash Solutions (Canada) Limited	C	Canada	100%
G4S Secure Solutions (Canada) Limited	S	Canada	100%
G4S Secure Solutions Colombia S.A.	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 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	49%
G4S Cash Solutions (Ireland) Limited	C	Ireland	100%
G4S Secure Solutions (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, 5]	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
Group 4 Securicor Beheer BV	S	Netherlands	100%
G4S Security Services AS	S+C	Norway	100%
G4S Cash Solutions SRL	C	Romania	100%
al Majal Service Master Co. Limited[5]	S	Saudi Arabia	49%
G4S Secure Solutions (SA) (Pty) Limited	S	South Africa	74%
G4S Cash Solutions (Sverige) AB	C	Sweden	100%
G4S Security Solutions AB	S	Sweden	100%
G4S Technology LLC (formerly Adesta LLC)	S	USA	100%
ArmorGroup North America, Inc.	S	USA	100%
G4S Youth Services LLC	S	USA	100%
RONCO Consulting Corporation	S	USA	100%
G4S Secure Solutions (USA) Inc.	S	USA	100%
Wackenhut Services, Inc.	S	USA	100%
WSI-All Star Facility, LLC	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 and other contractual arrangements, the group has the power to govern the financial and operating policies, so as to obtain the benefits from the activities of these companies. These are therefore consolidated as full subsidiaries.

Parent company balance sheet

At 31 December 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Tangible assets	(b)	**12**	10
Investments	(c)	**2,548**	3,141
		2,560	3,151
Current assets			
Debtors	(d)	**2,067**	2,615
Cash at bank and in hand		**19**	12
		2,086	2,627
Creditors – amounts falling due within one year			
Bank overdraft (unsecured)		**(198)**	(118)
Borrowings (unsecured)	(e)	**(80)**	(91)
Other creditors	(f)	**(1,634)**	(3,215)
		(1,912)	(3,424)
Net current assets/(liabilities)		**174**	(797)
Total assets less current liabilities		**2,734**	2,354
Creditors – amounts falling due after more than one year			
Borrowings (unsecured)	(e)	**(1,690)**	(1,588)
Other creditors	(f)	**(6)**	(7)
		(1,696)	(1,595)
Provisions for liabilities and charges	(i)	**(1)**	(1)
Net assets		**1,037**	758
Capital and reserves			
Called up share capital	37	**353**	353
Share premium and reserves	(j)	**684**	405
Equity shareholders' funds		**1,037**	758

The parent company financial statements were approved by the board of directors and authorised for issue on 14 March 2011.

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 2010

	2010 £m	2009 £m
Retained profit for the year	**382**	128
Changes in fair value of hedging derivatives	**5**	6
Shares issued	**–**	3
Dividends declared	**(103)**	(94)
Own shares purchased	**(10)**	(10)
Equity-settled transactions	**7**	7
Tax on equity movements	**(2)**	(2)
Net increase in shareholders' funds	**279**	38
Opening equity shareholders' funds	**758**	720
Closing equity shareholders' funds	**1,037**	758

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 under the going concern basis.

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.

The presentation of the parent company financial statements has been changed to round results to the nearest £1m whereas previously they were rounded to the nearest £0.1m. This change has required the 2009 figures to be restated and as a result there are some immaterial inconsistencies between the restated rounded 2009 figures in the 2010 accounts compared to the same figures disclosed to the nearest £0.1m in the 2009 accounts. In addition there may be immaterial rounding inconsistencies between the notes to the accounts and the primary statements for the 2009 figures.

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.

Dividends

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders in general meeting.

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.

Notes to the parent company financial statements continued

(b) Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2010	3	10	13
Additions at cost	–	3	3
Disposals at cost	–	(1)	(1)
At 31 December 2010	3	12	15
Depreciation			
At 1 January 2010	(1)	(2)	(3)
Charge for the year	–	(1)	(1)
On disposals	–	1	1
At 31 December 2010	(1)	(2)	(3)
Net book value			
At 31 December 2010	**2**	**10**	**12**
At 31 December 2009	2	8	10

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 2010	3,141
Additions	4
Impairments	(595)
Disposals	(2)
At 31 December 2010	**2,548**

The impairment within the carrying value of investments in the year is primarily due to a reduction in the net asset value of certain subsidiary undertakings. The impairment has been offset by dividend income received from these subsidiary undertakings making the overall impact to the profit and loss account £nil. Details of significant investments held by the parent company and the group are set out in note 45 to the consolidated financial statements.

(d) Debtors

	2010 £m	2009 £m
Amounts owed by group undertakings	**1,932**	2,490
Other debtors	**36**	53
Prepayments and accrued income	**3**	2
Derivative financial instruments at fair value	**96**	70
Total debtors	**2,067**	2,615

Included within derivative financial instruments at fair value is £85m due after more than one year (2009: £58m). See note (g) for further details.

Included in other debtors is £4m (2009: £7m) with regard to deferred tax comprised as follows:

	2010 £m	2009 £m
Accelerated capital allowances	**(1)**	-
Employee benefits	**2**	2
Changes in fair value of hedging derivatives	**3**	5
Total deferred tax	**4**	7

(d) Debtors continued

The reconciliation of deferred tax balances is as follows:

	Total £m
At 1 January 2010	7
Charged to profit and loss	(1)
Charged to equity in relation to changes in fair value of hedging derivatives	(2)
At 31 December 2010	4

(e) Borrowings (unsecured)

The unsecured borrowings are in the following currencies:

	2010 £m	2009 £m
Sterling	**651**	507
Euro	**252**	306
US dollar	**867**	866
Total unsecured borrowings	**1,770**	1,679

The payment profile of the unsecured borrowings is as follows:

	2010 £m	2009 £m
Repayable within one year	**80**	91
Repayable within two to five years	**750**	584
Repayable after five years	**940**	1,004
Total unsecured borrowings	**1,770**	1,679

Undrawn committed facilities mature as follows:

	2010 £m	2009 £m
Within two to five years	**552**	615
Total undrawn committed facilities	**552**	615

Borrowings consist of £617m of floating rate bank loans (2009: £562m) and £1,153m of fixed rate loan notes (2009: £1,117m). 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 (£169m) of the loan notes issued in July 2008 have a fair value market gain of £39m (2009: £30m). 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

	2010 £m	2009 £m
Amounts falling due within one year:		
Trade creditors	**4**	3
Amounts owed to group undertakings	**1,574**	3,156
Other taxation and social security costs	**2**	2
Other creditors	**5**	4
Accruals and deferred income	**39**	38
Derivative financial instruments at fair value	**10**	12
Total creditors – amounts falling due within one year	**1,634**	3,215
Amounts falling due after more than one year:		
Derivative financial instruments at fair value	**6**	7

Notes to the parent company financial statements continued

(g) Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m
Cross currency swaps designated as cash flow hedges	39	30	–	–
Interest rate swaps designated as cash flow hedges	–	–	13	19
Interest rate swaps designated as fair value hedges	55	40	–	–
Commodity swaps	2	–	3	–
	96	70	16	19
Amounts falling due after more than one year	(85)	(58)	(6)	(7)
Amounts falling due within one year	11	12	10	12

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 increased by £29m (2009: decrease £78m) during the year.

The interest rate, cross currency and commodity swaps have the following maturities:

	Assets 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m
Within one year	1	–	4	3
In the second year	1	–	8	6
In the third year	10	–	3	8
In the fourth year	–	7	1	2
In the fifth year or greater	29	23	–	–
Total carrying value	41	30	16	19

Projected settlement of cash flows (including accrued interest) associated with derivatives:

	Assets 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m
Within one year	1	1	12	13
In the second year	1	–	6	6
In the third year	9	–	1	2
In the fourth year	–	8	–	–
In the fifth year or greater	32	21	–	–
Total cash flows	43	30	19	21

(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 programme 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 £134m 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 2010 the nominal value of such contracts was £134m (in respect of US dollar) (2009: £170m) and £167m (in respect of euro) (2009: £218m), their weighted average interest rate was 5% (US dollar) (2009: 5.0%) and 3.7% (euro) (2009: 3.7 %), and their weighted average period to maturity was one and a half 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.

(h) Financial risk continued

Interest rate risk and interest rate swaps continued

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 and on the GBP Public Bond issued in May 2009 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 2010 the largest two counterparty exposures related to treasury transactions were £37m and £21m and both were held with institutions with long-term Moody's credit ratings of Aa3. These exposures represent 39% (2009: 40%) and 21% (2009: 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 2010.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an 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 and at 31 December 2010	**1**

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 2010	258	159	(12)	405
Retained profit	–	382	–	382
Changes in fair value of hedging derivatives	–	5	–	5
Dividends declared	–	(103)	–	(103)
Own shares purchased	–	–	(10)	(10)
Own shares awarded	–	(10)	10	–
Equity-settled transactions	–	7	–	7
Tax on equity movements	–	(2)	–	(2)
At 31 December 2010	**258**	**438**	**(12)**	**684**

Notes to the parent company financial statements continued

(k) Operating lease commitments

At the balance sheet date, the company had annual commitments under non-cancellable operating leases, which expire as follows:

	2010 £m	2009 £m
In the second to fifth years inclusive	1	1
After more than five years	1	1
Total operating lease commitments	2	2

(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

	2010 Number	2009 Number
The average monthly number of employees of the company during the year was:	319	314

Total staff costs, including directors' emoluments, were as follows:

	2010 £m	2009 £m
Wages and salaries	41	37
Social security costs	4	3
Pension costs	2	2
Total staff costs	47	42

(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.

There were no material transactions with non-wholly owned group undertakings in 2010 (2009: £36m loan repayment from G4S Security Services (SA) (Pty) Limited).

(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 2010 guarantees totalling £421m (2009: £387m) 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 2010 totalled £14m (2009: £12m).

(q) Post Balance Sheet Events

In January 2011, certain investments, assets and liabilities and personnel were transferred from G4S plc to G4S Corporate Services Limited, a wholly-owned subsidiary of G4S plc. Consideration to date has been settled in cash by G4S Corporate Services Limited, funded through a share capital injection and intercompany loan from G4S plc. These transactions form part of a wider reorganisation of the UK holding company legal structure which will be completed in 2011. G4S plc has made a gain to date of approximately £1,100m, however, the full financial effect of the transactions is not yet known.

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 Thursday, 19 May 2011 at 2.00pm in order to consider and, if thought fit, to pass the following Resolutions:

Resolutions 1 to 15 and Resolution 18 will be proposed as ordinary resolutions. Resolutions 16, 17, 19 and 20 will be proposed as special resolutions.

1. To receive the financial statements of the company for the year ended 31 December 2010 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 2010.
3. To confirm and declare dividends.
4. To elect Clare Spottiswoode (member of the Remuneration Committee) as a director.
5. To elect Winnie Kin Wah Fok (member of the Audit Committee) as a director.
6. To re-elect Alf Duch-Pedersen (member of the Nomination Committee) as a director.
7. To re-elect Lord Condon (member of the Audit, Nomination and Remuneration Committees) as a director.
8. To re-elect Nick Buckles as a director.
9. To re-elect Trevor Dighton as a director.
10. To re-elect Grahame Gibson as a director.
11. To re-elect Mark Elliott (member of the Nomination and Remuneration Committees) as a director.
12. To re-elect Bo Lerenius (member of the Audit and Remuneration Committees) as a director.
13. To re-elect Mark Seligman (member of the Audit and Remuneration Committees) as a director.
14. 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.
15. 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 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 £117,550,000; and

    (ii) comprising equity securities (as defined in section 560 of the Act) up to a further aggregate nominal amount of £117,550,000 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 shares to be allotted after such expiry and the directors shall be entitled to allot shares pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities granted previously to the directors to allot shares under section 551 of the 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 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).
16. That the directors be and are hereby empowered, pursuant to section 570 of the Act, subject to the passing of Resolution 15 above, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 15 above as if section 561 of the 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 15 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 15(i) above up to a maximum nominal amount of £17,632,000;

    and shall expire on the expiry of the general authority conferred by Resolution 15 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 570 of the Act shall cease to have effect at the conclusion of this Annual General Meeting.

Notice of Annual General Meeting continued

17. That the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the 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 141,060,000;

 (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 2012 (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).

18. That in accordance with sections 366 and 367 of the Act, the company and all companies which are subsidiaries of the company during the period when this Resolution 18 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 Act) during the period beginning with the date of the passing of this resolution and ending on 18 November 2012 or, if sooner, at the conclusion of the Annual General Meeting of the company to be held next year 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.

19. That, with immediate effect, the company's Articles of Association be amended by deleting the words "an annual sum of £750,000" in Article 92(1) relating to the aggregate annual limit on the fees payable to directors who do not hold executive office and replacing them with the words "an annual sum of £1,000,000".

20. 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
23 March 2011

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 Annual General 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 17 May 2011.

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 Act 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 these paragraphs 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 17 May 2011 (or, in the event of any adjournment at 5.30pm, 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 or adjourned meeting.

7. As at 22 March 2011 (being the latest practicable date prior to the publication of this Notice) the company's issued share capital consisted of 1,410,618,639 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 22 March 2011 was 1,410,618,639.
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 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 17 May 2011. 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 message. 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 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 Act 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 Act. 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 Act. Where the company is required to place a statement on a website under section 527 of the Act, 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 Act 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 Act, can be found at www.g4s.com
16. Any electronic address or website 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 19 May 2011

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 Election and re-election of directors (Resolutions 4 to 13)

The company's articles of association require that directors retire and stand for election at the next AGM of the company following their appointment by the board. Ms Spottiswoode and Ms Fok are therefore standing for election on this basis. Other board members are required to retire and submit themselves for re-election every three years and at least one-third of the board is also required to stand for re-election. The board has however decided that it will adopt the practice required by the UK Corporate Governance Code (which has replaced the Combined Code on Corporate Governance) whereby all members of the board of directors of FTSE 350 companies will offer themselves for election by the company's members annually. Accordingly, in keeping with the board's aim of following best corporate governance practice, all the continuing directors are standing for election or re-election by the shareholders at this year's AGM.

2 Authority to allot shares (Resolution 15)

Resolution 15 seeks shareholder approval for the directors to be authorised to allot shares.

At the last AGM of the company held on 28 May 2010, the directors were given authority to allot ordinary shares in the capital of the company up to a maximum nominal amount of £235,080,000 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 470,160,000 shares (representing approximately 33% of the company's then issued ordinary share capital) could only be allotted pursuant to a rights issue.

Resolution 15 will, if passed, renew this authority to allot on the same terms as last year's resolution (save that the number of shares in question has increased slightly). 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 £235,100,000 representing approximately 66% of the company's issued ordinary share capital as at 22 March 2011 (the latest practicable date prior to publication of the Notice of Annual General Meeting). Of this amount, 470,200,000 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 2012.

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. As at 22 March 2011, options exist over only 50,000 shares. The directors do not have any other present intention of exercising this authority. In accordance with best practice, if the directors were to exercise this authority so as to allot shares representing more than one-third of the current capital of the company, they would all offer themselves for re-election at the following AGM, although, as noted in 1. above, it is the directors' current intention to stand for election annually in any event.

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 5,029,315 shares held within the G4S Employee Benefit Trust and referred to on page 110 (note 37 to the consolidated financial statements) are accounted for as treasury shares.

3 Disapplication of statutory pre-emption rights (Resolution 16)

Resolution 16 seeks shareholder approval to give the directors authority to allot shares in the capital of the company pursuant to the authority granted under Resolution 15 for cash without complying with the pre-emption rights in the Act in certain circumstances. This authority will permit the directors to allot:

(a) shares up to a nominal amount of £235,100,000 (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 £117,550,000 (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 £17,632,000, representing approximately 5% of the issued ordinary share capital of the company as at 22 March 2011 (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 15, the terms of Resolution 16 are the same as last year's resolution (save that the number of shares in question has increased slightly).

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.

4 Purchase of own shares (Resolution 17)

Resolution 17 seeks to renew the company's authority to buy back its own ordinary shares in the market as permitted by the Act. The authority limits the number of shares that could be purchased to a maximum of 141,060,000 (representing a little less than 10% of the company's issued ordinary share capital as at 22 March 2011 (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 2012.

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 22 March 2011 (the latest practicable date prior to the publication of the Notice of Annual General Meeting), there were options over 50,000 ordinary shares in the capital of the company representing 0.0036% of the company's issued ordinary share capital. If the authority to purchase the company's ordinary shares was exercised in full, these warrants and options would represent 0.0039% of the company's issued ordinary share capital.

5 Political donations (Resolution 18)

Resolution 18 is designed to deal with the rules on political donations contained in the 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 18, which is the same as the resolution on this subject which was passed at the company's AGM held on 28 May 2010. This will allow the company to continue 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 Act, Resolution 18 also covers political donations made, or political expenditure incurred, by any subsidiaries of the company.

6 Amendment to Article 92 (Resolution 19)

Institutional guidelines state that a company's articles of association should impose a fixed limit on the level of directors' fees, either individually or in aggregate. Article 92(1) of the company's Articles of Association currently provides for an annual aggregate limit of £750,000.

Resolution 19 is a resolution to replace the current limit in Article 92(1) of the company's Articles of Association with an annual aggregate limit of £1,000,000. The proposed aggregate limit has been calculated by reference to the current number of directors of the company, fees currently paid for the provision of the chairman's services and the potential to appoint additional non-executive directors to the board. Under the company's Articles of Association, the fees to be paid to directors in respect of the office of director (such fees are distinct from any remuneration which may be paid to directors in respect of executive employment or other special services to the company) are to be determined by the directors and the proposed amendment should provide the directors with additional flexibility in appointing additional board members if this is seen as desirable and in setting levels of remuneration.

7 Period of notice for calling general meetings (Resolution 20)

Resolution 20 is a resolution to allow the company to hold general meetings (other than AGMs) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 on 3 August 2009, the minimum notice period permitted by the Act for general meetings (other than AGMs) was 14 days. One of the amendments made to the 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.

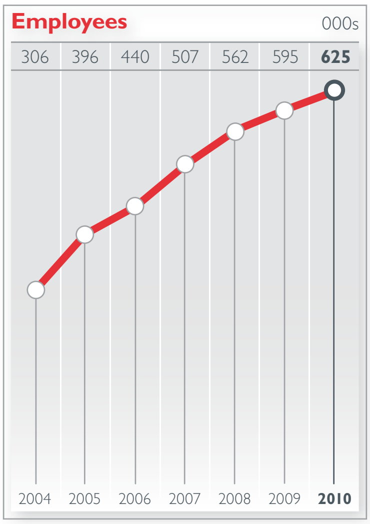
The board is therefore proposing Resolution 20 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the company other than AGMs. The approval will be effective until the company's next AGM, when it is intended that the approval be renewed. The board will 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.

Overview
Business review
Governance
Financial statements
Shareholder information

Group financial record

Employees

With 625,000 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.

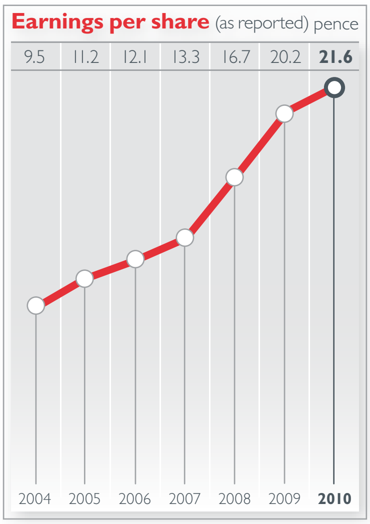


+5%
in employee numbers in 2010

22%
Annualised labour turnover rate; down from 27% in 2009

Earnings per share

Since 2004, G4S has generated average adjusted earnings per share growth of 15% on a compounded basis.

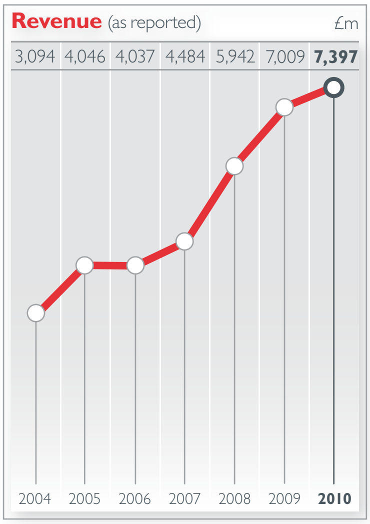


+7%
EPS in 2010

+15%
EPS CAGR* from 2004 to 2010

Revenue

G4S revenues have grown by an average of 16% since 2004. 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.



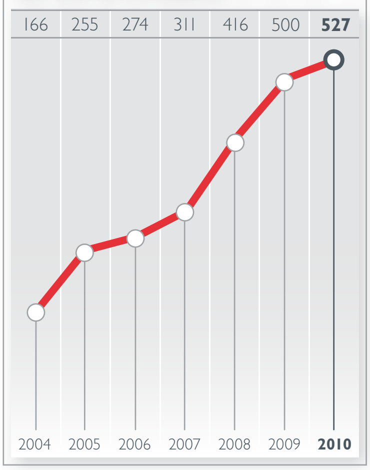
+4%
Revenues in 2010

+16%
Revenue CAGR* from 2004 to 2010

Profit

Operating profit, defined as profit before interest, tax and amortisation, has grown by an average of 21% since 2004. 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.

Profit before interest, tax and amortisation (as reported) £m



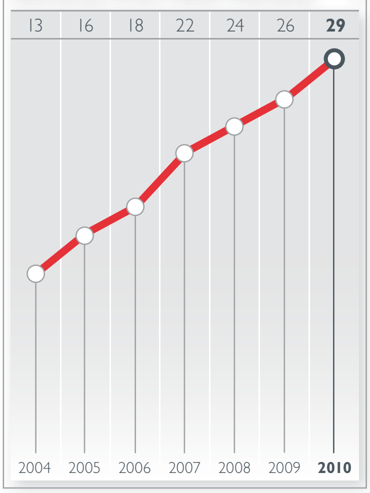
+5%
PBITA in 2010

+21%
PBITA CAGR* from 2004 to 2010

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.

Revenue from New Markets %



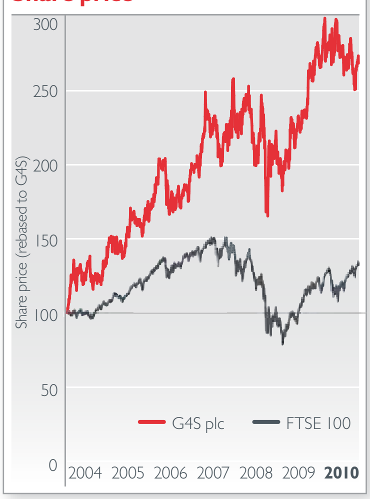
+9%
Revenue from New Markets in 2010

+28%
Revenue from New Markets CAGR* from 2004 to 2010

Share price

From 2004 to the end of 2010, the G4S share price has increased 107% outperforming the FTSE 100 by 71% (see page 64 for its comparative TSR performance against that of the FTSE 100 and our bespoke peer group).

Share price



+107%
G4S share price since 2004

+14%
G4S share price CAGR* from 2004 to 2010

* CAGR is compound average growth rate.

Overview
Business review
Governance
Financial statements
Shareholder information

Financial calendar and corporate addresses

For the year ended 31 December 2010

Results announcements

Half-year results – August
Final results – March

Dividend payment

Interim paid – 15 October 2010
Final payable – 3 June 2011 (6 June 2011 for Denmark)

Annual General Meeting

19 May 2011

Registered office

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN
Telephone +44 (0) 1293 554 400

Registered number

4992207

Registrars and transfer office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Telephone: within the UK 0871 664 0300 (calls cost 10p per minute plus network extras); from outside the UK +44 20 8639 3399
Fax: +44 (0) 1484 600 911
Email: ssd@capitaregistrars.com

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.

Auditor

KPMG Audit Plc
15 Canada Square
London E14 5GL

Stockbrokers

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB

RBS Hoare Govett
135 Bishopsgate
London EC2M 3UR

Financial advisors

Greenhill & Co. International LLP
Lansdowne House
57 Berkeley Square
London W1J 6ER

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB

G4S website

www.g4s.com

G4S plc
The Manor
Manor Royal
Crawley
West Sussex
RH10 9UN

Telephone: +44 (0)1293 554 400
Email: investor@g4s.com

Registered in England No: 4992207

View our online report at:
http://reports.g4s.com/2010

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C022913

This report is printed on Cocoon silk 100 which is FSC® certified and contains 100% recycled waste. Vegetable-based inks were used throughout and 99% of the dry waste and 95% of the cleaning solvents associated with this production were recycled. The printer is a CarbonNeutral® company, has ISO14001 and is registered to EMAS, the Eco Management and Audit Scheme.

Design and production:
Radley Yeldar | www.ry.com