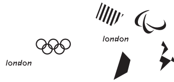
Securing Your World



G4S is the world's leading international security solutions group

With operations in more than 125 countries and 657,000 employees, we specialise in outsourced business processes and facilities in sectors where security and safety risks are considered a strategic threat.

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Overview
Performance overview

How we have grown this year

Performance highlights

- Group turnover up 4.7%* to £7.5 billion
- Organic turnover growth of 4.5%*
- PBITA up by 2.1%* to £531 million
- Operating cash ow** of £449 million, 85% of PBITA
- Adjusted earnings per share up 6%* to 22.8p
- Recommended total dividend per share up 8% to 8.53p

*At constant (2011) exchange rates.
**As de ned by management see p39.

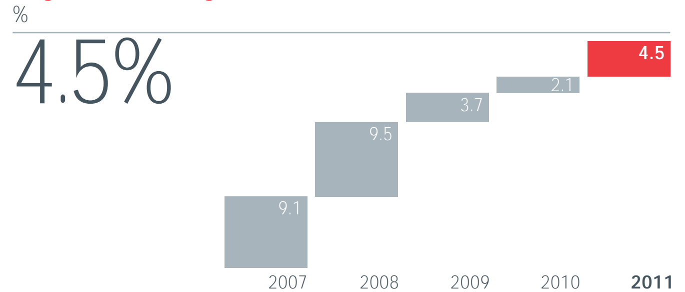
Group KPIs

Group KPIs are organic growth, cash conversion and PBITA margin.

For a full description of group and business division KPIs please see page 27

Organic turnover growth
%

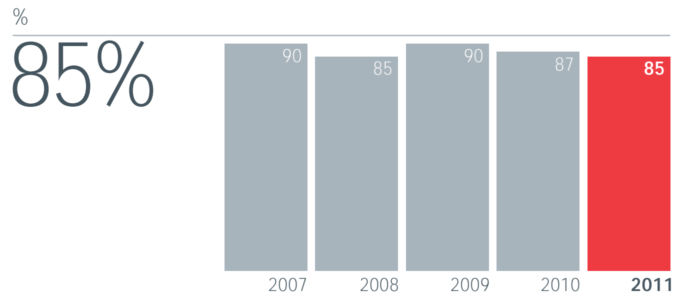
4.5%



G4S revenues grew 4.5% organically in 2011, helped by strong growth across most regions, particularly in developing markets.

Cash conversion
%

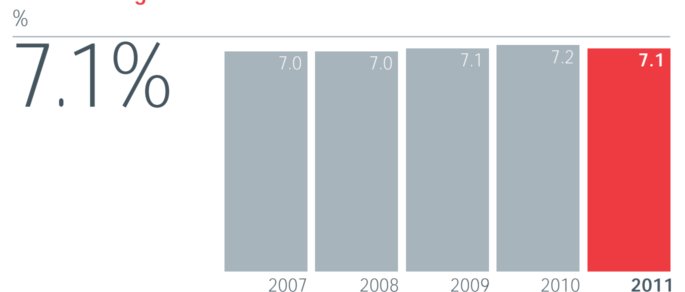
85%



Through continued focus on working capital, G4S achieved its cash conversion target of 85% of PBITA in 2011.

PBITA margin
%

7.1%



The operating margin for secure solutions (83% of revenues) was maintained at 7%, whilst the cash solutions margin was lower at 10.5%, causing the overall margin to be down slightly to 7.1%.

Overview
Business overview

Who we are and what we do

Our business

G4S is the world's leading provider of security solutions, specialising in outsourced business processes and facilities in sectors where security and safety risks are considered a strategic threat, with expertise in the assessment and management of security and safety risks for buildings, infrastructure, materials, valuables and people.

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 largest employer on the London Stock Exchange, with operations in more than 125 countries and over 657,000 employees.

£7.5bn
Group turnover in 2011
(2010: £7.2bn*)

£531m
Group PBITA in 2011
(2010: £520m*)

657,000
Employees
(2010: 625,000)

30%
Revenues from developing markets
(2010: 28%)

*At constant exchange rates.

Our segments

We have two operating segments: secure solutions and cash solutions.

Secure solutions

Non-government
Integrated security solutions for commercial organisations in areas such as risk consulting, manned security and security systems.

Government
A range of services including protection of critical national infrastructure, care and justice services, integrated facilities services and border protection.

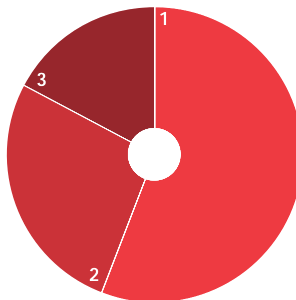
Find out more see page 28

Cash solutions

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

Find out more see page 34

Turnover by segment 2011
%



1 Secure solutions – non-government	56%
2 Secure solutions – government	27%
3 Cash solutions	17%

Where we do it

Our key sectors and customers

G4S has a broad customer and geographic base, with thousands of customers ranging from small local companies to governments and global corporations.

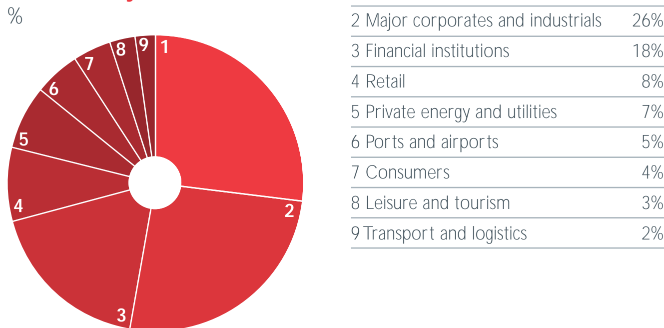
We develop long-term strategic partnerships with customers in sectors where we can help them deliver their own business objectives – either increasing their revenues, reducing costs, managing risks and protecting critical assets or improving their service delivery.

We do this by understanding the environments in which our customers operate, the pressures they face and what matters to them. By applying our knowledge and expertise derived from delivering security solutions across diverse regulatory environments, we turn our customers' security challenges into opportunities.

The nature and duration of G4S's contracts vary, from high-pro le annual contracts for securing sporting or entertainment events to 25-year government contracts for the construction and management of prisons. In practice, many of G4S's customer relationships are long-term and result in contracts being renewed regularly, resulting in high customer retention rates that are above 90% averaged across the group annually.

Find out more see pages 28 and 34

Turnover by sector 2011
%



Sector	%
1 Government	27%
2 Major corporates and industrials	26%
3 Financial institutions	18%
4 Retail	8%
5 Private energy and utilities	7%
6 Ports and airports	5%
7 Consumers	4%
8 Leisure and tourism	3%
9 Transport and logistics	2%

Our broad geographic reach

G4S has a unique global footprint with operations in over 125 countries, including a strong presence in higher growth developing markets.

Find out more see page 12

Turnover by region 2011
%

Region	%
1 Europe[1]	47%
2 Developing markets[2]	30%
3 North America[3]	23%

1 UK, Ireland and Continental Europe.
2 Middle East and Gulf States, Latin America and the Caribbean, Africa, South Asia and Asia Paci c.
3 United States and Canada.

A description of business performance by region during 2011 can be found on pages 28 to 37

Overview
Business overview

How we do it

Our vision

Our vision 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 G4S and long-term value for shareholders.

Our strategy

Our strategy for enhanced growth consists of the following key components.

See pages 14 to 23 for a more detailed description of each:

1. Drive outsourcing in key markets
2. Focus on sectors where security is a key consideration
3. Develop long-term partnerships with customers
4. Transfer skills developed in more mature markets into key developing markets
5. Acquire businesses to drive further growth potential

Our role in society

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.

Furthermore, managing our relationships with customers, employees and communities, and mitigating our impact on the environment is fundamental to our strategy because it reinforces employee loyalty and helps us attract new employees. It helps us secure new customers and retain existing ones. Investors expect high standards of ethics and responsible business practices.

Our values

We are proud of our distinctive culture and strong values that are cascaded through the organisation. These values guide how we conduct our business and help to develop positive relationships with all stakeholders

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

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 and to create long-term sustainability

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

Integrity
We can always be trusted to do the right thing

Teamwork and collaboration
We collaborate for the benefit of G4S as a whole

Find out more about our values and approach to Corporate Social Responsibility on pages 44 to 48 and in the G4S 2011 CSR report

Our business characteristics

Our key strengths

Integrated security solutions
G4S is able to design and manage security solutions that bring together its capabilities in project management, risk consultancy, secure facilities services, physical security, intelligent systems and high quality security-trained personnel to address the security challenges faced by a broad range of customers around the world.

Cash solutions expertise
Understanding and managing cash cycles is one of the group's core skills. Central banks, commercial banks and retailers outsource their cash management to G4S as the group has the capability and experience to drive substantial ef ciencies in the system, whilst achieving maximum return for its customers over the longer term.

Government partnerships
Government outsourcing is a strong, long-term source of growth as public sector spending remains under pressure and governments turn to the private sector to provide a number of outsourced services. Government contracts, which represented approximately 27% of group revenues for the year ended 31 December 2011, tend to be long-term strategic partnerships, with recurring revenues.

Strong developing markets presence
G4S's global presence, market share and experience of working in developing markets constitute key strengths. Relatively high levels of GDP growth in certain developing markets, increasing demand for security services and G4S's ability to export its experience from its operations in more developed markets drive positive revenue and margin development for the group in developing markets.

Solutions approach
Each individual area of the business is a driver of value for the group, however it is when they come together that they truly make a difference. Exporting G4S's government expertise to new countries, leveraging its cash solutions model across developing markets and using its global risk management and security capabilities to protect some of the world's best known brands across international markets, drive even greater value for the group.

For a more detailed description of our business model see pages 24 and 25

Our investment attributes

G4S creates shareholder value as a result of a number of core investment attributes:

Growth
- Organic revenue growth
- Developing markets exposure
- Major position in UK Government outsourcing
- A GDP ++ growth business
- Disciplined approach to acquisition spend

+

Resilience
- Well diversi ed business
- Defensive services
- Structural growth through the cycle
- High customer retention and visibility of earnings

+

Strong financial disciplines
- Operational ef ciency and margin expansion
- Free cash ow generation/cash conversion
- Disciplined and coherent M&A/progressive dividend policy

Growth
G4S has delivered strong organic growth since its creation in 2004, performing well above global GDP growth despite recent pressure on the economic environment. We are able to do this as a result of our signi cant and increasing exposure to higher growth developing markets and leading market positions in key growth markets such as the UK Government outsourcing sector, where growth is strong and expected to continue. Organic growth is supplemented by disciplined re-investment of free cash ow in acquisitions focused on extending our developing markets presence in key growth countries and adding capability to help address the needs of customers in growing sectors.

Resilience
Our business is well diversi ed across more than 125 countries and numerous customer sectors, with no over-reliance on any single area. Security is at the core of our service proposition and is one of the areas on which governments and commercial customers focus for cost-savings and reductions during economically challenging times, creating opportunities for outsourcing. We have a strong and growing number of long-term contracts coupled with excellent customer relationships and a customer service culture which result in strong customer retention rates and good earnings visibility.

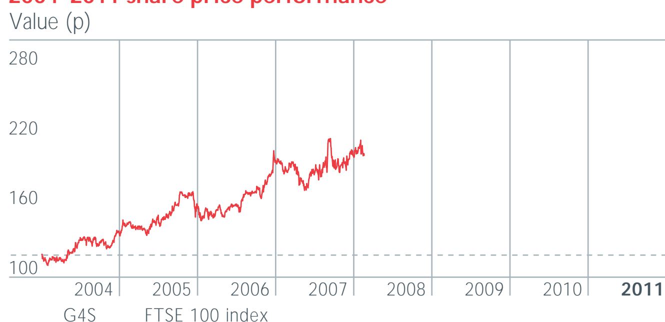
Strong financial disciplines
Our track record of delivery has been achieved within a framework of strong nancial discipline focusing on operational ef ciency to drive margin expansion and a continual focus on high levels of cash generation. We look to achieve an appropriate balance in our capital structure between investment in acquisitions and in shareholder returns through a progressive dividend policy.

These attributes, combined with the growing reputation of G4S as the world's leading security solutions provider, result in superior returns for our investors over the longer term.

Since the company's formation, we have delivered signi cant compound annual growth rates across a range of key nancial metrics, including 18% annual PBITA growth and 13% annual adjusted EPS growth.

Also since 2004, G4S has generated an average total shareholder return of 14% per year.

2004–2011 share price performance



In January I announced my intention to retire this year, so this will be my last chairman's statement. I am extremely proud to have had the opportunity to chair the board since 2006 and to have played a part in the company's development since its creation in 2004. I will of course be sad to be ending my long relationship with the group, but I also know that now is the right time to hand over the reins to a successor who will have an opportunity to chair a strong and vibrant board – which oversees an exciting and still-developing group.

Financial performance

The group's results in 2011 are commented on in great detail elsewhere in this report, so I will not repeat them here, other than to say that it is pleasing to be able to report a good performance in a year when the economic environment became ever tougher in many parts of the world. In these circumstances increased revenues and a signi cant increase in organic growth are signs of the resilience of the group's business model and the success of the group's strategy. The directors propose a nal dividend of 5.11p (DKK 0.4544) per share, payable on 15 June 2012. With an interim dividend of 3.42p (DKK 0.2928) per share paid on 14 October 2011, the total dividend for the year will amount to 8.53p (DKK 0.7472) per share. This represents an 8% increase on the total dividend for 2010 and re ects the board's con dence in the ability of the company to continue to perform strongly despite the dif cult macro-economic conditions.

The performance in 2011 means that since the company's formation, we have delivered signi cant compound annual growth rates across a range of key nancial metrics, including 18% annual PBITA growth and 13% annual adjusted EPS growth.

Proposed ISS acquisition

Our attempt to acquire ISS was undeniably one of the more signi cant events for the company and the board during the year. It involved a lengthy and detailed process and the board as a whole decided to proceed with the bid only after careful consideration, and following consultation with a number of our major shareholders, in the belief that it was in the best interests of the company and its shareholders. Too late in the process, it became clear that a signi cant proportion of our shareholders were either not willing or not able to support the transaction and the funding it required. That we were unable to obtain that feedback at an earlier stage is a matter of regret for me and the rest of the board. The ability of boards to have detailed dialogue with shareholders about such matters is something which requires further consideration and we are keen to promote a debate on this issue.

Integrated facilities services

Our withdrawal from the proposed acquisition of ISS does not mean however that we will simply forget about integrated facilities services. Where there is demand for such services, and where we can make good returns providing them, we will continue to look at ways to broaden our offering to meet our customers' needs.

Contracts

It is pleasing to be able to report that the group has won a number of very signi cant contracts in recent months. Again, the details are dealt with elsewhere in this report, but it is noticeable that some of our largest potential customers, especially in developed markets, see the value in outsourcing a range of solutions in which we have particular expertise. We believe this trend is likely to continue given the need for such customers to obtain the best value for money in what is likely to remain a testing economic climate.

The board

Last year I con rmed that it was the desire of the board to increase its gender diversity. This was partly in response to Lord Davies' report of course, but it has been part of our criteria for director selection for some time. Our intention is to ensure that the widest range of talents and experience is represented on the board so that the company is best equipped to meet all the challenges which it faces. There have been no changes to the membership of the board during the year, but my own departure during 2012 will mean at least one change is on the horizon and the Nomination Committee considers succession planning for all board roles on a regular basis. The current directors already represent a wide range of backgrounds, experiences, cultures and nationalities – and it is our intention that this should continue, whilst ensuring that we always recruit the best people.

The future

2012 is an Olympic year of course, and there will be much focus on the London 2012 Olympic and Paralympic Games, and on the services which the group will provide as part of the efforts to ensure the Games are safe and enjoyable for all involved. But there is more to the future than just this one, albeit very large, event. The group will continue to grow and evolve – but the heart of this development will always be serving the interests of our customers and looking after our employees. In this way we will also continue to act in the best interests of our shareholders.

Finally, I would like to thank my fellow board members, the employees of G4S and the company's shareholders for their invaluable support throughout my involvement with the group.

Alf Duch-Pedersen
Chairman

Strategic review
Chief Executive's interview

Looking ahead with con dence

In 2011, we achieved our seventh consecutive year of underlying revenue, PBITA and dividend growth. The key highlights of the year were the signi cant level of contract wins in developed markets in the second half of the year and the continued strong growth in developing markets.

We are con dent in the future and expect to continue our track record of growth whilst maintaining our discipline on margins and cash generation.

2011 Performance

How would you sum up 2011 in terms of trading performance?

It is clear that the economic environment continued to toughen during 2011, becoming increasingly challenging in the second and third quarters of the year. Despite this, we have continued to drive the business forward and have achieved our **seventh consecutive year of underlying revenue, PBITA and dividend growth**.

Group revenues were up by 4.7% on the prior year and **organic growth increased from 2.1% in 2010 to 4.5% in 2011**. There was **organic growth of 9% in developing markets**, which now make up 30% of the group's revenue.

Low interest rates continue to be the dominating factor in holding back the growth rates in our cash solutions businesses and we continue to focus on **keeping the cost base under control** so that we are able to maintain operating margins. In our **secure solutions businesses, we maintained our operating margins at around 7%** in 2011, despite the continuing economic challenges.

Of course, one of the biggest events of year was our **proposed acquisition of ISS**, the integrated facilities services company. We were disappointed not to have completed the transaction which would have transformed the global facilities services market for years to come.

What were the main highlights of the year?

The key highlight was the level of contract wins in developed markets in the second half of the year which made up for the disappointment of the loss of contracts for Detention & Escorting and Court Services in the UK in the rst half.

In the UK, we were successful in winning a substantial number of public sector contracts in areas such as welfare-to-work services for the Department for Work and Pensions and two major outsourced prisons – HMP Birmingham (transferred to G4S in October 2011) and HMP Oakwood (due to open in April 2012).

We were also successful in winning an outsourcing contract for Lincolnshire Police to provide a range of services from HR to nance, and from custody services to eet management, and a substantial contract for the Ministry of Justice to provide integrated facilities services to over 340 court, tribunal and administration buildings in the Midlands, Wales and the North of England.

In continental Europe, there were signi cant contract wins including the **Brussels airport** security contract which commenced in February 2011 and security for the **European Commission** building from April 2011. In **cash solutions, we experienced growth of more than 30% in Belgium** following a competitor exiting the market.

We won a large aviation security contract with the Canadian Air Transport Security Authority covering 20 Canadian airports in the Paci c region, including Vancouver International, which commenced in November 2011 and **began providing security solutions for a major motor vehicle manufacturer** at over 80 locations across the US, including their global headquarters in Detroit.

With these contract wins, we have **mobilised a number of large and complex contracts** with very good customer feedback and no major mishaps – **project management is a core skill of the group** and I am very grateful to those who have ensured that these mobilisations have gone smoothly.

At the same time, we have **ramped up our delivery of security for the London 2012 Olympic and Paralympic Games** as we have taken on increasing responsibility for the various Games-time venues and implemented a substantial recruitment, screening and training programme to ensure that we have the right level of resources and expertise to secure the Games in 2012.

Due to the contract wins and strong growth in developing markets, we have increased our global workforce from 625,000 in 2010 to over 657,000 in 2011.

What were the biggest challenges in 2011 and with the benefit of hindsight, what might you have done differently?

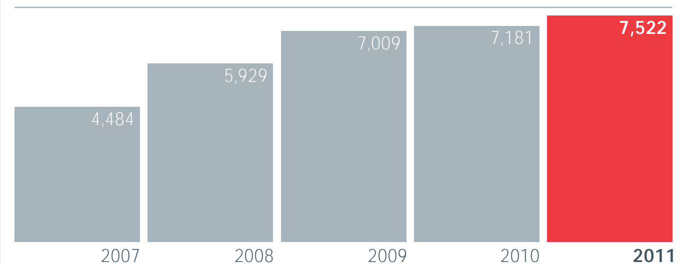
We would have **approached the proposed ISS acquisition differently** if we had the opportunity to go back in time. We genuinely believed that we had flagged our transformational acquisition options to the market, but it seems that our approach had not been received clearly. The growth of integrated facilities services, particularly in developing markets and some key developed markets led us to believe that the deal would be truly transformational, not just for G4S, but for the entire market, and would be welcomed by investors – particularly as the financial returns were so strong.

With hindsight, we under-estimated the severe impact of the recessionary market environment on sentiment, and investor appetite for large transactions. We stuck rigidly to the rules and best practice regarding communications on M&A, but it was difficult to clearly understand diverse investor views on the deal and it became clear that, with such a complex transaction, investors needed more that the usual 24–48 hours to consider its merits fully. We've learned some valuable lessons from the process and I think the market has too.

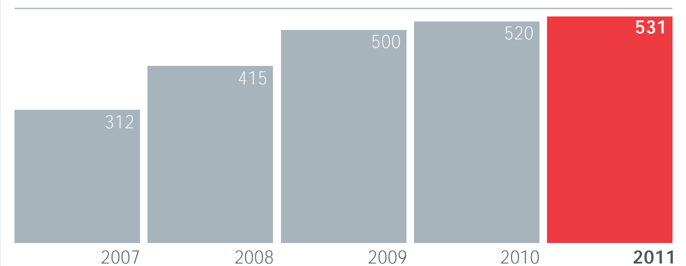
Elsewhere, whilst we have had strong performances across a range of businesses, there have been challenges along the way in 2011. **Managing debtors and collecting cash** from customers has continued to be a challenge – our teams across the businesses have done a great job to ensure that we reach our cash flow target, but it has been difficult – particularly in some specific areas such as the US Government, where the value of contracts is large and the potential size of the debt would have a big impact on our cash flow performance.

In cash solutions, low interest rates and tough economic conditions mean that **banks and retailers** in some cases are focused on resolving their own trading issues and business challenges and **not taking on new ideas and concepts** such as outsourcing. This will change in time, but it means we really have to focus on the long-term relationships with key customers in key sectors and not lose faith despite any recent short-term lack of progress.

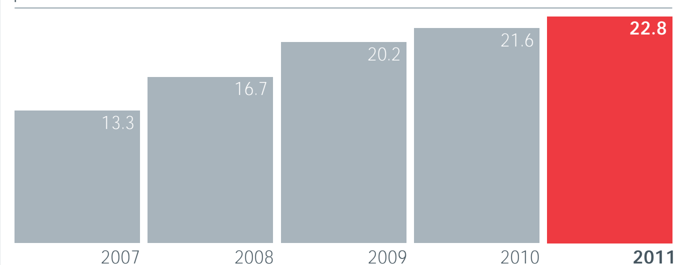
Turnover*
£m



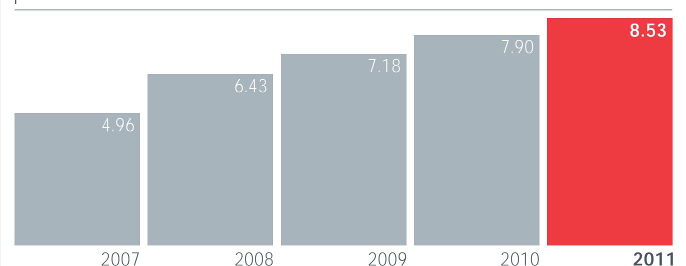
PBITA*
£m



Adjusted EPS*
pence



Dividend
pence



*2010 and 2011 at 2011 exchange rates and adjusted for divested and discontinued businesses. 2007-2009 as reported.

Strategic review
Chief Executive's statement continued

From the second half of 2011 onwards, the group has been active in mobilising a number of major new contracts around the world.

Mobilisation statistics

Contracts	Sites	People	From
Belgium cash solutions	An extra 19,000 services per month	220	January 2011
Brussels Airport	1	850	February 2011
HMP Birmingham, UK	1	550	October 2011
CATSA, Canada	20	1,400	November 2011
Ministry of Justice, UK	340	800	February 2012
Lincolnshire Police, UK	106	540	Summer 2012
Major motor manufacturer, USA	80	1,600	January 2012
HMP Oakwood, UK	1	450	April 2012

In speci c higher-risk countries such as Iraq and Afghanistan, we have seen challenges of a different kind. **In Iraq, the withdrawal of the US military** means that our operations have been reduced signi cantly. The revenue from this work will be replaced in the medium term with business in the oil and gas sector, but there is a short-term impact on our performance. **In Afghanistan, there is increasing negativity towards foreign companies** working in the country and an increasingly challenging environment for the welfare of our employees, so we have taken the decision to exit our business there.

Strategy

Is there going to be a change of strategy or focus in 2012?

Not at all – **security remains core to our global strategy** – it is the market which we know best and where we have proved we can deliver strong performances across a number of customer sectors.

We will **take advantage of trends for integrated facilities services** in countries where the market has already developed that way and the approach has been proven to be successful.

In **large new markets, we will look at ways to expand beyond security** where the market opportunity is great and where there is signi cant growth potential – for example in markets such as Brazil, India and China.

We will continue to focus on **bidding for larger contracts and outsourcing services** where we can take responsibility for an increasing range of outsourced services, have longer-term contracts where we can help customers to reduce risk, improve nancial performance, protect critical assets, improve customer service or protect reputations.

What does that mean in terms of acquisitions or divestments?

We will **consider acquiring facilities services businesses in the UK and US,** but will be **focusing the majority of our acquisition efforts in developing markets**, where we can either improve our market share or where an acquisition will start to drive outsourcing in key sectors. Developing markets currently account for 30% of group revenues and we expect this to grow to 50% in the longer term.

We will also be **more active on our divestment strategy**, particularly where a service line or business is not in line with the group's core strategy, where a business is unable to reach our internal margin targets under our ownership or where an alternative parent could add or drive more value from a business.

We expect to **spend around £200m** each year on acquisitions. We will also **keep transformational options under review** whilst continuing to assess shareholder appetite for such acquisitions.

Targets and challenges

How are you making sure the business is fit to handle the ongoing economic uncertainty?

We constantly **keep our structure and costs under review** and, at a group level, we have recently made some changes to our regional structure. Until the end of 2011, we had managed our larger, more complex cash solutions businesses under a separate structure to ensure that we could share best practice, develop new service lines, maximise efficiencies and ensure a common approach to security and safety. The cash solutions team did a great job in ensuring these standards were in place and we decided in the fourth quarter of last year that the time was right to **integrate the cash solutions businesses into our existing regional structure** and to remove the separate divisional structure.

This year we are **creating a number of global service excellence centres** to work with G4S country operations to focus on operational efficiency, service standards, development of technology to support service delivery, and share best practice across our main service lines – cash solutions, secure solutions and justice services.

We have a number of **procurement projects underway to ensure that we are getting value for money** from our key suppliers across the group and are continually reviewing the cost base at every level to ensure that we are operating as efficiently as possible.

What are the short-term priorities for 2012? Are you setting any specific goals?

There are a number of **significant contracts which we must mobilise in 2012** and we must maintain our track record of success in this area.

We have to keep the cost base under constant review and we will have an increased focus on managing debtors and generating cash – it was a challenge in 2011 so we need to make sure we remain focused on continuing to improve our cash flow performance into 2012.

We are aiming to **increase the proportion of our business coming from larger, more complex bids** where we have already demonstrated that we can be successful and deliver value for our customers.

Overall, we expect to continue our **seven-year trend of good organic growth, controlling margins, investing cash in quality acquisitions** which add value to the business and **targeting double digit EPS growth** each year.

How would you summarise the outlook for the group?

Despite ongoing economic uncertainty and some of our key resources being focused on the proposed ISS acquisition in 2011, the business has performed well and has **good trading momentum which we expect to continue**. With a large number of contracts being mobilised in the first half of the year, we would expect the operating margin to be lower in the first six months of the year compared to the same period in 2011, but to recover for the full year 2012.

We have had some significant contract wins in the last year which demonstrate the outsourcing model, particularly in the public sector in the UK, is delivering real benefit to the group. We **expect these outsourcing trends to continue and will focus on bidding and winning an increasing proportion of larger, more complex contracts**.

2012 will of course be **a year of mobilisation** across a broad range of complex contracts and delivery of the security for the London 2012 Olympic and Paralympic Games – we are very excited about the Games coming to the UK and will do everything we can to make sure they are safe and secure.

Integrated facilities services is growing faster than single service supply markets, but the security market is still growing well in its own right – this gives us confidence for the future and we **expect to continue our track record of growth, whilst continuing to maintain our discipline on margins and cash generation**.

Nick Buckles
Chief executive officer

Building on our leading position in the security market

The global security market

The "business to business" and "business to government" global security market is estimated to generate revenues of around £90bn per annum. As an integrated security provider, we are active in all types of security service and the market is split by i027(e)20(d)]TJ T* [(t)29(o)25( )25(g)28(e)17(n)24(e)1825(T30(25(m)26(0F4)25(t)15(h)24()25(p)24(r)12(o)3)2

UK and Africa

UK	£6,000m
South Africa	£3,000m
Ireland	£400m

Europe

Netherlands	£2,000m
Belgium	£700m
Finland	£450m

Americas

USA	£20,000m
Canada	£1,500m
Colombia	£750m

Asia Middle East

India	£650m
Saudi Arabia	£400m
Australia	£1,300m

50%
of the global security market is expected to be in developing markets by 2019

£2.2bn
of revenues were generated by G4S in developing markets in 2011

9%
organic growth was achieved in developing markets in 2011

How our business grows

Drivers of growth

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

See Divisional reviews on pages 30 and 36 for more detail

All Services

- Economic environment and GDP growth
- Competitive environment
- Regulation and regulatory environment
- Level of customer relationship
- Innovation or continuous improvement
- G4S reputation and track record
- Customer satisfaction and retention

Cash solutions

- Role and strategy of central banks
- Development phases of the cash cycle
- Increased appetite for outsourcing
- Product innovation
- Interest rates
- Crime

Secure solutions government

- Focus on security
- Propensity to outsource
- Budgetary pressures

Secure solutions non-government

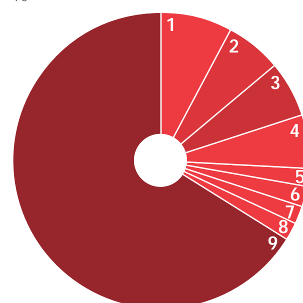
- Attitude to risk management
- Focus on high growth segments
- Growth of international accounts
- Increasing infrastructure investment in developing markets
- Ability to integrate manpower and technology
- Multi-service or service bundling in developing markets

Competitive environment

The global security industry consists of a number of highly competitive markets, particularly in the manned security sector where markets can be fragmented. At a local level, G4S competes with local companies for the provision of individual service lines. At a global level G4S has no direct peer with which it competes directly in all service lines across all geographies. Our closest peers are listed in the table below.

Company	Loomis	Securitas	Brink's	Serco	ISS	Mitie
Service lines	Cash solutions	Secure solutions	Cash solutions	Government outsourcing	Secure solutions	Secure solutions
Competing geographies	UK	UK Europe North America	Canada Far East Small no. in Europe	UK Australia	UK Southern Europe Asia	UK

Global market shares – 2010
%



1 G4S	8%
2 Securitas	6%
3 Tyco/ADT	6%
4 UTC/GE	6%
5 Prosegur	2%
6 Brink's	2%
7 Secom	2%
8 Serco Civil	2%
9 Others	66%

Outlook

Currently one of the most significant opportunities for outsourcing is in the UK, where the pipeline for further government outsourcing remains strong, particularly in areas such as prisons, police, health and the Department for Work and Pensions. In the longer term we believe there will be further opportunities to drive outsourcing in developing markets based on the expertise we have demonstrated in the UK and elsewhere.

Case study

Ministry of Justice, UK

In 2011, the Ministry of Justice consolidated a number of facilities services contracts into two regional contracts. G4S was awarded the contract to provide more than 150 maintenance, catering, cleaning, security and energy management services to over 340 court, tribunal and administration buildings across the Midlands, Wales and the North of England. G4S will employ around 800 staff to fulfil the contract, the majority of whom will be transferred from existing service providers.

The contract builds on the company's position as the UK's fastest growing facilities services provider. G4S's commitment to industry and professional standards, partnering and continuous improvement was a key factor in securing this new contract.

2

Focus on sectors where security is a key consideration

Nevada National Security Site

For nearly 50 years, G4S has provided security at the Nevada National Security Site (formerly known as the Nevada Test Site) which is at the heart of the United States' nuclear security efforts. The contract was recently renewed for a further three years followed by two, one-year renewal options. The G4S team will provide facility protection, risk management, patrol services, and protection of nuclear materials associated with the national stockpile and safety training at the 1,200 square-mile site.

Our objectives and strategy

For sectors such as government and critical national infrastructure, events, mining, oil and gas and nancial institutions, security is a strategic priority and G4S is able to design and manage bespoke security solutions for customers in these sectors. G4S brings together its capabilities in project management, risk consultancy, secure facilities management, physical security, intelligent systems and high quality security-trained personnel to address the security challenges faced by customers around the world. We aim to be recognised as the world's leading security expert through:

- Demonstrating a differentiated offering via a broad range of security capabilities
- Identifying or acquiring key sector expertise within the G4S organisation
- Sharing best practice and knowledge across the group

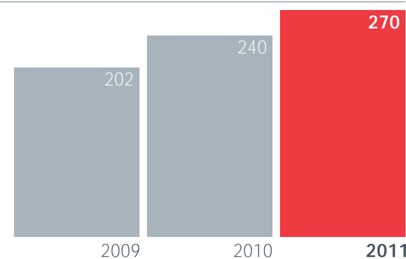
Our approach and progress

Focusing on key sectors

In recent years, G4S has added capability in sectors such as oil and gas and mining through the appointment of business development executives with relevant sector experience.

Revenue – Aviation sector
£m

CAGR
+16%
2009-2011



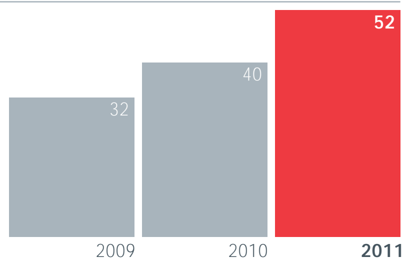
2011: Includes the CATSA aviation contract in Canada.

In addition, G4S has significantly expanded its expertise and revenues in areas such as aviation, port security (through the acquisition of Adesta in 2009), events (through the acquisition of Rock Steady in 2008) and nuclear power security (through the acquisition of NSSC in 2009). This has helped drive organic growth very strongly across these sectors as can be seen on the charts below for a selection of sectors.

Further detail on the sector growth drivers can be found in the divisional review on page 30

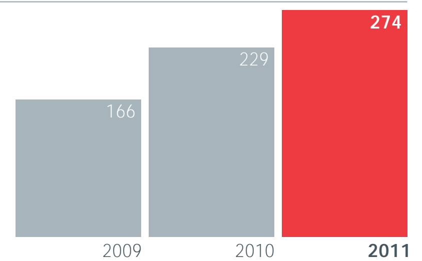
Revenue – Ports sector
£m

CAGR
+28%
2009-2011



Revenue – Oil and gas
£m

CAGR
+29%
2009-2011



3

Develop long-term partnerships with customers

Bank of America

With the help of G4S, its sole security supplier for more than sixteen years, one of the world's leading global nancial institutions, Bank of America, has embraced a new approach that enhances the secure solutions it receives.

The result is a single, integrated solution that combines physical security with real-time incident reporting, as well as providing command and control response together with total data management. It is a pioneering and wide-ranging concept, agreed upon under a new contract which has transformed our long-standing partnership.

Our objectives and strategy

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.

Our continued investment in sales and business development processes should:

- Drive growth across the group
- Help ful l the group's aim to increase the proportion of our business from larger, more complex contracts

Our approach and progress

Increasing customer partnerships

We aim to develop relationships with certain types of customers, through extending our service provision and becoming critical to them achieving their own organisational goals. If successful, this will result in a greater proportion of long-term contracts that are output based. We measure this relationship development by using tools and software such as Net Promoter Score and salesforce.com. We analyse 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 signi cant proportion of our customer relationships to be at the strategic partnership level. We have previously estimated this to equate to about 30% of revenues at a total group level.

For more detail please see our Business model on pages 24 to 25

Managing key global accounts

G4S has created a Global Account Management Programme to address the increasing needs of international companies to ensure quality and consistency of service across multiple markets. This programme has enabled G4S to grow its global accounts base and to win new contracts in key sectors such as oil and gas, technology, aviation, banking, mining, ports, automotive and pharmaceuticals.

Outlook

Global service excellence centres

During 2012, we are creating a number of global service excellence centres to work with G4S country operations to focus on operational ef ciencies, service standards and development of technology to support service delivery and share best practice across our core service lines of secure solutions, cash solutions and justice services.

4

Transfer skills developed in more mature markets into key developing markets

Baghdad International Airport

Based on its extensive knowledge of aviation security and complex environments, G4S was awarded the contract to provide aviation security at Baghdad International Airport by the Iraq Ministry of Transport, and successfully mobilised on 2 January, 2010. G4S has secure solutions contracts at over 100 airports in more than 40 countries around the world and we have been providing protective security, stabilisation and post-con ict reconstruction services to government and commercial organisations in Iraq since 2003.

Our objectives and strategy

Relatively high levels of GDP growth in developing markets, increasing demand for security services and G4S's ability to export its experience from its operations in more developed markets have driven positive revenue and margin growth for G4S in developing markets.

G4S aims to grow the revenue generated from developing markets from 30% in 2011 to 50% of the group's total revenue by 2019 through:

- Building on G4S's global presence and market share
- Using experience of working in developing markets
- Pursuing a multi-service strategy
- Adding facilities services in larger developing markets
- Substantial focus on Brazil, India and China – the global GDP growth drivers over the next ten years

Our approach and progress

Developing markets multi-service strategy

G4S has an unrivalled geographic footprint which has been developed over many years and is unique amongst its peers. Our service standards and expertise are also usually superior to those of local competitors. This means we are a trusted partner for our customers, who are keen to secure their people and assets and comply with local standards and regulations.

This has meant that the range of services supplied to customers has broadened to a multi-service offering, covering manned security, security systems, cash solutions, systems integration, monitoring and response and facilities services.

+9%
Organic growth from developing markets in 2011

+25%
CAGR in revenue from developing markets 2004 to 2011

Typical developing market progression

G4S is active in more than 80 developing markets and has been present in many of these markets for decades. G4S often enters a market through a large customer (such as a US embassy) or via acquisition of a strong local company. Through this approach we have built up a unique network of businesses often providing a broad range of services and with high levels of expertise and service standards compared to local peers.

Outlook

The group has delivered a compound annual revenue growth of 25% on average from its developing market activities since its formation in 2004 and seen the percentage of group revenues increase from 13% to 30% of the group during that period.

G4S expects to grow the revenue generated from developing markets to 50% of the group's revenue by 2019. G4S global presence, market share and experience of developing markets should mean we are well positioned to bene t from further growth opportunities.

5

Acquire businesses to drive further growth potential

Accelerated Brazil strategy

Building on its market entry in 2010 with the acquisitions of Instalarme and Plantech, G4S acquired a facilities services company in São Paolo, Brazil for £64m in 2011. We plan to continue to build our presence in Brazil so that we are well positioned to become a key player in this large and growing security market.

Our objectives and strategy

G4S has a unique geographic footprint on which to build through bolt-on acquisitions which can add value to the group and provide enhanced shareholder returns.

We will be focusing the majority of our acquisitions in the following areas:

- Where we can improve our market share
- Where an acquisition will start to drive outsourcing in key sectors

Our approach and progress

Re-investing free cash flow to drive further shareholder returns

Since 2008, G4S has made around £1bn of acquisitions (including acquired net debt), which have contributed significant revenue and operating profit and also provided additional growth opportunities. In 2011, acquisitions included the Cotswold Group Limited, the UK's market leader in surveillance, fraud analytics, intelligence and investigations services, Guidance Monitoring, an offender monitoring technology business in the UK, a facilities services company in Brazil and Munt Centrale Holland B.V., a coin management service company based in the Netherlands.

The group will consider acquiring integrated facilities services businesses in the UK and US where the market has developed in that direction, but will be focusing the majority of its acquisition efforts in developing markets, to either improve market share or where an acquisition will start to drive outsourcing in key sectors.

G4S expects to spend around £200m each year on acquisitions from free cash ow.

Disciplined M&A screening criteria

All acquisitions are reviewed by the group executive team and transactions over £5m also require board approval. For any acquisition to be considered, it must have a post-tax expected return on invested capital of at least the group's weighted average cost of capital within three years. In practice, most acquisitions that are undertaken by the group have an expected return which is far above that level. For example:

- 12.5% return on invested capital post-tax within three years for smaller deals
- 10% return on invested capital post-tax within three years for medium sized/strategic deals

In addition to any acquisition meeting our strategic and nancial objectives, since 2010 we have implemented a CSR checklist whereby new market entries and acquisitions are assessed against a range of business ethics and human rights criteria.

Divestment strategy

The group will be more active in its divestment strategy in 2012, particularly where a service line or business is not in line with the group's core strategy, where a business is unable to reach the group's internal margin targets or where an alternative parent could add or drive more value from a business. The proceeds from these divestments will be reinvested into acquisitions that can drive further growth for the group.

Strategic review
Business model

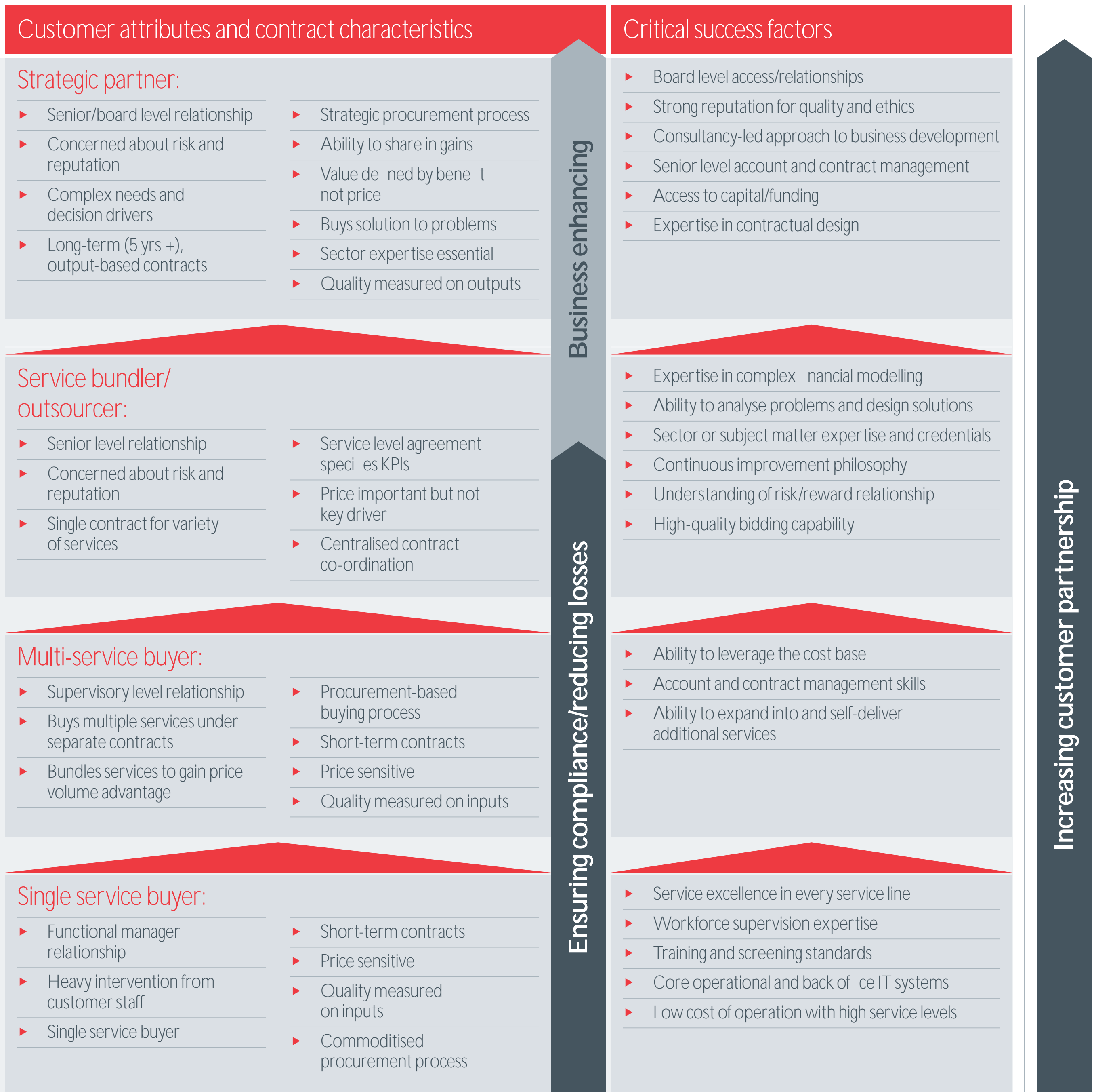
Driving outsourcing across our key sectors and our customer base

Strategic phases	G4S delivery
3. Manage: Delivery of outsourced solutions	Solutions designed to improve processes whilst reducing costs Complex project management Continuous improvement methodology Technology integration – management information
2. Analyse and design: Delivery of expertise and design capability	Sector/subject matter expertise Risk assessment and consulting Solutions and bid design capability Process re-design/cost reduction Continuous improvement methodology
1. Operate: Delivery of service excellence in each core service with supervisory overlay	Supervision/integration Subcontractor management Measurement and reporting Manned security / Cash processing / Cash transportation / Security systems / ATM replenishment / Facility management / Catering / Cleaning / Training / Other Customer needs analysis
Developing our business	We start by providing single services to customers, to a high standard.

Group-wide standards and practices

Whilst the business model can be applied in different ways within each market depending on the level of market development, there are a number of group-wide standards and practices (below) which are applied across all businesses to ensure consistent high standards of operation and delivery of the group's core values.

- **Business reviews and financial controls**
- **Sales and business development practices**
- **HR standards, succession and talent management**
- **Service excellence and operational best practice**
- **Business ethics and compliance**
- **Legal frameworks and approval processes**



This is how we work with different types of customer to develop our relationship, extend our service provision and become critical to them achieving their organisational goals at the partnership level – moving through the development phases where we can. Having a good mix of different levels of customer relationship is good for our business.

At every level there are elements of our activities which are critical to our success – which help us achieve customer retention, growth and margin expansion.

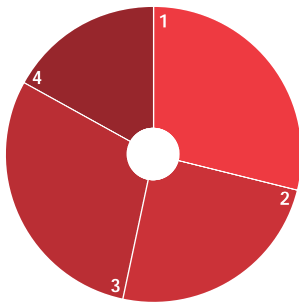
Resources, relationships and performance measurement

Organisational structure

G4S is managed through a regional structure, led by four regional CEOs. The regional CEOs are members of the group executive management team.

Please see pages 52 and 53 for their full biographies

Revenue by region



1 UK and Africa	£2,180m
2 Europe	£1,836m
3 Americas	£2,243m
4 Asia Middle East	£1,263m

At a strategic level, the CEO and CFO monitor the group's investments and performance across 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. Regional performance is reviewed by the group CEO and CFO on a monthly basis and a business review process is implemented throughout each region to ensure good visibility of business performance and issues on an ongoing basis. At the end of 2011, the cash solutions division (comprising some of our largest cash solutions businesses) was integrated into the existing regional structure.

Our structure enables us to deliver our strategic objectives, maintain a strong governance framework, develop integrated solutions, target key regional markets and build customer relationships.

Employees

As at the end of December 2011, G4S had 657,200 employees, located as follows:

By geographical segment

	Employees	%
Europe	123,200	19%
North America	59,700	9%
Asia	257,600	39%
Middle East	49,500	8%
Africa	111,900	17%
Latin America and Caribbean	55,300	8%
Total number of employees	**657,200**	**100%**

Of the total workforce, approximately 90% are employed in front-line positions delivering services to customers with the remainder working in management, supervisory and support roles.

G4S has set standards to ensure that all employees are treated with respect, dignity and fairness. These standards cover issues such as health and safety, diversity and inclusion, transparent and fair procedures for dealing with disciplinary matters, grievances and redundancies, reward and recognition, and labour relations and freedom of association. Local line and human resources managers are responsible for ensuring compliance with these standards.

The G4S brand

The group was created in 2004 through the merger of Group 4 Falck and Securicor. Today, just eight 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 developing 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 2011, 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.

Please see the Financial review on pages 38 to 41

Dan Ryan
Regional CEO –
Asia Middle East

Stakeholder relationships

G4S engages with multiple stakeholders on a variety of issues.

Customers

The very nature of G4S's business requires its management and employees to understand its customers' business issues and risks and provide an appropriate solution. Customer engagement also helps to improve customer service and to develop new services to help customers achieve their own goals.

Employees and their representatives

As a service business, G4S is judged on its service delivery and the difference it can make to its customers. It is essential that employees understand their role in service delivery, are trained well, rewarded appropriately, have the right tools for the job and are motivated to deliver a quality service to customers. A signi cant proportion of the group's employees is represented by a union or collective bargaining method. G4S works with unions, union federations and other employee representatives to improve standards for employees and to make sure any issues are dealt with appropriately and consistently.

Investors

Attracting appropriate investment in the company enables the group to develop its business and continue to invest in its growth strategies. Ensuring that its strategies and practices are aligned to investor needs and principles is a core element of developing investor con dence and ensuring that the group continues to attract the investment it requires.

Industry bodies

As an international leader in its sector G4S willingly takes on responsibility for establishing strong benchmarks wherever it operates, and plays a pivotal role in raising standards in the wider industry and society as a whole. Many G4S employees play an active role in industry bodies and associations across the world.

Governments and legislators

As well as being some of the group's largest customers, governments create and implement laws and regulations and so are important stakeholders. The group supports regulation which is designed to improve standards and proactively encourages it where possible. It is important to ensure that legislative developments do not create unfair competitive environments or unnecessary burdens on business activities.

Experts

Experts on speci c topics help the group to ensure that policies and practices are aligned with best practice in many areas such as its environmental impact, health and safety and human rights.

Financial KPIs

The key   nancial performance indicators for the group and G4S operational management across both the secure solutions and cash solutions businesses are organic growth, cash conversion (operating cash   ow as % of PBITA) and PBITA margin. These are used for the following reasons:

- Organic growth is used as the best measurement of growth inherent within a business, and it is widely accepted as such
- Cash conversion is used to measure the cash generation of the group and how successful the business is at managing its operating capital
- PBITA margin is used as a measure of success in controlling the cost base relative to sales

The performance of the group KPIs can be seen on page 1 and the performance of the business division KPIs on pages 29 and 35

Non- nancial KPIs

Managers across the group are also targeted to achieve additional speci c 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 signi cant proportion of the group's revenue is derived from what we de ne as "solutions" type contracts and relationships.

This is measured through an ongoing analysis of the group's top customers across the globe as outlined on page 18.

HR standards and KPIs

In addition, we believe strong employee relationships help deliver exbnb(e)20(l)20(i)20(

Performance
Divisional review

Secure solutions

The secure solutions business provides a broad range of solutions to commercial and government customers. Secure solutions uses its risk management, security and sector expertise to encourage greater outsourcing of the security needs of customer facilities in sectors such as ports, airports, retail, financial institutions and oil and gas, and for government departments such as justice, police, health, foreign affairs and border control. Secure solutions accounted for 83% of G4S's revenue and 76% of PBITA in 2011.

Services

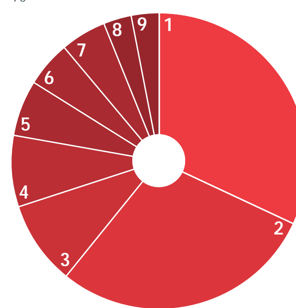
The secure solutions segment covers a wide range of security services, including:

- Manned security services – trained and screened security officers
- Security systems – including access control, CCTV, intruder alarms, fire detection, video analytics and security and building systems integration technology
- Monitoring and response services – key holding, mobile security patrol and response services and alarm receiving and monitoring facilities
- Secure facilities services – integrated facilities services for entire sites or estates for commercial customers and governments
- Risk management and consultancy services – risk management consultancy services including mine detection and clearance services
- Electronic monitoring of offenders – electronic tagging and monitoring of offenders at home or in the community
- Police services – back office functions for police forces, support for front-line policing including the provision of custody suite services and forensic medical services
- Management of juvenile and adult custody centres – the management of all aspects of the facility. Similar centres are also used for the detention of asylum seekers
- Prisoner escorting – the transportation of prisoners and asylum seekers between courts, police stations and custody centres

Contracts and relationships

G4S has a very diverse contract portfolio not dependent on any particular customer or sector. The duration of contracts also varies – from high profile annual events such as Wimbledon and the Dubai Grand Prix to 25-year private prison contracts. However, even when the contract terms are short, in practice many relationships become long term and result in contracts being renewed year after year. This is demonstrated in our customer retention rates which average above 90% across most regions.

2011 secure solutions revenue by customer type
%



1 Government	32%
2 Major corporates and industrials	29%
3 Financial institutions	9%
4 Private energy and utilities	8%
5 Retail	6%
6 Ports and airports	5%
7 Consumers	5%
8 Transport and logistics	3%
9 Leisure and tourism	3%

83%
of group turnover in 2011

76%
of group PBITA in 2011

Strategy

We aim to:

- 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

- Continued strong growth in developing markets
- Excellent new contract momentum
- Maintained secure solutions margin in a dif cult environment

Risks and mitigation

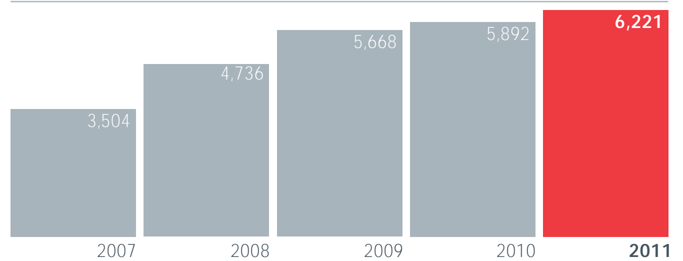
A full summary of the key risks and mitigations for the secure solutions business can be found in the group risk assessment and management processes section on pages 42 and 43.

*2010 and 2011 at 2011 exchange rates and adjusted for divested and discontinued businesses. 2007–2009 as reported.

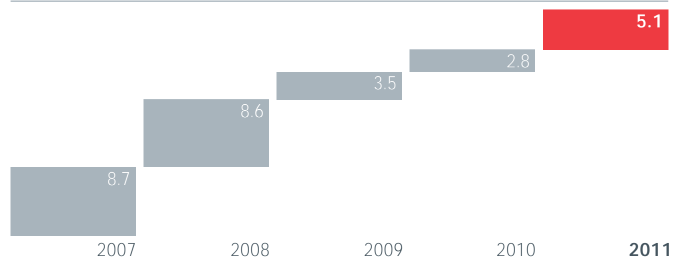
KPIs

Secure solutions continued its strong performance in 2011, with organic growth of 5% and margins maintained at 7% overall.

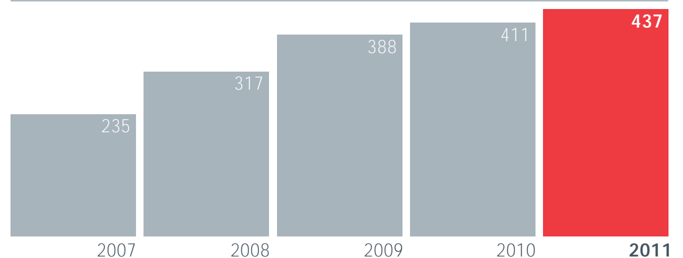
Turnover* – secure solutions
£m



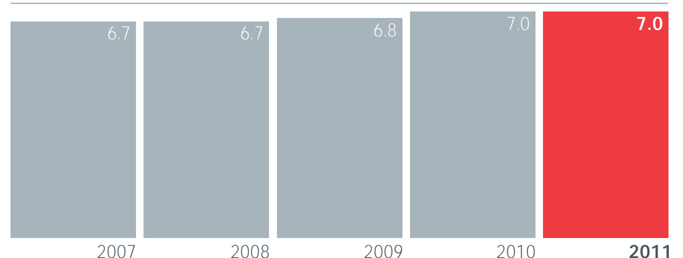
Organic growth – secure solutions
%



PBITA* – secure solutions
£m



PBITA margin – secure solutions
%



Performance
Divisional review continued

Secure solutions

Case study
CATSA

Aviation is a key sector for G4S and during 2011, G4S won various aviation contracts in Europe, the Middle East and North America. The largest was for 20 airports in the Paci c region of Canada, including Vancouver International Airport which started in November. As Canada's gateway to Asia, airports in the Paci c region play a signi cant role in commerce and tourism. G4S will help protect the public by securing critical elements of the air transportation system, including passenger, hold baggage and non-passenger screening at Canadian airports. The ve-year contract (with an option to extend for up to an additional ve years) is valued at more than CAD$400m over the initial ve-year term.

Case study
HMP Birmingham, UK

During 2011, G4S took over management of HMP Birmingham, a category "B" prison located near the centre of Birmingham in the UK. HMP Birmingham is the first public sector prison to be privatised and the transfer by the mobilisation team went very well. The prison holds 1,450 remand and sentenced adult men. G4S has a "Working Prisons : Working People" programme throughout the prisons it manages, believing these prisons should provide rehabilitation. The programme helps provide an opportunity for rehabilitation for people who are ready and willing to work, and develops ties with the business community.

Market growth drivers

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 con dence in private sector involvement.

Government contracts accounted for around 32% of secure solutions revenue and 27% of total G4S revenue in 2011 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 intensi es 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 justice services, can then be exported into developing markets.

Ports and airports

We ensure the safe passage of travellers, crew and cargo and the ef ciency of the international transport system through a full range of aviation operations spanning over 100 airports and more than 80 airlines in more than 40 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, exible security providers who have consulting capability and 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/government port operators, who have collectively committed more than $180bn of investment in building new green/brown eld terminals globally to expand their portfolios and capacity, including $60bn proposed for India and $40bn across the Middle East.

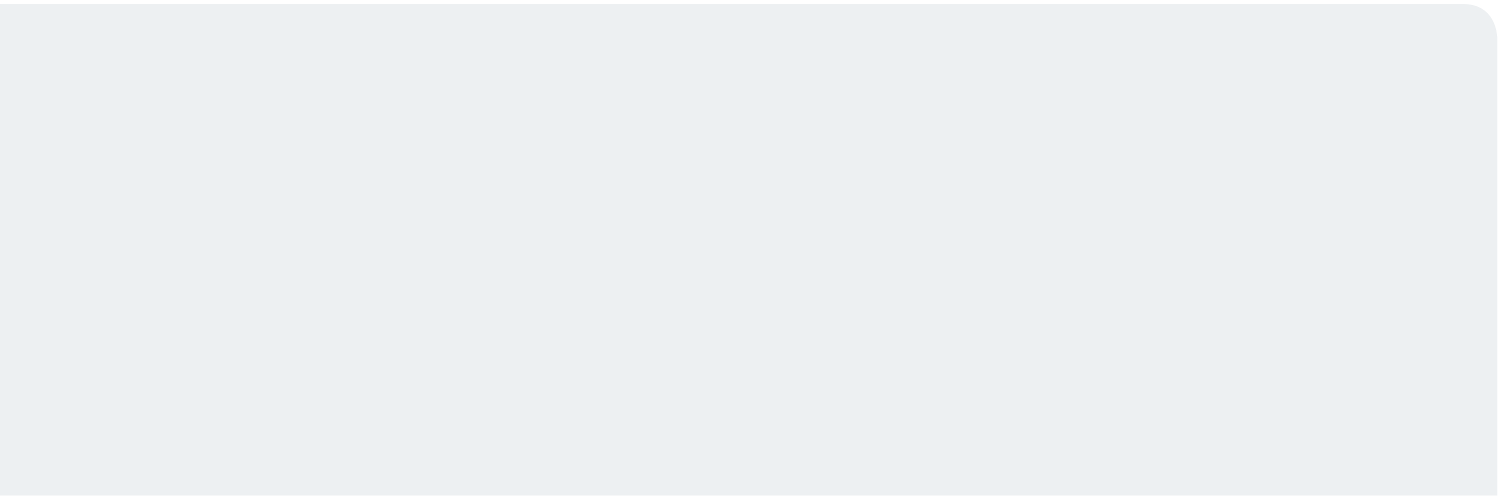
Energy, oil and gas

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 ef ciency, 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 contained within electricity cables to oil or nuclear facility risk assessment and pipeline protection.



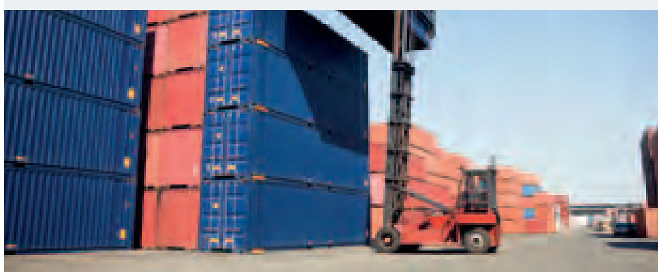
Performance
Divisional review continued

Secure solutions

Case study
Hong Kong air cargo terminals (Hactl)

Airports are a key sector to G4S and a good example of the work we do is the Hactl contract. Hactl is the world's leading air cargo hub and is responsible for around 80% of total cargo volume handled by freight terminal operators in Hong Kong, and 70% of all the air freight that passes through this Special Administrative Region of the People's Republic of China. Hactl serves over 100 carriers, including 53 freight operators. Its cargo throughput for 2011 was 2.7 million tonnes, and it regularly handles around 10,000 tonnes per day. G4S has a decade long relationship with Hactl and in 2011 was awarded a further two year secure solutions contract protecting Hactl's building, cargo and people.

Case study
The Port of Los Angeles



The Port of Los Angeles is the leading container port in the United States and a critical hub in the international supply chain. G4S Technology designed and installed an access control, CCTV and video content analysis system through two separate contracts at numerous facilities for the Port of Los Angeles. The system will provide the port with a higher level of protection and reduce the vulnerability of its facilities.

North America

Organic growth in **North America** was good at 3% and margins were slightly lower due to the performance of the US government business where revenues were down 8% and margins were lower compared to the prior year. The US government business was impacted by the significant reduction in federal funding levels.

In the **United States**, growth in the commercial sector was strong, particularly in the financial institution, compliance and investigations and petrochemical sectors. The outlook for new US federal government work in the short term continues to be subdued. State and local governments are also under financial pressure, but we continue to see some level of outsourcing focused on the more effective delivery of public services.

Recent contract awards include work in the healthcare, energy, chemical, manufacturing, federal government and retail sectors. G4S commenced the provision of security solutions for a major automotive company from 1 January 2012 valued at $70m per annum for three years. The group's largest commercial contract with Bank of America has been extended until 2014 and G4S North America has been awarded a secure solutions contract with Google for its locations in the United States and data centres in Belgium and Finland. The US systems business performed well with a number of systems integration projects for Tampa Airport, Iberdrola, and the Port of Tacoma.

We are confident that organic growth in 2012 will be stronger than in 2011 following the large contract wins and contract expansions during the final quarter of 2011 and the first quarter of 2012.

In **Canada**, the organic growth rate was 7% assisted by the CATSA aviation security contract which started on 1 November. The contract is for security at 20 airports in the Pacific region of Canada and has projected revenue of more than CAD$400m over the initial five-year term.

Developing markets

In **developing markets**, organic growth was excellent at 9% with strong margins, albeit slightly lower than the prior year.

Organic growth in **Asia** was 10% and margins were 5.6% due to a number of factors including bidding costs and floods in Thailand. There was strong organic revenue growth in **Hong Kong** and **Indonesia**. **India**, the largest market in the region, achieved a good performance with double-digit revenue growth. Our risk consulting business delivered a good performance helped by our advisory services to a retailer developing its footprint in China.

In the **Middle East**, there was double-digit organic growth (excluding Iraq) – an excellent performance across the region. **Qatar** and **Egypt** performed particularly strongly, with Qatar helped by the new airport contract. In **Iraq**, as we had expected, the work for the US forces contract has come to an end and commercial work for oil and gas companies has taken longer than expected to be mobilised which had a short-term impact on margins.

The US Embassy contract in Kabul, **Afghanistan** is now expected to continue until at least the summer of 2012. The decision has been made to exit the UK managed risk assessment business operating in Afghanistan. In **UAE**, the business is being challenged by a shortage of labour supply and the general business environment in Dubai which has impacted our security systems business, but was successful at winning contracts such as Dubai Airport and in event security.

Africa performed well with organic growth of 8% and margins of 9.8%, helped by strong performances in **Djibouti**, **Morocco**, **Tanzania** and **Guinea**. The business in **South Africa** continued to be challenged by dif cult macro economic conditions. G4S has a unique network of operations in Africa which provides an excellent platform to support our global clients working in Africa and in key sectors such as oil and gas, ports and mining, and there is currently a strong contract pipeline across the region.

The **Latin America and Caribbean** region has performed well as a result of strong performances across all countries. We have also had a number of strategic contract wins, for example in the pharmaceutical and mining sectors. Overall for the region, organic growth was 20% and margins improved to 8.0%.

We are in the process of extending our presence in **Brazil** and have acquired a facilities services company. We will continue to build our presence in Brazil so that we are positioned to become a key player in this important strategic market.

Total

	Turnover £m 2011	Turnover £m 2010*	PBITA £m 2011	PBITA £m 2010*	Margins % 2011	Margins % 2010*	Organic growth % 2011
Europe	**2,727**	2,608	**200**	179	**7.3%**	6.9%	**4%**
North America	**1,652**	1,613	**89**	92	**5.4%**	5.7%	**3%**
Developing markets	**1,842**	1,671	**148**	139	**8.0%**	8.3%	**9%**
Total secure solutions	**6,221**	5,892	**437**	410	**7.0%**	7.0%	**5%**
Exchange differences	**–**	76	**–**	9			
At actual exchange rates	**6,221**	5,968	**437**	419			

Europe

	Turnover £m 2011	Turnover £m 2010*	PBITA £m 2011	PBITA £m 2010*	Margins % 2011	Margins % 2010*	Organic growth % 2011
UK and Ireland	**1,252**	1,177	**119**	103	**9.5%**	8.8%	**5%**
Continental Europe	**1,475**	1,431	**81**	76	**5.5%**	5.3%	**3%**
Total Europe	**2,727**	2,608	**200**	179	**7.3%**	6.9%	**4%**

North America

	Turnover £m 2011	Turnover £m 2010*	PBITA £m 2011	PBITA £m 2010*	Margins % 2011	Margins % 2010*	Organic growth % 2011
North America	**1,652**	1,613	**89**	92	**5.4%**	5.7%	**3%**

Developing markets

	Turnover £m 2011	Turnover £m 2010*	PBITA £m 2011	PBITA £m 2010*	Margins % 2011	Margins % 2010*	Organic growth % 2011
Asia	**657**	597	**37**	39	**5.6%**	6.5%	**10%**
Middle East	**410**	413	**43**	44	**10.5%**	10.7%	**–1%**
Africa	**348**	318	**34**	32	**9.8%**	10.1%	**8%**
Latin America and Caribbean	**427**	343	**34**	24	**8.0%**	7.0%	**20%**
Total developing markets	**1,842**	1,671	**148**	139	**8.0%**	8.3%	**9%**

*At constant exchange rates.

Performance
Divisional review continued

Cash solutions

The cash solutions businesses manage cash primarily for nancial institutions and retailers. G4S's detailed understanding of the cash cycle ensures that cash is managed ef ciently, allowing G4S's customers to focus on their core businesses. Cash solutions accounted for 17% of G4S's revenue and 24% of PBITA for the year ended 31 December 2011.

Services

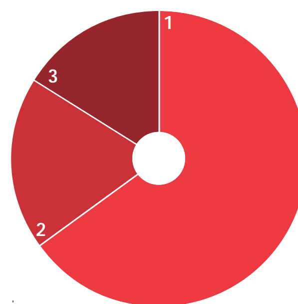
The cash solutions businesses cover a wide range of services including:

- Cash transportation – the secure transportation of cash using high security vehicles, fully screened and trained personnel and purpose-built technology to transport, protect, count and reconcile the cash to customer records
- Cash management – the management of cash on behalf of nancial institutions which includes cash transportation, the design, build and management of purpose built high security cash centres, counting and reconciling cash, tness sorting of notes for use in ATM machines, counterfeit detection and removal, redistribution of cash to bank branches, ATMs and retail customers – all managed within strict security guidelines and timescales in order to maximise the ef ciency of the cash cycle. Cash management is also used for counting and reconciling cash from non- nancial institution customers
- Cash consulting – providing consultancy services to central banks and commercial banks on overall cash management strategy, bank note production and security and all aspects of cash cycle ef ciency
- ATM management – managing ATMs on behalf of banks, retailers and independent ATM providers – including cash forecasting, cash transportation and reconciliation servicesic)38(a)280

Contracts and relationships

The duration of contracts in the cash solutions segment vary, with most being on an annual basis and those contracts requiring a higher capital intensity, such as cash processing, being usually ve-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.

2011 cash solutions revenue by customer type
%



Customer type	%
1 Financial institutions	65%
2 Retail	19%
3 Other	16%

17%
of group turnover in 2011

24%
of group PBITA in 2011

Strategy

We aim to:

- 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 nancial institution outsourcing in developing markets
- Continue implementation of innovative technology such as CASH360

Key operational highlights

- Continued strong performance in developing markets
- Continued dif cult environment of low interest rates and service reductions in developed markets

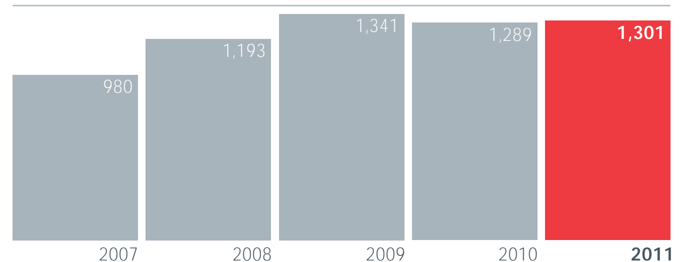
Risks and mitigation

A full summary of the key risks and mitigations for the cash solutions business can be found in the group risk assessment and management processes section on pages 42 and 43.

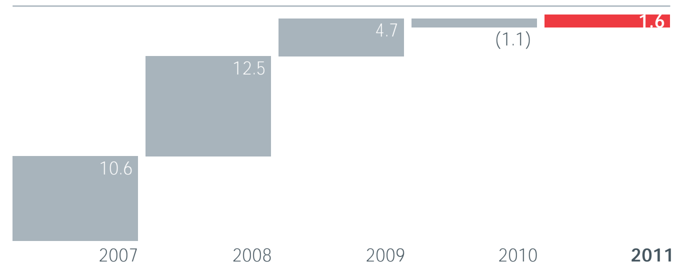
KPIs

The cash solutions business in developing markets has continued to deliver a strong performance. Developed markets for cash solutions have continued to face a challenging environment of continued low interest rates which has led to some service reductions.

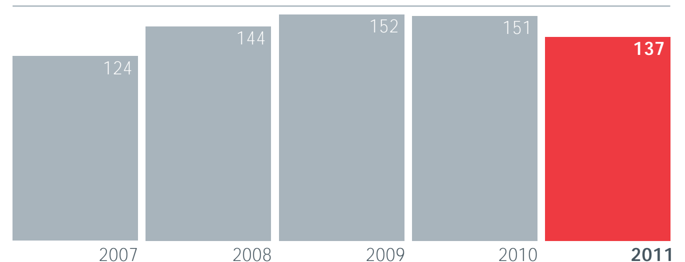
Turnover* – cash solutions
£m



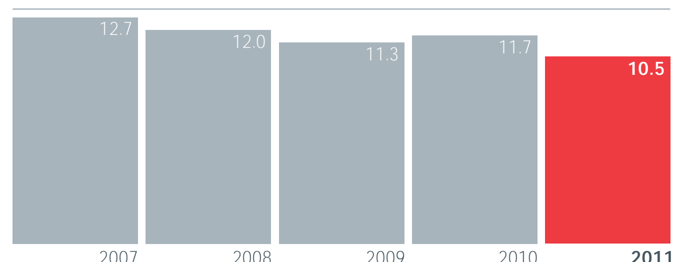
Organic growth – cash solutions
%



PBITA* – cash solutions
£m



PBITA margin – cash solutions
%



*2010 and 2011 at 2011 exchange rates and adjusted for divested and discontinued businesses. 2007–2009 as reported.

Cash solutions

Case study
Driving outsourcing in the UK cash market

Understanding and managing cash cycles is one of the group's core skills. Central banks, commercial banks and retailers outsource their cash management to G4S as the group has the capability and experience to drive substantial ef ciencies in the system whilst achieving maximum return for our customers over the longer term.

In 15 years, through the expertise and innovation demonstrated by G4S, the UK cash outsourcing market has moved from a purely cash transportation business to a more complex business outsourcing market covering ATM forecasting, replenishment and maintenance and cash centre management. As a result of this more extensive outsourcing, the market is estimated to be double the size of a traditional cash solutions market.

Case study
G4Si

G4S International (G4Si) is one of the world's leading transporters of valuable and vulnerable cargo. G4Si ensures safe and reliable transportation across a range of sectors including mining, diamonds and jewellery, nance, pharmaceuticals and government and performed strongly in 2011 with double-digit organic growth.

Market growth drivers

Retail

Cash has existed for ve millennia, and remains king in the 21st century. Globally it is the preferred method of payment among consumers. For example, according to the UK Payments Council, cash accounts for the majority of payments in the UK payment markets, with 20.4 billion cash payments last year compared to 16.0 billion made by non-cash methods such as debit cards and direct debit. Almost everybody makes at least some of their day-to-day purchases by cash, and last year, on average, each person in the UK made seven cash payments per week to a total value of around £100. We estimate the average retailer can spend up to 1.7% of turnover managing cash. In the ercely 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.

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.

Our banking customers want to maximise the ef ciency 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 which can operate their cash cycle at maximum ef ciency, 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 carried out for nancial 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.

Total

	Turnover £m 2011	Turnover £m 2010*	PBITA £m 2011	PBITA £m 2010*	Margins % 2011	Margins % 2010*	Organic growth % 2011
Europe	**817**	835	**87**	103	**10.6%**	12.3%	**–1%**
North America	**106**	108	**2**	4	**1.9%**	3.7%	**–1%**
Developing markets	**378**	346	**48**	44	**12.7%**	12.7%	**9%**
Total cash solutions	**1,301**						

Disposals and discontinued operations

The group disposed of its business-to-consumer alarms business in Norway on 7 December 2011, and of its interest in an SPV in the UK on 30 December 2011.

Businesses classi ed as held for sale at 31 December 2011 included the cash solutions business in Sweden which was sold on 27 February 2012 and the Afghanistan-based business of UK Risk Assessment Services.

The total consideration from business disposals received in 2011 was £37m.

During the prior year 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.

The loss from discontinued operations of £25m (2010: £15m) included a loss of £19m (2010: £15m) relating to the post-tax trading of discontinued businesses and an impairment charge of £6m (2010: £nil) relating to the impairment of assets within the Swedish cash solutions business to adjust them to their recoverable amount.

The contribution to the turnover and operating pro t of the group from discontinued operations is shown in note 6 on pages 85 to 88 and their contribution to net pro t and cash ows is detailed in note 7 on page 88.

Pro t for the year

Pro t for the year was £198m, compared to £245m in 2010 and the reduction is due primarily to the aborted acquisition and legal settlement costs of £55m. Other movements include the £1m increase in PBITA, the £13m goodwill impairment charge and the £7m decrease in net interest cost, the £2m decrease in amortisation of acquisition-related intangible assets, the £2m decrease in acquisition-related costs, the £19m decrease in the tax charge and the £10m increase in loss from discontinued operations.

Non-controlling interests

Pro t attributable to non-controlling interests was £17m in 2011, a decrease on £22m for 2010, as non-controlling partner shares in the group's organic and acquisitive growth was more than offset by a reduction in non-controlling shares in net pro ts consequent upon the group increasing its interests in certain subsidiaries.

Earnings per share

Basic earnings per share from continuing and discontinued operations was 12.9p compared to 15.9p for 2010.

Adjusted earnings, as analysed in note 16 on page 92, excludes the result from discontinued operations, amortisation and impairment of acquisition-related intangible assets, acquisition-related costs, aborted acquisition and legal settlement costs and retirement bene t obligations nancing 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 22.8p, an increase of 4% on 21.9p for 2010.

Dividends

The directors recommend a nal dividend of 5.11p (DKK 0.4544) per share. This represents an increase of 8% upon the nal dividend for the year to 31 December 2010 of 4.73p (DKK 0.4082) per share. The interim dividend was 3.42p (DKK 0.2928) per share and the total dividend, if approved, will be 8.53p (DKK 0.7472) per share, representing an increase of 8% over the 7.90p (DKK 0.5624) per share total dividend for 2010.

The proposed dividend cover is 2.7 times (2010: 2.8 times) on adjusted earnings. The group's intention is that dividends will to continue to increase broadly in line with normalised adjusted earnings.

Cash ow

The primary cash generation focus of group management is on the percentage of operating pro t converted into cash. The group's target conversion rate is 85%. Operating cash ow, as de ned for management purposes, was as follows:

	2011 £m	2010 £m
PBITA	**531**	530
Less share of pro t from associates	**(3)**	(5)
PBITA before share of pro t from associates (Group PBITA)	**528**	525
Depreciation and amortisation of intangible assets other than acquisition-related	**132**	127
Movement in working capital and provisions	**(73)**	(68)
Net cash ow from capital expenditure	**(138)**	(129)
Operating cash ow	**449**	455
Operating cash ow as a percentage of group PBITA	**85%**	87%

Overall operating cash generation for the year was good, as a result of the maintenance of nancial discipline across the organisation.

Performance

Financial review continued

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

	2011 £m	2010 £m
Cash flow from operating activities (IAS7 definition)	**372**	448
Net cash flow from capital expenditure	**(138)**	(129)
Discontinued operations and other items	**95**	17
Add-back additional retirement benefit contributions	**40**	33
Add-back tax paid	**80**	86
Operating cash flow (G4S definition)	**449**	455

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

	2011 £m	2010 £m
Operating cash flow	**449**	455
Net interest paid	**(102)**	(94)
Tax paid	**(80)**	(86)
New finance leases	**(11)**	(9)
Free cash flow	**256**	266

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

	2011 £m	2010 £m
Free cash flow	**256**	266
Discontinued operations	**(12)**	(18)
Additional retirement benefit contributions	**(40)**	(33)
Net cash outflow on acquisitions	**(159)**	(56)
Net cash flow from associates	**4**	3
Aborted acquisition and legal settlement costs	**(55)**	–
Dividends paid to non-controlling interests	**(10)**	(12)
Transactions with non-controlling interests	**(18)**	(3)
Share issues less share purchases	**(13)**	(10)
Dividends paid to equity holders of the parent	**(114)**	(103)
Movement in net debt in the year	**(161)**	34
Foreign exchange translation adjustments to net debt	**(29)**	(27)
Net debt at 1 January	**(1,426)**	(1,433)
Net debt at 31 December	**(1,616)**	(1,426)

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 119.

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 it 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 107 to 109.

Financing

The group's funding position is strong, with sufficient headroom against available committed facilities and very little drawn debt maturing before 2013.

The group's primary sources of bank finance are a £1.1bn multicurrency revolving credit facility provided by a consortium of lending banks at a margin of 0.80% over LIBOR and maturing 10 March 2016 and a €575m revolving credit facility provided by four banks at a margin of 1.20% over LIBOR and maturing 6 June 2012 with the right to extend for a further six months at the group's option. This facility has not been drawn.

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

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

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

At 31 December 2011 the group had uncommitted facilities of £706m.

The group's net debt at 31 December 2011 was £1,616m. The group headroom at 31 December 2011 was £767m. The group has sufficient capacity to finance current investment plans.

Interest rates

The group's investments and borrowings at 31 December 2011 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 sterling. 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 five years. The market value of the Loan Note-related pay-variable receive-fixed swaps outstanding at 31 December 2011, accounted for as fair value hedges, was a gain of £77m. The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross-currency swaps outstanding at 31 December 2011, accounted for as cash flow hedges, was a net gain of £40m.

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 does not use 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. At 31 December 2011, the group's US dollar and euro net assets were approximately 75% and 50% respectively hedged by foreign currency loans.

Exchange differences on the translation of foreign operations included in the consolidated statement of comprehensive income amount to a loss of £65m (2010: gain of £41m). These differences are net of a £29m loss (2010: £27m) on the retranslation of net debt.

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 2011, more than 140 group companies participated in the pool. Debit and credit balances of £303m were held within the cash pool and were offset for reporting purposes.

Retirement benefit obligations

The group's primary defined benefit retirement benefit scheme operates 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 2011. The group's funding shortfall on the valuation basis specified in IAS19 Employee Benefits was £295m before tax or £212m after tax (2010: £265m and £191m respectively).

The net pension obligation has increased by £30m since 31 December 2010 due mainly to a net actuarial loss as a result of the decrease in the discount rate used in the UK from 5.5% to 5.0%, although this was offset partly by a decrease in inflation assumptions. Additional company contributions of £40m 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's deficit recovery plan will see additional cash contributions made to the UK scheme of approximately £35m in 2012 with modest annual increments thereafter.

During the year the group has closed the UK scheme to future accrual which will limit the future growth in liabilities. Existing members retain their benefits accrued to-date and have been offered the opportunity to transfer to a new defined contribution scheme for future pension benefits.

Corporate governance

The group's policies regarding risk management and corporate governance are set out in the Corporate governance statement on pages 57 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

Performance

Our risk assessment and management process

Risk and potential impact to KPI

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.

Mitigation

- 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.

Case study – Customer relationship management

- During 2011 the group implemented a new customer relationship management system across the organisation. Combined with the group's sales leadership programme and account management, this should help the group win larger contracts more often and keep and develop existing customers.

Risk and potential impact to KPI

Major changes in market dynamics

Such changes in dynamics could include new technologies, government legislation, political or economic volatility 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.

Mitigation

- 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 governments around the world to ensure adherence to regulatory requirements, to identify any restrictions that could adversely impact the group's activities and take appropriate actions.

Case study – Reputation management

During 2011, the group undertook a number of initiatives to protect its reputation as the world's leading security group:

- It formed a business ethics steering group to develop a strategy to ensure compliance with the requirements of the UK Bribery Act and similar legislation.
- Actively participated in the development of the International Code of Conduct for Private Security Providers of which it is a founder signatory and which sets out principles for security operations in so-called "complex environments" – areas experiencing or recovering from disaster or unrest and where governments or the rule of law are weak. This code covers recruitment, vetting and training of staff, use of firearms, health and safety reporting and complaints handling. During 2011, G4S worked with companies, governments and NGOs to develop an oversight mechanism for the code and how appropriate action will be taken against a company if it is not compliant.

Risk and potential impact to KPI

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.

Mitigation

- 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 globally

Case study – G4S UK cash solutions

- Through investment in technology and ongoing development of operational procedures, the number of attacks in the UK have roughly halved over the last two years. All changes have been made with the support and backing of the GMB union.

Risk and potential impact to KPI

Poor operational service delivery and crisis management

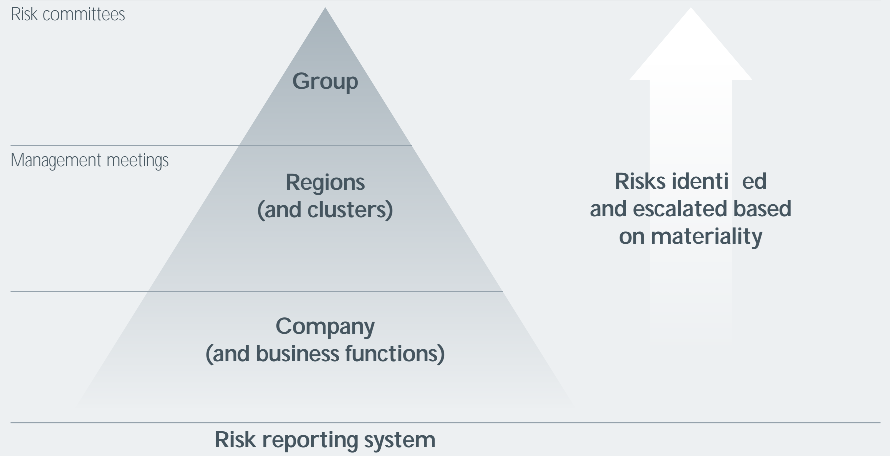
Failure to meet the operational requirements of its customers and/or failure to respond to a crisis could significantly impact the group's reputation, contract retention and growth.

Mitigation

- Group-wide operational procedures and standards for crisis management and communication are in place and adherence to them is tested 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.
- The Group crisis communications process is reviewed regularly and an updated process was introduced in 2011.

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 to KPI	Mitigation
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. 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. These could adversely impact G4S revenue growth and profitability.	‣ 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. 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.

Risk and potential impact to KPI	Mitigation
IT 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.

Risk and potential impact to KPI	Mitigation
Onerous contractual obligations The group could commit to sales contracts specifying disadvantageous pricing mechanisms, unachievable service levels or excessive liability. This 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.

Risk and potential impact to KPI	Mitigation
Defined benefit pension scheme A prolonged period of poor asset returns and/or unexpected increases in longevity could require increases in the level of additional cash contributions to defined pension schemes. This could constrain the group's ability to invest in acquisitions or capital expenditure adversely affecting 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. **Case study – Defined benefit pension scheme management** ‣ The UK scheme was closed to future accrual from 5 July 2011 and this should help to reduce future volatility in the deficit.

Performance

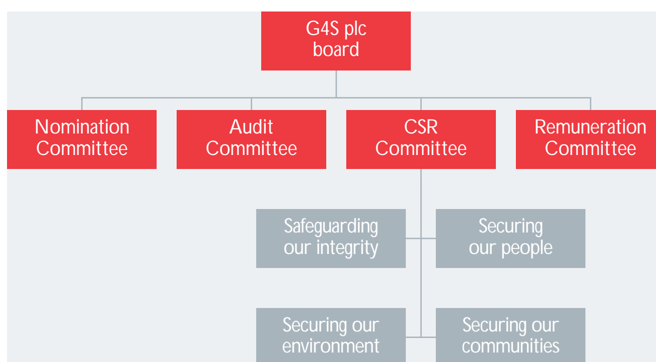
CSR performance in 2011

Strategic developments

- CSR Committee became full board committee with extended non-executive director participation
- Carried out CSR materiality exercise to confirm key CSR priorities for the group
- Submitted first "Communication on Progress" in relation to UN Global Compact
- Commenced a significant human rights project to determine key human rights issues and develop detailed policies and guidelines for

CSR management

In 2011, our CSR Committee became a full board committee (having previously been a sub-committee to Audit), comprising a number of experienced non-executive directors – this change re ects the increasing value we place on CSR and on our reputation. The committee is chaired by Mark Elliott, a G4S plc non-executive director with extensive experience of CSR from his 40 years in international business with global organisations such as IBM. Elements of our CSR strategy are a regular subject for discussion at group executive and board meetings.



Duties of the CSR Committee include:

- Review, agree and establish the company's CSR strategy to ensure that it remains an integral part of the group's overall strategy
- Develop and recommend for acceptance by the board, policies on all aspects of CSR
- Receive reports and review activities from executives and specialist groups managing CSR matters
- Monitor compliance with the CSR policies and review performance against targets
- Review the integration of CSR processes with risk management programmes and reputation management priorities
- Develop and encourage effective two-way communication concerning CSR issues
- Ensure CSR-related issues are considered during acquisition due diligence
- Review best practice and benchmark where appropriate

"We have made great strides forward in our CSR strategy and approach in recent years. In 2011, we tackled some complex issues such as reviewing our approach to human rights and making sure the business was ready for the impact of the Bribery Act. Personally, in recent years I have seen CSR move from a project within the group to a core element of the group strategy and I am very proud that discussions on CSR-related topics feature regularly in our board room."

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

Engaging stakeholders

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. In 2011 we:

- Conducted our second global employee survey, receiving responses from 245,000 employees in 160 businesses. We believe that employee engagement is a critical driver of business success, helping us improve employee stability and increase our employees' motivation to deliver excellent service to our customers, leading in turn to sustainable business performance
- Continued our involvement in the development and launch of the International Code of Conduct for Private Security Providers, which sets out principles for security operations in so-called "complex environments"
- Engaged with Malachite, an independent human rights consultancy to carry out a human rights risk assessment based on the countries in which we operate and the services we provide
- Continued to seek customer feedback through account management, operational reviews and customer surveys

Performance
Corporate Social Responsibility continued

Safeguarding our integrity

Why it matters

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.

What we're doing

Business ethics

To ensure that our employees understand how they can play their part in delivering high ethical standards across the group, we continue to enforce a group-wide Ethics Code that sets out how we expect our employees to behave in order to "live" our value of Integrity. The code is supplemented with a Business Ethics Policy which provides a more detailed summary of the group's ethical standards of operation. The code and policy are reviewed each year, incorporating evolving legislation and evaluating any risks to the group's integrity. To ensure compliance with the code and policies we also ask businesses, as part of the G4S risk assessment process, to assess their business ethics risks and compliance with the ethics policy.

Anti-bribery

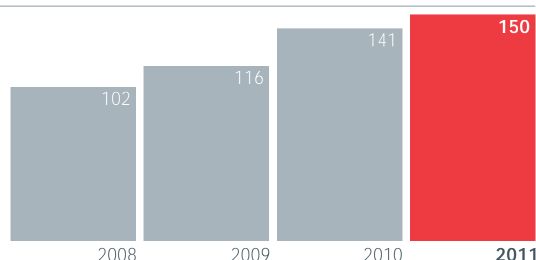
To comply with the requirements of the Bribery Act which became effective from 1 July 2011, we embarked on an extensive programme of reviewing our policies and procedures and introducing new policies where we felt they needed to be strengthened to comply with the "adequate procedures" required by the Act.

This programme included a global awareness campaign to ensure all managers and employees understand the implications of the Act and our expectations in relation to their behaviour; training materials and methodology – in 25 languages – speci cally on business ethics and anti-corruption; and the launch of a 24 hour global, multi-language, whistle-blowing hotline service called "Safe 2 Say" to ensure that all employees have a simple means of reporting non-compliance with group policies or inappropriate behaviour.

How we're performing

- 20,000 employees targeted with business ethics and Bribery Act training
- 150 on-site internal audits and reviews – 50% more than in 2008
- 4.9 issues raised per on-site audit compared to 5.3 issues in 2010
- 30% increase in issues logged following launch of whistle-blowing hotline "Safe 2 Say"

Number of internal control audits



Priorities for 2012

- Maintain audit coverage at 2011 level
- Enhance monitoring and reporting on Financial Reviews completed by Regional nance staff covering all business entities world-wide
- Further promote new global whistle-blowing hotline service and manage potential signi cant increase in volume of calls
- Improvements in investigation and handling of issues raised.
- Bedding in of anti-bribery controls
- Programme of anti-bribery audits
- Review of results of anti-bribery risk assessments and implement improvement actions

Human rights

In 2010 and 2011 we faced increasing criticism regarding the provision of services to customers in the West Bank area through contracts which we had inherited through an earlier acquisition. This issue prompted us to consider our position on human rights and to undertake a broad project tasked with creating a clear human rights policy. Our review mapped the human rights landscape, analysed G4S operations to determine human rights risks and challenges and developed a human rights policy.

As a result of the project, we have recently drafted a new human rights policy and are currently seeking feedback from internal and external stakeholders on its content. Once the policy is agreed, we will implement it across the group and will develop operational guidelines to support its implementation.

We have also recently upgraded our CSR checklist process for evaluating new country entries, acquisitions and major contract bids to improve the human rights elements of the process based on a variety of external sources of human rights data.

Performance
Corporate Social Responsibility continued

Securing our environment

Why

Board of directors

Alf Duch-Pedersen

Non-executive director

Chairman of the board

Chairman – Nomination Committee

Key strengths and speci c G4S role: Extensive management experience in multinationals based in both Scandinavia and the UK, and in a range of industries from manufacturing and nancial services to food and food products. Chairman experience at large listed companies. Wide involvement with G4S at group and regional meetings as well as at investor presentations and meetings.

Joined G4S board: May 2004

Previous experience: President and chief executive of Tryg-Baltica A/S; president and chief executive of Danisco A/S; chairman of the board of Danske Bank A/S.

Current external commitments: None

Nick Buckles

Executive director

Chief executive

Key strengths and speci c G4S role: Long experience of the group and its predecessor companies with a background as a commercial manager before taking on line management roles and then divisional and group executive responsibilities. In addition to his board role, participates regularly in Nomination and Remuneration Committee meetings and chairs the Executive Committee.

Joined G4S board: May 2004

Previous experience: Joined Securicor in 1985. Became managing director of its UK cash solutions business in 1996, chief executive of its security division in 1999 and was appointed to the board of Securicor plc in 2000 before becoming its chief executive in 2002. He was the company's deputy chief executive and chief operating of cer from its formation in 2004 and was appointed chief executive in 2005. He also served as a non-executive director at Arriva Group plc from 2005 until 2010.

Current external commitments: Chairman of the Ligue Internationale des Sociétés de Surveillance, the international association of leading security companies.

Trevor Dighton

Executive director

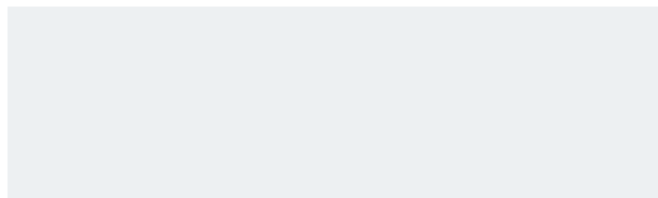
Chief nancial of cer

Key strengths and speci c G4S role: Wide knowledge of both the group and other service businesses, as well as the accountancy profession. In addition to his board role, participates regularly in Audit Committee meetings as well as sitting on the Executive Committee.

Joined G4S board: May 2004

Previous experience: An accountant, he joined Securicor in 1995 having previously worked in the accountancy profession and in industry, including ve years in Papua New Guinea, three years in Zambia and seven years with BET plc. After joining Securicor's vehicle services division in 1995, was appointed nance director of its security division in 1997 and became its deputy group nance director in 2001. Appointed to the board of Securicor plc as group nance director in 2002, he became the company's CFO when it was formed in 2004.

Current external commitments: None



Grahame Gibson

Executive director

Chief operating of cer

Key strengths and speci c G4S role: Extensive knowledge of the group and its predecessor companies in many different markets and in a number of executive functions. In addition to his board role, is also joint chief operating of cer and CEO of the Americas region.

Joined G4S board: April 2005

Previous experience: Joined Group 4 in 1983, starting as nance director (UK) followed by a number of senior roles, including deputy managing director (UK), vice president (corporate strategy), vice president (nance and administration), vice president operations (central and south eastern Europe and UK) and chief operating of cer of Group 4 Falck A/S. In 2004 he became the company's divisional president for Americas and New Markets and became chief operating of cer in 2005.

Current external commitments: Board member of the Ligue Internationale des Sociétés de Surveillance, the international association of leading security companies.

Governance
Board of directors continued

Mark Seligman
Non-executive director
Deputy chairman
Chairman – Audit Committee
Member – Remuneration Committee

Key strengths and specific G4S role: Extensive financial and management experience having worked in the financial services sector, with a particular focus on investment banking. Takes a particular interest in the financial performance of the company, including its financing and transactional activity.

Joined G4S board: January 2006

Previous experience: Qualified as a chartered accountant with Price Waterhouse. Senior roles at SG Warburg & Co Ltd and Barclays de Zoete Wedd; Head of UK Investment Banking at CSFB; Chairman of UK Investment Banking at Credit Suisse; member of the Credit Suisse Global Investment Banking Executive Board and senior advisor to Credit Suisse Europe.

Current external commitments: Alternate member of the Panel on Takeovers and Mergers; chairman of the Industrial Development Advisory Board; member of the Regional Growth Fund Advisory Panel; non-executive director of BG Group plc and senior independent director of Kingfisher plc.

Lord Condon
Non-executive director
Senior independent director
Chairman – Remuneration Committee
Member – Audit and Nomination Committees

Key strengths and specific G4S role: Extensive experience of high profile security issues, the workings of the public sector and law making. Has broad involvement with the UK businesses within the group, particularly those serving public sector customers. Has particular focus on the group's involvement with sporting events. Leads the Nomination Committee's exercise for the recruitment of a new chairman of the board.

Joined G4S board: May 2004

Previous experience: Senior appointments in the police force, including Chief Constable of Kent and Commissioner of the Metropolitan Police, as well as at the British Security Industry Association and the International Cricket Council's anti-corruption unit.

Current external commitments: Cross bench member of the House of Lords; advisor to international sports governing bodies; member of the Advisory Board of Vidient Systems Inc; and Deputy Lord Lieutenant for Kent.

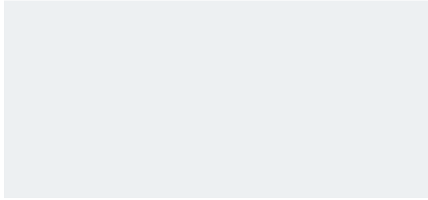
Mark Elliott
Non-executive director
Chairman – CSR Committee
Member – Nomination and Remuneration Committees

Key strengths and specific G4S role: Extensive international board and executive experience, having held a number of senior management positions in Europe, the Middle East and Africa with responsibility for operations in more than 110 countries. Has particular involvement with the group's businesses in the Americas region.

Joined G4S board: September 2006

Previous experience: General manager IBM Global Solutions; managing director of IBM Europe, Middle East and Africa; member of the board of IBAX, a hospital software company jointly owned by IBM and Baxter Healthcare; chairman of the Dean's Advisory council of the Kelly School of Business, Indiana University.

Current external commitments: Non-executive chairman of QinetiQ Group plc; non-executive director of Reed Elsevier PLC and chairman of Reed Elsevier's remuneration committee.



Winnie Kin Wah Fok

Non-executive director

Member – Audit and CSR Committees

Key strengths and speci c G4S role: International board and senior management experience with extensive knowledge of Asian markets and strong connection with Scandinavia. Has particular involvement with the group's businesses in Asia.

Joined G4S board: October 2010

Previous experience: An auditor by training, was involved in management positions in nance, audit and corporate advisory work and a wide range of roles in asset management rms investing with a focus in Asia. Senior partner of EQT and CEO of EQT Partners Asia Limited; managing director of CEF New Asia Partners Limited.

Current external commitments: Senior advisor to Investor AB and Husqvarna; non-executive director of Volvo Car Corporation; non-executive director of AB SKF and non-executive director of Kemira Oyj.

Bo Lerenius

Non-executive director

Member – Audit and CSR Committees

Key strengths and speci c G4S role: Extensive international board and executive management experience. Has a great deal of knowledge of the ports sector and of many European markets. Has particular involvement with the group's businesses in Europe.

Joined G4S board: May 2004

Previous experience: Chief executive of Ernstromgruppen AB; a Swedish building materials company; chief executive and chairman of Stena Line AB; group chief executive of Associated British Ports Holdings plc; non-executive director of Land Securities Group plc; non-executive director and chairman of Mouchel Group plc; non-executive director of Thomas Cook Group plc.

Current external commitments: Non-executive chairman of Knight Infrastructure II; chairman of Brunswick Rail Limited; honorary vice president of the Swedish Chamber of Commerce for the UK and senior advisor to the infrastructure fund of Swedish venture capital group EQT.

Clare Spottiswoode

Non-executive director

Member – CSR and Remuneration Committees

Key strengths and speci c G4S role: Considerable experience in the public sector, the energy markets and the nancial services sector as well as through setting up and managing her own businesses. Has particular involvement with the group's businesses in the UK and Africa region.

Joined G4S board: June 2010

Previous experience: A mathematician and economist by training, worked for the UK Treasury, director general of Ofgas, the UK gas regulator; policyholder advocate for Norwich Union's with-pro ts policyholders at Aviva; non-executive director of Tullow Oil plc; and a member of the Independent Commission on Banking and the Future of Banking Commission.

Current external commitments: Chairman of Gas Strategies Group Limited; non-executive director of EnergySolutions Inc.; non-executive director of Ilika plc; independent director of the Payments Council and non-executive director of Seven Energy International Limited.

Executive management team

Nick Buckles

Chief executive of cer

Nick has worked in the security industry for 27 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 signi cant pro t 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 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 nancial of cer

Trevor has worked in the security industry for 26 years. After several years in both the accountancy profession and commerce working in the nance function and general management, he joined BET in 1986 as nance director of its security and communications division.

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

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

Grahame Gibson

Chief operating of cer and Regional CEO – Americas

Grahame has been involved in the security industry for 29 years, having joined Group 4's UK operating company in 1983 as nance 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.

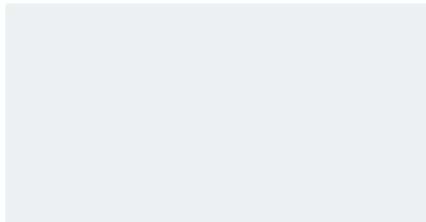
Grahame is a board member of the Ligue Internationale des Sociétés de Surveillance.

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 18 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 joined the Executive Committee in 2010.

David Taylor-Smith

Chief operating of cer and Regional CEO – UK and Africa

In addition to his existing role as Regional CEO, UK and Africa, David was appointed as Group COO in January 2012. In his new position, David has responsibility for developing G4S's main service lines globally. David joined G4S in 1998 as managing director, G4S Hong Kong. He moved back to the UK in 2002 and has held a number of positions in the company, including CEO, G4S UK and Ireland, and managing director of G4S Justice Services.

Prior to joining G4S, David held senior roles with Jardine Matheson, Project ORBIS and Operation Raleigh. Before this he was a British army of cer and served in Northern Ireland, Germany, England, Namibia and in Cyprus with the United Nations.

David has a degree from the University of Southampton and is a Fellow of the Royal Geographical Society. He has also held positions on the board of several charities, and currently sits on the Public Services Board of the CBI. 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.

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 34 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 Fellow of the Chartered Institute of Personnel and Development (FCIPD).

Willem van de Ven

Regional CEO – Europe

Willem has served over 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) 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, 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 was a regional head for the Middle East a during his 20-year career with the group.

Dan is a Charter Member of the Middle East Logistics/Supplt

Report of the directors

For the year ended 31 December 2011

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 2011.

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

1 Principal activities of the group

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

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

2 Group results

The consolidated result for the year is shown in the consolidated income statement on page 73.

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 8 to 43 and are incorporated in this report by reference. The Corporate Governance Statement set out on pages 57 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 107 to 109.

3 Dividends

The directors propose the following net dividend for the year:

- Interim dividend of 3.42p (DKK 0.2928) per share paid on 14 October 2011.
- Final dividend of 5.11p (DKK 0.4544) per share payable on 15 June 2012.

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 9 May 2012.

4 Significant business acquisitions, disposals and developments

In January 2011, Munt Centrale Holland B.V. was acquired in the Netherlands.

In March 2011, House Arrest Solutions (US), was acquired in the US.

In March 2011, G4S Secure Solutions (UK) Limited was appointed as the official security service provider for the London 2012 Olympic & Paralympic Games.

In April 2011, the Cotswold Group Limited, was acquired in the UK.

In April 2011, Broomco (4233) Limited, the owner of Guidance Limited, was acquired in the UK.

In May 2011, 80% of Detcon SA, was acquired in Argentina.

In June 2011, EBC Ingenieria S.A. was acquired in Colombia.

In July 2011, AMS (Ireland) Ltd was acquired in Ireland.

In August 2011, 75% of Seguridad EBV S.A. was acquired in Chile.

In September 2011, GDJS Security Limited was acquired in Ireland.

In October 2011, G4S plc published a prospectus and circular relating to the proposed acquisition of ISS A/S.

In November 2011, G4S plc terminated its agreement to acquire ISS A/S.

In December 2011, G4S's 50% share of STC (Milton Keynes) Holdings Limited was disposed of in the UK.

In December 2011, the group's home alarms business was disposed of in Norway.

In December 2011, a facilities services company was acquired in Brazil.

In December 2011, the business and assets of Chubb Emergency Response were acquired in the UK.

In January 2012, Controll-Zona Kft and Secret Or Kft were acquired in Hungary.

In February 2012, G4S Cash Solutions (Sverige) AB was disposed of in Sweden.

5 Capital

The issued share capital of G4S plc at 31 December 2011 is set out on page 118 (note 37 to the consolidated financial statements). There were 1,410,668,639 shares in issue as at 12 March 2012.

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 133 to 135 and further explanation is provided on pages 136 and 137. At 31 December 2011 the directors had authority in accordance with a resolution passed at the company's Annual General Meeting held on 19 May 2011 to make market purchases of up to 141,060,000 of the company's shares.

The company does not hold any treasury shares as such. However the 6,265,571 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 118 (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 £6m (2010: £5m).

7 Payment of suppliers

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

As part of a reorganisation of the group's UK holding company structure, transactions with trade creditors are now processed through the company's wholly-owned subsidiary, G4S Corporate Services Limited. Therefore, at 31 December 2011 the trade creditors of the company represented nil days (2010: 28 days) of annual purchases.

At 31 December 2011 the consolidated trade creditors of the group represented 39 days (2010: 33 days) of annual purchases.

8 Employees

With over 657,000 employees worldwide, involvement and engagement are key drivers of business success. Levels of engagement for each business are monitored through monthly performance indicators such as employee turnover and stability. In addition, in 2011 the second global employee

10 Substantial holdings

The company had been noti ed under DTR 5 of the following interests in the ordinary capital of G4S plc:

As at 31.12.2011	
Prudential plc group of companies	89,325,538 (6.33%)
BlackRock, Inc	70,033,616 (4.96%)
Harris Associates LP	69,584,044 (4.93%)
Legal & General Group Plc	56,054,546 (3.97%)
Between 1.1.2012 and 12.3.2012	
BlackRock, Inc – received 7.2.2012	70,751,402 (5.02%)

11 Auditor

Resolutions to re-appoint KPMG Audit Plc, chartered accountants, as auditor to the company and for the auditor's remuneration to be xed by the directors, will be submitted to the Annual General Meeting.

12 Directors

The directors, biographical details of whom are contained on pages 49 to 51, held office throughout the year. Thorleif Krarup retired from the board on 31 January 2011.

In accordance with the provisions on re-election of directors in the UK Corporate Governance Code 2010, each of the directors will offer themselves for re-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.

Mr Duch-Pedersen has announced his intention to retire from the board once a new chairman has been appointed. This remains his intention notwithstanding that he stands for re-election 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 70.

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.

Winnie Kin Wah Fok, one of the company's non-executive directors, declared a possible material interest in relation to the contract which the company entered into for the proposed acquisition of ISS A/S. Apart from this, 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
12 March 2012

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN

Corporate governance statement

"We understand that corporate governance is not just about reporting against compliance with a code. Rather it is about ensuring that the way we operate in all our businesses maintains an appropriate balance of dynamic entrepreneurship and controls. We strive to ensure that this balance exists and works properly at board level and throughout the group as a whole."

Alf Duch-Pedersen
Chairman

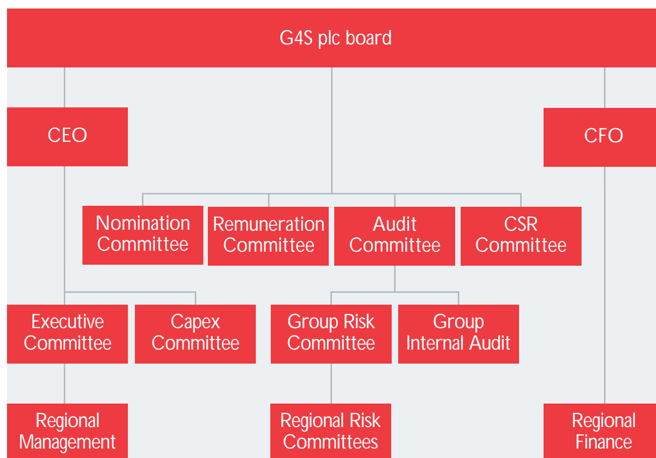
Compliance with the UK Corporate Governance Code

The board's statement on the company's corporate governance performance is based on the UK Corporate Governance Code published in June 2010 ("the Code") which is available on the Financial Reporting Council's website (http://www.frc.org.uk/corporate/ukcgcode.cfm).

The Listing Rules require companies to disclose how they apply the Code's main principles and report how they have done so. The Code recognises that alternatives to following provisions may be justified in particular circumstances if good governance can be achieved by other means, provided the reasons are explained clearly and carefully. In such cases, companies must also illustrate how their actual practices are consistent with the principle in question and contribute to good governance.

The company complied throughout the year under review with the provisions of the Code. This section of the report sets out how the company has applied these provisions.

Our governance framework



The board sits at the top of the company's governance framework, setting broad strategic targets, monitoring progress, approving proposed actions and ensuring appropriate controls are in place and effective.

Management decisions, development of strategies and policies and implementation of board decisions falls to the executive committee.

Regional management teams have responsibility for businesses within their regions and are tasked with implementing policies and controls at business levels, as well as ensuring they meet agreed financial goals.

The presence of a majority of independent non-executive directors ensures objectivity, challenge and debate. It is the primary responsibility of the board to provide effective leadership for the group and this is done by, amongst other things, ensuring that decision making is conducted throughout the group within a strong internal control framework – and by setting values and standards.

There is a detailed schedule of matters reserved to the board which is set out under 12 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.

The board fulfils a number of its most important functions through its four committees. Descriptions of the work of three of these committees is set out elsewhere in this report.

The CSR Committee has existed since January 2010 and has been chaired by Mark Elliott since then. Initially, it reported to the Audit Committee, but in late 2011 it was formally constituted as a committee of the board in recognition of the desire of the board to increase its focus on corporate social responsibility. Its first meeting as a full board committee was held in January 2012. Its activities will therefore be reported on in greater detail in the company's 2012 report.

The terms of reference of each of the above committees are available on the company's website: **www.g4s.com**

Board balance

Board composition

The board comprises the non-executive chairman (Alf Duch-Pedersen), a non-executive deputy chairman (Mark Seligman), five other non-executive directors, the chief executive (Nick Buckles), the chief financial officer (Trevor Dighton) and a chief operating officer (Grahame Gibson). The board considers all the non-executive directors to be independent. The senior independent director is Lord Condon. Lord Condon was deputy chairman until October 2011, when Mr Seligman took on that role. Thorleif Krarup, a non-executive director, retired from the board on 31 January 2011.

The directors bring a wide range of skills and experience to the board. This experience and their roles on the board is described in more detail on pages 49 to 51.

Succession

Mr Duch-Pedersen has announced his intention to retire from the board during 2012 once a replacement chairman has been appointed. The process for selecting his successor is being conducted by the Nomination Committee, led by Lord Condon and assisted by an external recruitment consultant. As deputy chairman, Mr Seligman has been co-opted onto the committee for the purposes of this exercise. Mr Duch-Pedersen is not directly involved in the selection process. The final selection of the new chairman will be a matter for the entire board as, currently, none of the existing directors have put themselves forward as a candidate for the role.

Director re-election

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, all the continuing directors will stand for re-election at the Annual General Meeting in 2012.

Con icts of interest

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 or position which con icts or may con ict 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.

Board meetings, information ow, development and induction

Meeting attendance

	Scheduled meetings	Unscheduled meetings
Executive directors		
Nick Buckles (CEO)	6/6	7/7
Trevor Dighton (CFO)	6/6	7/7
Grahame Gibson (COO)	6/6	7/7
Non-executive directors		
Alf Duch-Pedersen (chairman)	6/6	7/7
Lord Condon	6/6	7/7
Mark Elliott	6/6	7/7
Winnie Fok	5/6	3/7
Bo Lerenius	6/6	7/7
Mark Seligman	6/6	7/7
Clare Spottiswoode	5/6	4/7

Board meetings and information ow

Six scheduled board meetings were held during the year ended 31 December 2011 and there were a further seven additional meetings. One of the scheduled meetings was an extended, two day, off-site board and strategy session at which presentations on the development and implementation of the company's strategy were made to the board by senior executives and the board debated the company's strategy and business plans. Each of the non-executive directors has undertaken an area of special interest in relation to the group's activities. In some cases this relates to a particular geography about which the director has intimate knowledge, in others it relates to business activities in which the director has great experience. To further their understanding of the group and their relationship with the operating businesses, some were able to attend meetings and conferences held by various regions and business units, following which they reported back to the board on matters of interest.

Prior to each meeting, comprehensive board papers are circulated to the directors addressing not only the regular agenda items on which the executives will report, but also details of any areas requiring approval or decisions such as signi cant acquisitions or important market issues. At each meeting, the board then receives reports from the chief executive, the chief nancial of cer and the company secretary, an HR report which includes summaries of developments on HR and health & 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, each month the board receives management accounts, trading and nancial updates, investor relations and HR reports.

There are seven board meetings scheduled for the current year, including an extended strategy review session.

Induction and professional development

When new non-executive directors are recruited, they have the opportunity to spend time with the executive directors to understand the business, its structure and people as well as the company's strategy and nancial performance. In addition, they visit businesses, usually within a number of countries, so they can begin to get a feel for the group's operations. Meeting regional and country staff continues throughout a director's time on the board, as does continuing professional development usually in areas where the director has speci c committee responsibility.

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 assesses the group's risk appetite/tolerance, 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 signi cant exposure.

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

- A common risk management framework* is used to provide a pro le of those risks which may have an impact on the achievement of business objectives.
- Each signi cant risk is documented, showing an overview of the risk, how the risk is managed, and any improvement actions. Risk appetite/tolerance is considered in the context of the net (after controls and mitigation) risk with a particular focus on "High" net risks. To be categorised as "High", a risk must meet at least one of the following criteria:
  1. major impact on the achievement of the business strategy;
  2. serious damage to business reputation;
  3. severe business disruption; or
  4. impact of > 5% on operating pro t or assets.
- Risk pro les ensure that internal audit reviews of the adequacy, application and effectiveness of risk management and internal controls are targeted on key risks.
- Risk management committees have been established at regional and group level. The regional 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 pro les 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 pro les 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 risk management committees*.

*Because G4S Government Solutions, Inc. ("GSI") 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 satis ed itself as to the adequacy of the internal control processes adopted by GSI which include a risk review by an external advisor.

The process, which is reviewed regularly by the board in accordance with the internal control guidance for directors in the UK Corporate Governance 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 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, fraud reports and risk and control self-evaluations.

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

The Audit Committee undertakes a high level review of risk management and internal control each year. As well as the above processes and sources of assurance, the Audit Committee also considers the following year end reporting in conducting this review:

- Summary of Internal Audit work, including an update on all open audits with a deficient rating, analysis of results by region, common audit findings and areas identified for improvement in internal controls;
- Summary of Internal Financial Reviews, including significant accounting or financial control issues and common concerns identified;
- Overview of year end Financial Control Status reports completed by all businesses confirming adherence to group standards with any exceptions reported;
- A broad overview of the general risk management and internal control systems in place during the year;
- Year end Group Risk Profile; and
- External audit year end reporting on financial controls and accounting.

The Audit Committee has confirmed that it is satisfied that the group's risk management and internal control processes and procedures are appropriate.

The board has reviewed the group's risk management and internal control system for the year to 31 December 2011 by considering reports from the Audit Committee and has taken account of events since 31 December 2011.

Board performance review

The performance of the board and its committees (other than the CSR Committee) has been evaluated using a process conducted by an external consultancy. This involved the use of questionnaires completed by directors and other regular committee attendees which were then used to inform interviews conducted by the consultants with each director. Written reports were produced by the consultants setting out their findings in relation to the board and its committees' performance. These reports concluded that the board and its committees had a strong culture and function effectively. Following consideration of the reports by the board and the relevant committees, however, steps have been taken to modify the way the board and its committees work to address the issues which were identified in these reports.

Examples of steps taken or to be taken include:

- changes to content of reporting to the board and a review of the materiality thresholds of the matters which are presented to it;
- allowing more time to address matters which do not appear on the regular committee agendas;
- providing more opportunity for review of health and safety matters;
- measuring the implementation of strategy; and
- increasing contact between non-executive directors and investors.

In addition, the consultants considered the performance of the chairman and each board member and their reports were used to inform the discussion about the chairman's performance, which was conducted by the senior independent director without the chairman being present, and interviews with individual directors which were conducted by the chairman. These individual meetings also allowed the chairman to review directors' training and development needs.

The chairman also held meetings with the non-executive directors without the executives being present.

Relations with shareholders

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. A capital markets presentation is conducted each year at which some of the non-executive directors, the executive directors and other senior executives describe the group's strategy. During the course of 2011, executive management held over 150 individual and group investor meetings covering over 250 institutions.

It is intended that all the directors will attend, and 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. At the Annual General Meeting, the meeting is informed of the numbers of proxy votes cast and the same information is published subsequently on the company's website.

Board committees

The Nomination Committee

Membership and meeting attendance

Director	Meetings attended
Alf Duch-Pedersen (chairman)	5/5
Lord Condon	5/5
Mark Elliott	5/5

Role

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. Succession planning for the board is a matter which is devolved primarily to the Nomination Committee, although the committee's deliberations are reported to and debated by the full board. The board itself also regularly reviews more general succession planning for the senior management of the group.

Key activities during 2011

Last year the committee considered the board's policy on diversity in relation to the recruitment of directors in light of Lord Davies' report on women on boards. Subsequently the chairman published a statement about the board's intention in this regard. This explained that it is the board's belief that increased diversity is desirable as it is in the interests of good governance that a wide variety of experience and viewpoints be brought to bear on issues facing companies. It is the board's desire to see increased female representation on the board by 2015.

The board committee memberships of the non-executive directors were evaluated and succession planning for the board and in particular the executive directors and the chairman and deputy chairman was the subject of detailed review. As mentioned previously, the Nomination Committee has also undertaken responsibility for the process involved in selecting a new chairman.

The Audit Committee

Membership and meeting attendance

Director	Meetings attended
Mark Seligman (chairman)	4/4
Lord Condon	4/4
Winnie Fok	3/4
Bo Lerenius	4/4

Mr Seligman is the member of the Audit Committee with recent and relevant financial experience. Thorleif Krarup was a member of the Audit Committee until his retirement from the board on 31 January 2011, although the committee did not meet in 2011 until after his retirement.

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.

Role

The committee considers the group's annual and half-yearly financial statements as well as interim management statements in certain circumstances, 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.

Key activities during 2011

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

The Audit Committee has revised its 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 and general advice on financial reporting standards. Where the fees for such services are significant, prior approval of the committee is required. The auditor is also prohibited from providing other services without specific permission from the Audit Committee. The provision of any non-audit services by the audit firm must in any event comply with the requirements in that regard of the Auditing Practices Board. The auditor has written to the Audit Committee confirming that, in its opinion, it is independent.

The committee has reviewed and amended its terms of reference to ensure it meets the recommendations of the Financial Reporting Council.

The CSR Committee

Membership

Director
Mark Elliott (chairman)
Winnie Fok*

The committee believes that the current balance between base pay, annual

The claw-back mechanism

Any payment under either the annual bonus scheme or the PSP may be clawed back from the director concerned if the committee so determines and, in the case of misstatement of accounts, where the Audit Committee concurs. The time period in which the claw back can be made depends on the reason for the overpayment.

	Annual bonus scheme	Performance Share Plan
Misstatement of nancial accounts	up to 2 years after payment	up to 2 years after vesting
Fraud or reckless behaviour	up to 2 years after payment	up to 6 years after vesting

The amount to be clawed back directly from the executive will be the overpaid amount after netting off taxes and social security deductions.

How have the elements of remuneration changed year-on-year?

Elements of remuneration	Change
Base salary	No increase in 2009, 2010 or 2012. An increase was made in January 2011.
Annual bonus	Unchanged in maxima but the potential payouts on threshold and budgeted pro t targets were altered for one year in 2011 only.
Long-term incentive plan	After consultation with major shareholders, a change was made on the in ation measurement to re ect increasing global footprint and exposure to markets outside the UK. For 2012 TRS/EPS measurements to be weighted equally.

Link between pay and performance

The payouts under the annual bonus scheme and long-term incentive plan in previous years have been made in accordance with the agreed measures. Where there has been a payout under the annual bonus scheme or long-term incentive plan, the committee has not exercised any discretion to increase payments above that to which the executives were entitled under the applicable rules.

Pay for group executive committee

	Number in band	
Base Pay (£000)	**2011**	2010
151–200	**0**	1
201–250	**2**	1
251–300	**3**	4
301–350	**1**	2
351–400	**2**	0

The maximum bonus level for the members of the group executive committee is 100% of base salary.

Elements of remuneration

Elements of remuneration		Availability
Fixed	Base salaries	Available to all employees worldwide
	Pensions	Available to most employees in developed markets
Variable	Annual bonus	Available to all senior managers worldwide
	Long-term incentive plan	Available to some senior managers worldwide
Bene ts	Car or car allowance	Available to all senior managers worldwide
	Protection insurance	Available to most employees in developed markets
	Healthcare	Available to all senior managers worldwide

(a) Base salary and bene ts

The salaries of the executive directors are reviewed with effect from 1 January each year. Although interim salary reviews may be carried out following signi cant changes in responsibility, no such reviews have taken place since the appointments of the current executive directors. The salaries take account of benchmarking exercises based on a robust sample of similarly sized companies by revenue and market capitalisation, with a signi cant part of their business overseas. They also re ect responsibility, individual performance, internal relativities and salary and other market information supplied by Towers Watson. Base salaries for the executive directors were frozen in 2009 and 2010. However, the position following two consecutive pay freezes was not consistent with the company's stated remuneration policy, and the committee took steps to more closely align base salaries to its competitive mid-market policy in 2011. At the executive directors' request though, the committee has agreed to freeze those directors' base salaries again in 2012 in view of the economic circumstances and the pay and employment conditions across the group, notwithstanding the consistently strong performance of the group throughout the period.

(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 de ned PBTA (pro t 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 re ects 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). For 2011, 75% 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 pro t 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 pro ts which is at least 95% of the budgeted pro t target, a bonus payment of 50% of maximum bonus entitlement was due, with no bonus payable for performance below threshold.

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

The Remuneration Committee and the executive directors have agreed that, in light of a number of factors affecting the group in 2011, it would not be appropriate to consider the payment of an annual bonus for the executive directors for this year.

For 2012, the threshold and budgeted target bonus opportunity will revert to 35% and 60% of maximum bonus entitlement respectively. This was the position in previous years; the 50% and 75% levels described above having been adopted for 2011 only.

Percentage of max bonus entitlement

	2010	2011	2012
Threshold	35%	50%	35%
Targeted PBTA	60%	75%	60%
Stretch	100%	100%	100%

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

The Performance Share Plan ("PSP") was introduced in July 2004 and modi ed in 2007. Under the plan, the executive directors and certain other senior executives receive conditional allocations of the company's shares which are released to them only on the achievement of demanding performance targets.

The maximum annual award of shares payable under the plan is two and a half times base salary. The annual award approved by the committee for the year under review is two times base salary for the chief executive, one and a half times base salary for the other executive directors and one times salary for senior executives below board level. The extent to which allocations of shares under the plan vest is determined, as to two-thirds of the award, by the company's normalised earnings per share growth relative to the 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. This comparator group has been expanded to 17 companies by the addition of Loomis in respect of awards made from March 2011 onwards. Please see page 67 for the list of companies that, in addition to G4S, make up the comparator group.

Targets applicable from March 2007 to March 2011

Two-thirds of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting
Less than UK RPI + 6% pa	Nil
UK RPI + 6% pa (18% over 3 years)	25%
UK RPI + 6 to 11% pa	Pro-rata between 25% and 100%
Greater than UK RPI + 11% pa (33% over 3 years)	100%

One-third of each award granted	
Ranking 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 respect of awards made from March 2011 onwards, the in ation measure applied to EPS will be global 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 plus 6% per annum.

Targets applicable for awards made in March 2011

Two-thirds of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting
Less than global CPI + 4% pa	Nil
Global CPI + 4% pa (11% over 3 years)	25%
Global CPI + 4 to 11% pa	Pro-rata between 25% and 100%
Greater than global CPI + 11% pa (33% over 3 years)	100%

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

The revised lower end of the range is CPI +4% per annum, which is still stretching, but is also achievable. The committee was concerned that the previous targets were perceived as unachievable and were no longer acting as an incentive to better performance.

The Remuneration Committee continues to believe that a combination of earnings per share growth and total shareholder return targets is the most appropriate performance measure for the performance share plan, as it provides a transparent method of assessing the company's performance, both in terms of underlying nancial performance and returns to shareholders. Other measures, such as Return on Invested Capital, were considered to be less appropriate for a service company.

The decision to change the lower end of the range was made after an analysis of growth based on market consensus and economic outlook. The Remuneration Committee also looked at currency movements and the calibration used by other companies in the FTSE 100. Weighted global CPI was seen as more relevant than UK RPI given the group's global footprint.

In respect of awards made from 2012 onwards, the committee has decided that the extent to which allocations of shares under the plan vest will be determined, as to half of the award, by the company's normalised earnings per share growth relative to the global CPI over a single three-year period and half of the award, by the company's ranking by reference to TSR using the bespoke global comparator group, again over a single three-year period. The committee believes that this will help to address the concerns expressed by some shareholders about over reliance on EPS as a measure of underlying performance.

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.

There will only be a transfer of shares under the third (or half in 2012) of the award attributable to TSR if the Remuneration Committee is satis ed that the company's TSR performance is re ective of the company's underlying performance.

The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share, whilst TSR ranking will be determined by Towers Watson whose ndings are veri ed by Alithos.

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

Share retention

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

The 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. This policy has been extended to senior management but the minimum shareholding is set at a lower level.

	Minimum shareholding	Value of shares held*	Shareholding as at 31 December 2011	Retention policy met?
Nick Buckles	150% of salary	£4,979,512	600% of salary	Yes
Trevor Dighton	100% of salary	£3,411,335	669% of salary	Yes
Grahame Gibson	100% of salary	£1,920,291	308% of salary	Yes

*Based on shareholding (excluding deferred shares) as at 31 December 2011 and share price of £2.718, as at 30 December 2011, the last working day of the year.

Fees, service contracts and letters of appointment

The fees of the non-executive directors are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment. Their fees were increased by 5% (7.4% for the chairman) from July 2011; the previous increase having been made in July 2008.

Mr Seligman was appointed as the deputy chairman on 17 October 2011 and Lord Condon relinquished this role on the same date.

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 service contracts are terminable on 12 months' notice by either the company or by the executive directors. 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 the 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 satis ed that the current arrangements are appropriate and were in line with best practice at the time the executive directors were appointed.

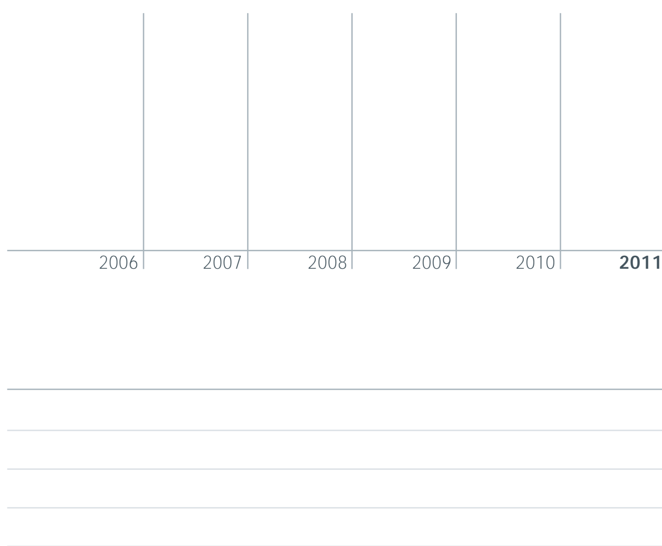
The chairman and the other non-executive directors do not have service contracts, but letters of appointment.

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 2010 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. None of the executive directors currently holds an external non-executive appointment.

Performance graph

The performance graph below shows the total cumulative shareholder return of the company over the ve years to the end of December 2011, 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 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 following information has been audited

Base salaries, fees and bonuses

Executive directors	Salary and fees £	Value of bene ts (excl pensions) £	Performance related bonus £	**2011 Total £**	2010 Total £
Nick Buckles	830,000	27,920	–	**857,920**	1,416,176
Trevor Dighton	510,000	34,695	–	**544,695**	825,571
Grahame Gibson (see notes 1 and 2 below)	622,926	43,749	–	**666,675**	1,100,773

Non-executive directors	Base Fee £	Senior Independent Director £	Chair of Committee £	Deputy Chair £	**2011 Total £**	2010 Total £
Alf Duch-Pedersen	280,000	–	–	–	**280,000**	270,000
Lord Condon	55,450	10,250	17,1250:211006mit–0Ú33°gs 0 0 m 56.693 0 l S Q q 1 0 0 1 481.816(0)-03			

Directors' pension entitlements

Nick Buckles and Trevor Dighton accrued pensions in the non-contributory categories of the group's defined benefit pension scheme until 5 July 2011 and 6 May 2011, respectively. The defined benefit pension scheme ceased provision of future service accrual from 5 July 2011 for all members apart from those protected under the public sector outsourcing arrangements.

During their period of participation in the defined benefit pension scheme, 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 any pension payable before the normal retirement age of 60.

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 accrued pension 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.

A salary supplement in lieu of pension of 40% of basic salary is paid on cessation of accrual under the defined benefit scheme. The dates from which the salary supplement has been paid is set out below.

	Date
Nick Buckles	5 July 2011
Trevor Dighton	6 May 2011
Grahame Gibson	6 April 2006

Pension entitlements and corresponding transfer values during the 12 months ended 31 December 2011 (all figures are in £'000s) are shown below:

Executive directors	Gross increase in accrued pension[1]	Increase in accrued pension net of inflation (CPI)[2]	Total accrued pension at 31/12/11[3]	Value of net increase in accrual over period[4]	Total change in transfer value during period[5]	Transfer value of accrued pension at 31/12/11[6]	Transfer value of accrued pension at 31/12/10[7]
Nick Buckles	42	24	403	500	1,599	8,705	7,106
Trevor Dighton	13	8	128	203	508	3,250	2,742
Grahame Gibson	(210)	Note (i)	20	Note (i)	(3,726)	315	4,041

Notes

(i) During the year, Mr Gibson transferred the majority of his benefits to a private pension arrangement. The transfer payment was £3.7m leaving a residual preserved benefit of £20k pa payable from age 60.

(ii) Mr Dighton is over the normal retirement age of 60 and hence, consistent with last year's disclosure, the transfer value is calculated on the assumption that he retired at the end of the year.

(iii) Pension accruals shown are the amounts which would be paid annually on retirement.

(iv) Transfer values have been calculated in accordance with the current transfer value basis adopted by the trustees of the G4S Pension Scheme in May 2011.

(v) The value of net increase (4) represents the incremental value to the director of his service during part of the year up to the relevant termination dates. It is based on the increase in accrued pension (2) with the exception of Mr Gibson whose accrual ended on 5 April 2006.

Lord Condon
Chairman of the Remuneration Committee

12 March 2012

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 comply 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 49 to 51 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 8 to 43, 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 12 March 2012 and signed on its behalf by Trevor Dighton, Chief financial officer.

Trevor Dighton
Chief financial officer
12 March 2012

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 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Balance Sheet, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 71, 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 2011 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 78, in relation to going concern;
- the part of the Corporate Governance Statement pages 57 to 61 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code; and
- certain elements of the report to shareholders by the board on directors' remuneration.

AG Cates (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL
12 March 2012

Consolidated income statement

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Continuing operations			
Revenue	5, 6	**7,522**	7,258
Profit from operations before amortisation and impairment of acquisition-related intangible assets, share of profit from associates and exceptional items		**528**	525
Share of profit from associates		**3**	5
Profit from operations before amortisation and impairment of acquisition-related intangible assets and exceptional items (PBITA)	6	**531**	530
Amortisation and impairment of acquisition-related intangible assets		**(99)**	(88)
Acquisition-related expenses		**(2)**	(4)
Aborted acquisition and legal settlement costs		**(55)**	–
Profit from operations before interest and taxation (PBIT)	6, 8	**375**	438
Finance income	5,12	**111**	98
Finance costs	13	**(207)**	(201)
Profit before taxation (PBT)		**279**	335
Taxation:			
– Before amortisation and impairment of acquisition-related intangible assets and exceptional items		**(95)**	(101)
– On amortisation of acquisition-related intangible assets		**25**	25
– On acquisition-related expenses		**1**	1
– On aborted acquisition and legal settlement costs		**13**	–
	14	**(56)**	(75)
Profit after taxation		**223**	260
Loss from discontinued operations	7	**(25)**	(15)
Profit for the year		**198**	245
Attributable to:			
Equity holders of the parent		**181**	223
Non-controlling interests		**17**	22
Profit for the year		**198**	245
Earnings per share attributable to equity shareholders of the parent	16		
For profit from continuing operations:			
Basic and diluted		**14.7p**	16.9p
For profit from continuing and discontinued operations:			
Basic and diluted		**12.9p**	15.9p

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 £m	2010 £m
Profit for the year		**198**	245
Other comprehensive income			
Exchange differences on translation of foreign operations		**(65)**	41
Change in fair value of cash flow hedging financial instruments		**8**	15
Actuarial (losses)/gains on defined retirement benefit schemes		**(73)**	15
Tax on items taken directly to equity	14	**9**	(11)
Other comprehensive income, net of tax		**(121)**	60
Total comprehensive income for the year		**77**	305
Attributable to:			
Equity holders of the parent		**62**	283
Non-controlling interests		**15**	22
Total comprehensive income for the year		**77**	305

Consolidated statement of changes in equity

For the year ended 31 December 2011

	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 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
At 1 January 2011	353	258	420	(32)	164	426	(12)	1,577
Total comprehensive income attributable to equity shareholders of the parent	–	–	110	6	(54)	–	–	62
Dividends declared	–	–	(114)	–	–	–	–	(114)
Own shares purchased	–	–	–	–	–	–	(13)	(13)
Own shares awarded	–	–	(9)	–	–	–	9	–
Transactions with non-controlling interests	–	–	(19)	–	–	–	–	(19)
Equity-settled transactions	–	–	1	–	–	–	–	1
At 31 December 2011	**353**	**258**	**389**	**(26)**	**110**	**426**	**(16)**	**1,494**

*See Note 38.

Consolidated statement of financial position

At 31 December 2011

	Notes	2011 £m	2010 £m
ASSETS			
Non-current assets			
Goodwill	19	**2,196**	2,159
Other acquisition-related intangible assets	19	**264**	285
Other intangible assets	19	**87**	71
Property, plant and equipment	20	**532**	576
Investment in associates	22	**9**	10
Trade and other receivables	25	**162**	138
Deferred tax assets	36	**157**	161
		3,407	3,400
Current assets			
Inventories	23	**123**	84
Investments	24	**70**	82
Trade and other receivables	25	**1,547**	1,460
Cash and cash equivalents	28	**433**	351
Assets classified as held for sale	27	**35**	–
		2,208	1,977
Total assets	6	**5,615**	5,377
LIABILITIES			
Current liabilities			
Bank overdrafts	28,29	**(53)**	(45)
Bank loans	29	**(47)**	(113)
Obligations under finance leases	30	**(16)**	(21)
Trade and other payables	31	**(1,244)**	(1,210)
Current tax liabilities		**(48)**	(58)
Provisions	35	**(30)**	(33)
Liabilities associated with assets classified as held for sale	27	**(29)**	–
		(1,467)	(1,480)
Non-current liabilities			
Bank loans	29	**(885)**	(574)
Loan notes	29	**(1,180)**	(1,153)
Obligations under finance leases	30	**(48)**	(49)
Trade and other payables	31	**(19)**	(48)
Retirement benefit obligations	34	**(344)**	(306)
Provisions	35	**(38)**	(46)
Deferred tax liabilities	36	**(90)**	(98)
		(2,604)	(2,274)
Total liabilities	6	**(4,071)**	(3,754)
Net assets		**1,544**	1,623
EQUITY			
Share capital	37	**353**	353
Share premium and reserves	38	**1,141**	1,224
Equity attributable to equity holders of the parent		**1,494**	1,577
Non-controlling interests		**50**	46
Total equity		**1,544**	1,623

The consolidated financial statements were approved by the board of directors and authorised for issue on 12 March 2012.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

Consolidated statement of cash ow

For the year ended 31 December 2011

3 Significant accounting policies continued

(b) Basis of consolidation continued

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.

(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 other comprehensive income, 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 IFRS7 (Amended):

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

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

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

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

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

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

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

(e) Intangible assets

Goodwill
All business combinations are accounted for by the application of the 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.

3 Significant accounting policies continued

(e) Intangible assets continued

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

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

The estimated useful lives are as follows:

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

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

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

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

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

(f) Property, plant and equipment

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

Freehold and long leasehold buildings	up to 50 years
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	2 to 10 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 a bad debt 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.

3 Significant accounting policies continued

(g) Financial instruments continued

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.

(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 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.

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.

3 Significant accounting policies continued

(l) Provisions

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Items within provisions include 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.

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 in 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 major 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.

3 Significant accounting policies continued

(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, the operating results of which are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Non-current assets held for sale and discontinued operations

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

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

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

(t) 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:

- IFRS 9 *Financial Instruments* is applicable for 2013. This is the first step in the process to replace IAS 39 Financial Instruments: recognition and measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB has issued an exposure draft that proposes to delay the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015.
- IFRS 10 *Consolidated Financial Statements* is applicable for 2013. The IFRS establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.
- IFRS 11 *Joint Arrangements* is applicable for 2013. The IFRS establishes principles for financial reporting by parties to a joint arrangement. It is concerned principally with both the structure of the arrangement and that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS11 requires that joint arrangements be accounted for using the equity method.
- IFRS 12 *Disclosure of Interests in Other Entities* is applicable for 2013. The IFRS requires an entity to disclose information that enables users of financial statements to evaluate both the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 *Fair Value Measurement* is applicable for 2013. The IFRS defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.
- Amendment to IAS 19 *Employee Benefits* is applicable for 2013. The amendment makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

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

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 Developing markets (comprising the Middle East and Gulf States, Latin America and the Caribbean, Africa, and Asia Paci c).

Segment information is presented below:

Revenue by reportable segment

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Secure solutions						
UK and Ireland	1,252	–	1,252	1,179	–	1,179
Continental Europe	1,475	29	1,504	1,404	35	1,439
Europe	2,727	29	2,756	2,583	35	2,618
North America	1,652	–	1,652	1,676	–	1,676
Middle East and Gulf States	410	32	442	426	39	465
Latin America and the Caribbean	427	4	431	351	5	356
Africa	348	1	349	332	1	333
Asia Paci c	657	–	657	600	–	600
Developing markets	1,842	37	1,879	1,709	45	1,754
Total Secure Solutions	6,221	66	6,287	5,968	80	6,048
Cash solutions						
Europe	817	60	877	831	60	891
North America	106	–	106	106	–	106
Developing markets	378	–	378	353	2	355
Total Cash solutions	1,301	60	1,361	1,290	62	1,352
Total revenue	7,522	126	7,648	7,258	142	7,400

Revenue by geographical area

	Total 2011 £m	Total 2010 £m
UK and Ireland*	1,708	1,657
Continental Europe	1,925	1,852
Europe	3,633	3,509
North America	1,758	1,782
Middle East and Gulf States	504	521
Latin America and the Caribbean	489	412
Africa	474	458
Asia Paci c	790	718
Developing markets	2,257	2,109
Total revenue	7,648	7,400

Revenue from internal and external customers by reportable segment

	Total gross segment revenue 2011 £m	Inter-segment revenue 2011 £m	External revenue 2011 £m	Total gross segment revenue 2010 £m	Inter-segment revenue 2010 £m	External revenue 2010 £m
Secure solutions	6,296	(9)	6,287	6,055	(7)	6,048
Cash solutions	1,361	–	1,361	1,353	(1)	1,352
Total revenue	7,657	(9)	7,648	7,408	(8)	7,400

Inter-segment sales are charged at prevailing market prices.

*UK and Ireland revenue includes £1,591m relating to the UK (2010: £1,548m).

6 Operating segments continued

PBITA by reportable segment

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Secure solutions						
UK and Ireland	119	–	119	103	–	103
Continental Europe	81	(4)	77	77	(6)	71
Europe	200	(4)	196	180	(6)	174
North America	89	(1)	88	96	–	96
Middle East and Gulf States	43	(6)	37	45	(1)	44
Latin America and the Caribbean	34	–	34	25	1	26
Africa	34	–	34	34	(1)	33
Asia Paci c	37	–	37	39	1	40
Developing markets	148	(6)	142	143	–	143
Total Secure Solutions	437	(11)	426	419	(6)	413
Cash Solutions						
Europe	87	(8)	79	103	(2)	101
North America	2	–	2	4	–	4
Developing markets	48	–	48	45	(4)	41
Total Cash solutions	137	(8)	129	152	(6)	146
Total PBITA before head of ce costs	574	(19)	555	571	(12)	559
Head of ce costs	(43)	–	(43)	(41)	–	(41)
Total PBITA	531	(19)	512	530	(12)	518

PBITA by geographical area

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Europe	287	(12)	275	283	(8)	275
North America	91	(1)	90	100	–	100
Developing markets	196	(6)	190	188	(4)	184
Total PBITA before head of ce costs	574	(19)	555	571	(12)	559
Head of ce costs	(43)	–	(43)	(41)	–	(41)
Total PBITA	531	(19)	512	530	(12)	518

Result by reportable segment

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Total PBITA	531	(19)	512	530	(12)	518
Amortisation and impairment of acquisition-related intangible assets	(99)	–	(99)	(88)	–	(88)
Impairment of assets relating to disposal groups	–	(6)	(6)	–	–	–
Acquisition-related costs	(2)	–	(2)	(4)	–	(4)
Aborted acquisition and legal settlement costs	(55)	–	(55)	–	–	–
Total PBIT	375	(25)	350	438	(12)	426
Secure solutions	360	(11)	349	354	(9)	345
Cash solutions	113	(14)	99	125	(3)	122
Head of ce costs	(43)	–	(43)	(41)	–	(41)
Aborted acquisition and legal settlement costs	(55)	–	(55)	–	–	–
Total PBIT	375	(25)	350	438	(12)	426

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.

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	2011 £m	2010 £m
By reportable segment		
Secure solutions	**3,640**	3,428
Cash solutions	**1,103**	1,151
Head of ce	**228**	207
Inter-segment trading balances	**(173)**	(133)
Total segment operating assets	**4,798**	4,653
By geographical area		
UK and Ireland*	**1,586**	1,516
Continental Europe	**818**	887
Europe	**2,404**	2,403
North America	**1,062**	1,032
Middle East and Gulf States	**234**	204
Latin America and the Caribbean	**342**	229
Africa	**271**	300
Asia Paci c	**430**	411
Developing markets	**1,277**	1,144
Head of ce	**228**	207
Inter-segment trading balances	**(173)**	(133)
Total segment operating assets	**4,798**	4,653
Non-operating assets	**817**	724
Total assets	**5,615**	5,377

Total liabilities	2011 £m	2010 £m
By reportable segment		
Secure solutions	**(1,233)**	(1,140)
Cash solutions	**(202)**	(247)
Head of ce	**(46)**	(26)
Inter-segment trading balances	**173**	133
Total segment operating liabilities	**(1,308)**	(1,280)
Non-operating liabilities	**(2,763)**	(2,474)
Total liabilities	**(4,071)**	(3,754)

*UK and Ireland operating assets include £1,491m of assets relating to the UK (2010: £1,418m).

Non-operating assets and liabilities comprise nancial assets and liabilities, taxation assets and liabilities and retirement bene t obligations.

Included within operating and non-operating assets are £33m (2010: £nil) and £2m (2010: £nil) respectively relating to disposal groups classi ed as held for sale. Included within operating and non-operating liabilities are £19m (2010: £nil) and £10m (2010: £nil) respectively relating to liabilities associated with disposal groups classi ed as held for sale. Disposal groups are analysed in note 27.

6 Operating segments continued

Other information

By reportable segment	Impairment losses recognised in income 2011 £m	Depreciation and amortisation 2011 £m	Capital additions 2011 £m	Impairment losses recognised in income 2010 £m	Depreciation and amortisation 2010 £m	Capital additions 2010 £m
Secure solutions	13	145	244	–	148	209
Cash solutions	6	89	86	–	86	63
Head office	–	1	9	–	2	4
Total	19	235	339	–	236	276

By geographical area	Capital additions 2011 £m	Capital additions 2010 £m
UK and Ireland	101	50
Continental Europe	59	62
Europe	160	112
North America	27	48
Middle East and Gulf States	4	6
Latin America and the Caribbean	100	73
Africa	13	11
Asia Pacific	26	22
Developing markets	143	112
Head office	9	4
Total	339	276

7 Discontinued operations

Operations qualifying as discontinued in 2011 included; the cash solutions business in Sweden, which was disposed of on 27 February 2012; the secure solutions business in Russia, and the UK Risk Assessment business in Afghanistan. No businesses became qualified as discontinued in 2010.

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

	2011 £m	2010 £m
Revenue	126	142
Expenses	(145)	(154)
Impairment of assets	(6)	–
Operating loss before interest and taxation (PBIT)	(25)	(12)
Net finance costs	(1)	(2)
Attributable tax credit/(charge)	1	(1)
Net loss attributable to discontinued operations	(25)	(15)

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

The impairment of assets relates to the sale of the Swedish cash solutions business which was sold in 2012 for total proceeds below the carrying value of its assets.

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

	2011 £m	2010 £m
Net cash flows from operating activities	(8)	(8)
Net cash flows from investing activities	(4)	(10)
Net cash flows from financing activities	(1)	(28)
	(13)	(46)

8 Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

Continuing operations	2011 £m	2010 £m
Revenue	**7,522**	7,258
Cost of sales	**(5,924)**	(5,695)
Gross profit	**1,598**	1,563
Administration expenses	**(1,226)**	(1,130)
Share of profit from associates	**3**	5
PBIT	**375**	438

Included within administration expenses is £86m (2010: £88m) of amortisation of acquisition-related intangible assets and a £13m (2010: £nil) goodwill impairment charge relating to the group's businesses in Greece, £2m (2010: £4m) of acquisition-related expenses and £55m (2010: £nil) of aborted acquisition and legal settlement costs. The aborted acquisition costs include debt finance underwriting fees, financing and hedging costs that arose on the proposed acquisition of ISS A/S which was terminated on 1 November 2011.

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):

	2011 £m	2010 £m
Cost of sales		
Cost of inventories recognised as an expense	**101**	102
Write-down of inventories to net realisable value	**2**	1
Administration expenses		
Acquisition-related expenses	**2**	4
Aborted acquisition and legal settlement costs	**55**	–
Amortisation of acquisition-related intangible assets	**86**	88
Goodwill impairment	**13**	–
Amortisation of other intangible assets	**18**	17
Impairment of other assets relating to disposal groups	**6**	–
Depreciation of property, plant and equipment	**131**	131
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related	**(11)**	(16)
Profit on disposal of subsidiaries	**(33)**	(8)
Impairment of trade receivables	**13**	5
Litigation settlements	**1**	1
Research and development expenditure	**6**	5
Operating lease rentals payable	**143**	142
Operating sub-lease rentals receivable	**(14)**	(13)
Cost of equity-settled transactions	**1**	7
Government grants received as a contribution towards wage costs	**(1)**	(1)

10 Auditors' remuneration

	2011 £m	2010 £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**	5
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 £0.3m (2010: £0.4m) for taxation services.

The Corporate Governance Statement on pages 57 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:

	2011 Number	2010 Number
By reportable segment		
Secure solutions	589,673	563,519
Cash solutions	50,078	52,678
Not allocated, including shared administration and head office	153	129
Total average number of employees	639,904	616,326
By geographical area		
Europe	123,237	124,580
North America	55,005	54,599
Developing markets	461,509	437,018
Not allocated, including shared administration and head office	153	129
Total average number of employees	639,904	616,326

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

	2011 £m	2010 £m
Wages and salaries	4,404	4,240
Social security costs	553	510
Employee benefits	170	152
Total staff costs	5,127	4,902

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 70.

12 Finance income

	2011 £m	2010 £m
Interest income on cash, cash equivalents and investments	10	8
Other interest income	8	3
Expected return on defined retirement benefit scheme assets	93	87
Loss arising from change in fair value of derivative financial instruments hedging loan notes	(22)	(16)
Gain arising from fair value adjustment to the hedged loan note items	22	16
Total finance income	111	98

13 Finance costs

	2011 £m	2010 £m
Interest on bank overdrafts and loans	32	21
Interest on loan notes	73	75
Interest on obligations under finance leases	4	6
Other interest charges	8	6
Total group borrowing costs	117	108
Finance costs on defined retirement benefit obligations	90	93
Total finance costs	207	201

Included within interest on bank overdrafts and loans is a charge of £9m (2010: £14m) relating to cash flow hedges that were transferred from equity during the year.

14 Taxation

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Current taxation expense/(credit)						
UK corporation tax	**2**	**–**	**2**	15	–	15
Overseas tax	**80**	**(1)**	**79**	80	(1)	79
Adjustments in respect of prior years:						
UK corporation tax	**(10)**	**–**	**(10)**	–	–	–
Overseas tax	**(6)**	**–**	**(6)**	(10)	2	(8)
Total current taxation expense/(credit)	**66**	**(1)**	**65**	85	1	86
Deferred taxation (credit)/expense (see note 36)						
Current year	**(3)**	**–**	**(3)**	(11)	–	(11)
Adjustments in respect of prior years	**(7)**	**–**	**(7)**	1	–	1
Total deferred taxation credit	**(10)**	**–**	**(10)**	(10)	–	(10)
Total income tax expense/(credit) for the year	**56**	**(1)**	**55**	75	1	76

UK corporation tax is calculated at 26.5% (2010: 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:

	2011 £m	2010 £m
Profit before taxation		
Continuing operations	**279**	335
Discontinued operations	**(26)**	(14)
Total profit before taxation	**253**	321
Tax at UK corporation tax rate of 26.5% (2010: 28%)	**67**	90
Expenses that are not deductible in determining taxable profit	**6**	6
Tax losses not recognised in the current year	**2**	–
Different tax rates of subsidiaries operating in non-UK jurisdictions	**5**	(11)
Movement in deferred tax balance due to reduction in UK rate to 25% from 1 April 2012	**(3)**	(2)
Adjustments for previous years	**(22)**	(7)
Total income tax charge		

17 Acquisitions

Current year acquisitions

The group undertook a number of business combinations in the current period. Principal acquisitions in subsidiary undertakings include the purchase of a 100% interest in a facilities services business in Brazil; Munt Centrale Holland B.V., a coin management service company based in the Netherlands, and The Cotswold Group Limited, the UK's market leader in surveillance, fraud analytics, intelligence and investigations services. The group also acquired the offender monitoring technology operations of Guidance Limited and customer contracts from Chubb Group Security Limited.

The group completed the buy out of its Turkish 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	Developing markets £m	**Total group £m**
Provisional fair value of net assets acquired of subsidiary undertakings	36	16	**52**
Goodwill	25	60	**85**
Total purchase consideration	61	76	**137**

The following table sets out the provisional fair value to the group in respect of all acquisitions made in the year:

	Fair value £m
Intangible assets	**66**
Property, plant and equipment	**8**
Inventories	**3**
Trade and other receivables	**18**
Allowance for doubtful debts	**(1)**
Cash and cash equivalents	**13**
Trade and other payables	**(29)**
Current tax liabilities	**(1)**
Provisions	**(1)**
Borrowings	**(5)**
Deferred tax liabilities	**(19)**
Net assets acquired of subsidiary undertakings	**52**
Goodwill	**85**
Total purchase consideration	**137**
Satis ed by:	
Cash	**130**
Deferred consideration	**7**
Total purchase consideration	**137**

Deferred consideration in respect of acquisitions made in 2011 has been recognised at the amount which is expected to be paid in the future, being £7m (equal to its discounted present value). 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 £8m.

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 £65m. 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. None of these meet the criteria for recognition as intangible assets separable from goodwill.

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
The Cotswold Group Limited	9	1	1
Brazil facilities services	2	1	1
Munt Centrale Holland	5	–	–
Guidance Group	4	1	–
Others	8	1	–
Total contribution from acquired businesses	28	4	2

If all the acquisitions had occurred on 1 January 2011 the results of the group for the period would have been as follows:

Group's results if all acquisitions had occurred on 1 January 2011	Revenue £m	PBITA £m	Profit £m
Group results for the period	7,522	531	198
Impact of backdating acquisitions to 1 January 2011			
The Cotswold Group Limited (unaudited)	3	–	–
Brazil facilities services (unaudited)	56	6	2
Guidance Group (unaudited)	3	1	–
Others (unaudited)	10	–	–
Group result for the period if all acquisitions had occurred on 1 January 2011 (unaudited)	7,594	538	200

Prior year acquisitions

Principal acquisitions in subsidiary undertakings in the prior year included 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.

17 Acquisitions continued

At 31 December 2010, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2010 has since been finalised. The net assets acquired and goodwill arising in respect of all acquisitions made in the year are as follows:

	Fair value £m
Intangible assets	13
Property, plant and equipment	1
Inventories	3
Trade and other receivables	9
Cash and cash equivalents	6
Trade and other payables	(10)
Current tax liabilities	(1)
Provisions	(7)
Borrowings	(4)
Deferred tax liabilities	(3)
Net assets acquired of subsidiary undertakings	7
Goodwill	58
Total purchase consideration	65
Satisfied by:	
Cash	42
Contingent consideration	23
Total purchase consideration	65

Summary of prior year acquisition activities

Goodwill recognised on prior year acquisitions	58
Goodwill recognised in the prior year relating to acquisitions completed in previous years	12
Total goodwill recognised in the prior year	70

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 £12m.

On completion of the fair value exercise during 2011, adjustments made to the provisional calculation of identifiable assets and liabilities amounted to £12m, with an equivalent increase in the reported value of goodwill. The comparative consolidated statement of financial position at 31 December 2010 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.

In the year of acquisition, in aggregate, the acquired businesses contributed £23m to revenues, £2m to PBITA and £1m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2010, group revenue would have been £7,293m, PBITA would have been £535m and profit for the year would have been £249m.

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 7 December 2011, the group disposed of its consumer alarms business in Norway.

On 30 December 2011, the group sold its 50% share of the equity in STC (Milton Keynes) Ltd.

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.

The net assets and pro t on disposal of operations disposed of were as follows:

	2011 £m	2010 £m
Goodwill	–	3
Acquisition-related intangible assets	–	3
Property, plant and equipment and intangible assets other than acquisition-related	1	–
Other non current assets	9	–
Current assets	13	1
Liabilities	(19)	(2)
Net assets of operations disposed	4	5
Pro t on disposal	33	8
Total consideration	37	13
Satis ed by:		
Cash received	38	9
Deferred receipts	–	4
Disposal costs	(1)	–
Total consideration	37	13

19 Intangible assets

	Goodwill	Acquisition-related intangible assets			Other intangible assets		Total
	£m	Trademarks £m	Customer related £m	Technology £m	Development expenditure £m	Software £m	£m
2011							
Cost							
At 1 January 2011	2,232	34	608	18	22	132	3,046
Acquisition of businesses	85	–	65	–	–	1	151
Additions	–	–	1	–	9	26	36
Disposals	–	–	–	–	–	(4)	(4)
Reclassi ed as held for sale	(15)	–	–	–	–	(6)	(21)
Translation adjustments	(36)	–	(6)	1	–	5	(36)
At 31 December 2011	2,266	34	668	19	31	154	3,172
Amortisation and accumulated impairment losses							
At 1 January 2011	(73)	(25)	(335)	(15)	(9)	(74)	(531)
Amortisation charge	–	(3)	(82)	(1)	(4)	(14)	(104)
Impairment charge	(13)	–	–	–	–	–	(13)
Disposals	–	–	–	–	–	4	4
Reclassi ed as held for sale	9	–	–	–	–	6	15
Translation adjustments	7	–	5	(1)	–	(7)	4
At 31 December 2011	(70)	(28)	(412)	(17)	(13)	(85)	(625)
Carrying amount							
At 1 January 2011	2,159	9	273	3	13	58	2,515
At 31 December 2011	**2,196**	**6**	**256**	**2**	**18**	**69**	**2,547**
2010							
Cost							
At 1 January 2010	2,120	34	601	17	16	118	2,906
Acquisition of businesses	70	–	13	–	–	–	83
Additions	–	–	–	–	6	15	21
Disposals	(3)	–	(13)	–	–	1	(15)
Translation adjustments	45	–	7	1	–	(2)	51
At 31 December 2010	2,232	34	608	18	22	132	3,046
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	2,159	9	273	3	13	58	2,515

Included within software is internally generated software with a gross carrying value of £18m (2010: £12m), and accumulated amortisation of £3m (2010: £1m), giving a net book value of £15m (2010: £11m). During the year, additions amounted to £3m (2010: £3m) and the amortisation charge associated to these assets was £nil (2010: £nil).

19 Intangible assets continued

Customer-related intangibles comprise the contractual and other relationships with customers which meet the criteria for identi cation as intangible assets in accordance with IFRS. Customer contracts and relationships recognised upon the acquisition of Securicor plc on 19 July 2004 are considered signi cant to the group. The carrying amount at 31 December 2011 was £47m (2010: £72m), and the amortisation period remaining in respect of these assets is two and a half years.

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) which are expected to bene t 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 nalised and reviewed post year end. The group's impairment test compares the carrying value of each CGU to its recoverable amount. CGUs are identi ed on a country level basis including signi cant business units, as per the group's detailed management accounts. Under IAS 36 Impairment of Assets, an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is determined by its value in use which is derived from discounted cash ow calculations. These calculations include forecast pre-tax cash ows for a period of ve years. The ve year cash ow 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 ve, all of which re ect past experience as well as future expected market trends. Budgeted and forecast cash ows are based on management's assessment of current contract portfolio, contract wins, contract retention and price increases. Cash ows beyond the ve 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 ve. Into-perpetuity growth rates across the group's CGUs range from 0% to 25%, and the rates for the signi cant CGUs are disclosed in the table below. Future cash ows are discounted at a pre-tax, weighted average cost of capital which for the group is 6.1% (2010: 6.5%), and the discount rates for the signi cant CGUs are disclosed in the table below. Pre-tax cash ows are discounted using pre-tax discount rates derived from calculating the net present value of the post-tax cash ows discounted at post-tax rates. The group rate is adjusted where appropriate to re ect the different nancial risks in each country in which the CGUs operate. Risk-adjusted discount rates applicable to group entities range from 4.5% in Singapore to 63.6% in Guinea.

In applying the group's model in 2011, the group has impaired the goodwill relating to its businesses in Greece by £13m. The current challenging economic circumstances in the country have resulted in a discount rate of 16% being applied to the relevant cash ows. The remaining goodwill relating to Greece is £14m and given the ongoing economic and political uncertainty in the country there remains a risk of further impairment. Each increase in the discount rate appropriate to our businesses in Greece of 1% would result in an additional impairment of approximately £1m, all other factors being equal. No impairment has been identi ed and recognised in any of the group's other CGUs for the year ended 31 December 2011 or for the year ended 31 December 2010. Management believe that there is currently no reasonably possible change in the underlying factors used in the impairment model for its CGUs, apart from Greece, which would lead to a material impairment of goodwill.

The following CGUs have signi cant carrying amounts of goodwill:

	Discount rate 2011	Discount rate 2010	**Growth rate* 2011**	Growth rate* 2010	**Goodwill 2011 £m**	Goodwill 2010 £m
US secure solutions (manned security)	**6.0%**	6.4%	**2.0%**	2.5%	**375**	372
Former GSL business acquired in 2008	**6.1%**	6.5%	**2.5%**	2.5%	**258**	258
UK cash solutions	**6.1%**	6.5%	**2.5%**	2.5%	**239**	239
Netherlands secure solutions	**6.0%**	6.0%	**2.5%**	3.3%	**118**	121
UK secure solutions (manned security)	**6.1%**	6.5%	**2.5%**	2.5%	**117**	117
UK secure solutions (justice services)	**6.1%**	6.5%	**2.5%**	2.5%	**95**	95
Estonia secure solutions and cash solutions	**7.4%**	7.0%	**5.0%**	4.0%	**63**	65
Other (all allocated)					**931**	892
Total goodwill					**2,196**	2,159

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

The key assumptions used in the discounted cash ow 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 £3m. A signi cant 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 £26m.

A decrease in the underlying growth rate in all countries of 1% would result in a group impairment of £2m. A decrease of 3% in growth rate would result in a group impairment of £11m. 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
2011			
Cost			
At 1 January 2011	**223**	**1,025**	**1,248**
Acquisition of businesses	**1**	**7**	**8**
Additions	**16**	**128**	**144**
Disposals	**(9)**	**(97)**	**(106)**
Reclassi cation	**–**	**(21)**	**(21)**
Reclassi ed as held for sale	**(6)**	**(21)**	**(27)**
Translation adjustments	**(3)**	**(8)**	**(11)**
At 31 December 2011	**222**	**1,013**	**1,235**
Depreciation and accumulated impairment losses			
At 1 January 2011	**(61)**	**(611)**	**(672)**
Depreciation charge	**(16)**	**(115)**	**(131)**
Disposals	**6**	**80**	**86**
Reclassi cation	**–**	**3**	**3**
Reclassi ed as held for sale	**2**	**15**	**17**
Translation adjustments	**2**	**(8)**	**(6)**
At 31 December 2011	**(67)**	**(636)**	**(703)**
Carrying amount			
At 1 January 2011	**162**	**414**	**576**
At 31 December 2011	**155**	**377**	**532**
2010			
Cost			
At 1 January 2010	227	903	1,130
Acquisition of businesses	–	1	1
Additions	19	152	171
Disposals	(22)	(62)	(84)
Translation adjustments	(1)	31	30
At 31 December 2010	223	1,025	1,248
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	414	576

20 Property, plant and equipment continued

During the year management have reclassi ed certain short-life assets, such as consumables, from within the equipment and vehicles category to inventory to more accurately re ect their usage.

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

	2011 £m	2010 £m
Net book value	50	61
Accumulated depreciation	104	102
Depreciation charge for the year	15	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:

	2011 £m	2010 £m
Net book value	36	33
Accumulated depreciation	88	77
Depreciation charge for the year	11	10

The net book value of land and buildings comprises:

	2011 £m	2010 £m
Freeholds	66	66
Long leaseholds (50 years and over)	19	20
Short leaseholds (under 50 years)	70	76

At 31 December 2011 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1m (2010: £2m).

21 Investment in joint ventures

At the year end the group owned 59% of the equity of Bridgend Custodial Services Ltd. The group jointly shares operational and nancial control over the operations and is therefore entitled to a proportionate share of its results, 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%.

During 2011, the group sold its 50% share of the equity in STC (Milton Keynes) Ltd. Up until the date of disposal, its results were also consolidated on the basis of equity shares held.

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

Results	2011 £m	2010 £m
Income	**44**	55
Expenses	**(41)**	(52)
Pro t after tax	**3**	3

Balance sheet	2011 £m	2010 £m
Assets		
Non-current assets	**22**	38
Current assets	**7**	8
	29	46
Liabilities		
Current liabilities	**(10)**	(10)
Non-current liabilities	**(14)**	(32)
	(24)	(42)
Net assets	**5**	4

22 Investment in associates

26 Construction contracts

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

	2011 £m	2010 £m
Amounts due from contract customers included in trade and other receivables (see note 25)	**28**	32
Amounts due to contract customers included in trade and other payables (see note 31)	**(5)**	(7)
Net balances relating to construction contracts	**23**	25
Contract costs incurred plus recognised profits less recognised losses to date	**320**	212
Less: Progress billings	**(297)**	(187)
Net balances relating to construction contracts	**23**	25

At 31 December 2011, advances received from customers for contract work amounted to £5m (2010: £9m). 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

At 31 December 2011, disposal groups classified as held for sale primarily comprised the assets and liabilities associated with the cash solutions business in Sweden, which was disposed of on 27 February 2012 and the UK Risk Assessment Services business in Afghanistan.

At 31 December 2010 there were no disposal groups classified as held for sale.

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

	2011 £m	2010 £m
ASSETS		
Goodwill and acquisition-related intangible assets	**6**	–
Property, plant and equipment and intangible assets other than acquisition-related	**10**	–
Trade and other receivables	**17**	–
Cash and cash equivalents	**2**	–
Total assets classified as held for sale	**35**	–
LIABILITIES		
Bank overdrafts	**(12)**	–
Trade and other payables	**(19)**	–
Current tax liabilities	**2**	–
Total liabilities associated with assets classified as held for sale	**(29)**	–
Net assets of disposal group	**6**	–

28 Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the consolidated cash   ow statement to amounts reported within the consolidated statement of   nancial position is presented below:

	2011 £m	2010 £m
Cash and cash equivalents	**433**	351
Bank overdrafts	**(53)**	(45)
Cash, cash equivalents and bank overdrafts included within disposal groups classi ed as held for sale	**(10)**	–
Total cash, cash equivalents and bank overdrafts	**370**	306

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 2011 bore interest at a weighted average rate of 0.4% (2010: 0.9%). 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 140 group companies at 31 December 2011. 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 2011 £303m (2010 £230m) of the cash balances and the equivalent amount of the overdraft balances were offset.

Cash and cash equivalents of £17m (2010: £26m) 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

	2011 £m	2010 £m
Bank overdrafts	**53**	45
Bank loans	**932**	687
Loan notes*	**1,180**	1,153
Total bank overdrafts, bank loans and loan notes	**2,165**	1,885
The borrowings are repayable as follows:		
On demand or within one year	**100**	158
In the second year	**53**	551
In the third to fth years inclusive	**1,065**	222
After ve years	**947**	954
Total bank overdrafts, bank loans and loan notes	**2,165**	1,885
Less: Amount due for settlement within 12 months (shown under current liabilities):		
– Bank overdrafts	**(53)**	(45)
– Bank loans	**(47)**	(113)
	(100)	(158)
Amount due for settlement after 12 months	**2,065**	1,727

*Loan notes includes £830m of private loan notes and £350m of public loan notes.

29 Bank overdrafts, bank loans and loan notes continued

Analysis of bank overdrafts, bank loans and loan notes by currency:

	Sterling £m	Euros £m	US dollars £m	Others £m	Total £m
Bank overdrafts	**21**	**24**	**–**	**8**	**53**
Bank loans	**419**	**205**	**263**	**45**	**932**
Loan notes	**419**	**–**	**761**	**–**	**1,180**
At 31 December 2011	**859**	**229**	**1,024**	**53**	**2,165**
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

Of the borrowings in currencies other than sterling, £1,032m (2010: £951m) is designated as net investment hedge.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2011 adjusted for hedging were as follows:

	2011 %	2010 %
Bank overdrafts	**1.2**	1.5
Bank loans	**2.4**	3.0
Private loan notes	**4.4**	4.2
Public loan notes	**7.8**	7.8

The group's committed bank borrowings comprise two multicurrency revolving credit facilities, a £1,100m facility with a maturity date of March 2016 and a €575m (£480m) with a maturity date of June 2012 with the right to extend for a further six months at the group's option. The group's uncommitted bank facilities amount to £706m (2010: £575m). At 31 December 2011, undrawn committed available facilities amounted to £767m (2010: £552m). 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 oating rates exposes the group to cash ow interest rate risk. The management of this risk is discussed in note 33.

The group issued xed rate loan notes in the US Private Placement market totalling US$550m (£354m) 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 xed rate loan notes in the US Private Placement market totalling US$514m (£331m) 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 a 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 nancial covenant (net debt to EBITDA ratio) and non-compliance with the covenant may lead to an acceleration of maturity. The group complied with the nancial covenant throughout the year to 31 December 2011 and the year to 31 December 2010. 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 (£171m) of the loan notes issued in July 2008 have a fair value market gain of £40m (2010: £39m) resulting from the cross currency swaps xing the GBP value of this portion of the loan notes at an exchange rate of 1.975.

30 Obligations under nance leases

	Minimum lease payments 2011 £m	Minimum lease payments 2010 £m	**Present value of minimum lease payments 2011 £m**	Present value of minimum lease payments 2010 £m
Amounts payable under nance leases:				
Within one year	**18**	24	**16**	21
In the second to fth years inclusive	**51**	52	**46**	46
After ve years	**2**	4	**2**	3
	71	80	**64**	70
Less: Future nance charges on nance leases	**(7)**	(10)		
Present value of lease obligations	**64**	70		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16)**	(21)
Amount due for settlement after 12 months			**48**	49

It is the group's policy to lease certain of its xtures and equipment under nance leases. The weighted average lease term is eight years. For the year ended 31 December 2011, the weighted average effective borrowing rate was 5.5% (2010: 6.8%). Interest rates are xed at the contract date. All leases are on a xed repayment basis and no arrangements have been entered into for contingent rental payments.

The directors believe the fair value of the group's nance lease obligations, being the present value of future cash ows, approximates to their book value.

The group's obligations under nance leases are secured by the lessors' charges over the leased assets.

31 Trade and other payables

	2011 £m	2010 £m
Within current liabilities:		
Trade creditors	**238**	198
Amounts due to construction contract customers (see note 26)	**5**	7
Amounts owed to associated undertakings	**2**	2
Other taxation and social security costs	**231**	208
Other creditors	**435**	461
Accruals and deferred income	**328**	325
Derivative nancial instruments at fair value (see note 32)	**5**	9
Total trade and other payables included within current liabilities	**1,244**	1,210
Within non-current liabilities:		
Derivative nancial instruments at fair value (see note 32)	**4**	7
Other creditors	**15**	41
Total trade and other payables included within non-current liabilities	**19**	48

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2010: 33 days). The directors believe the fair value of trade and other payables, being the present value of future cash ows, approximates to their book value.

Other creditors of £15m included within non-current liabilities comprises £7m relating to creditors due between one and two years, and £8m relating to creditors due between two and ve years.

32 Derivative nancial instruments

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

	Assets 2011 £m	Assets 2010 £m	**Liabilities 2011 £m**	Liabilities 2010 £m
Cross currency swaps designated as cash ow hedges	**40**	39	**–**	–
Interest rate swaps designated as cash ow hedges	**–**	–	**9**	16
Interest rate swaps designated as fair value hedges	**77**	55	**–**	–
Commodity swaps	**3**	2	**–**	–
	120	96	**9**	16
Less: Non-current portion	**(106)**	(85)	**(4)**	(7)
Current portion	**14**	11	**5**	9

Derivative nancial 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 oating rate cash ows 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 £30m during the year.

The interest rate, cross currency and commodity swaps treated as cash ow hedges have the following maturities:

	Assets 2011 £m	Assets 2010 £m	**Liabilities 2011 £m**	Liabilities 2010 £m
Within one year	**2**	1	**3**	3
In the second year	**10**	1	**2**	7
In the third year	**–**	10	**2**	4
In the fourth year	**23**	–	**1**	1
In the fth year or greater	**8**	29	**1**	1
Total carrying value	**43**	41	**9**	16

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

	Assets 2011 £m	Assets 2010 £m	**Liabilities 2011 £m**	Liabilities 2010 £m
Within one year	**2**	1	**7**	11
In the second year	**10**	1	**2**	5
In the third year	**–**	9	**2**	1
In the fourth year	**24**	–	**–**	1
In the fth year or greater	**9**	32	**1**	1
Total cash ows	**45**	43	**12**	19

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 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 stable 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 12.5% 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 2011 was 7.3%.

The group monitors the nancial 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 bene t 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.

33 Financial risk continued

Liquidity risk

The group mitigates liquidity risk by ensuring there are suf cient 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 2010	26%
31 March 2011	21%
30 June 2011	16%
30 September 2011	12%
31 December 2011	29%

To reduce re- nancing risk, group treasury obtains nance with a range of maturities and hence minimises the impact of a single material source of nance terminating on a single date.

The group's committed facilities as at 31 December 2011, pre hedging, have the following characteristics:

				Forecast cash ow including principal and interest					
Maturity Date	Facility amount	Drawn amount	Average interest rate	Within 1 year	Year 2	Year 3	Year 4	After 5 years	Total
	£m	£m	%	£m	£m	£m	£m	£m	£m
June-12	480*	–	–	–	–	–	–	–	–
July-13	42	42	6.09	3	45	–	–	–	48
March-14	64	64	5.77	4	4	66	–	–	74
July-15	97	97	6.43	6	6	6	103	–	121
March-16	1,100	813	1.65	13	13	13	13	816	868
July-16	25	25	7.55	2	2	2	2	27	35
March-17	129	129	5.86	8	8	8	8	140	172
July-18	188	188	6.96	13	13	13	13	227	279
March-19	93	93	5.96	6	6	6	6	112	136
May-19	350	350	7.75	27	27	27	27	459	567
July-20	48	48	6.88	3	3	3	3	64	76
March-22	68	68	6.06	4	4	4	4	95	111
	2,684	1,917		89	131	148	179	1,940	2,487

Re- nancing risk is further reduced by group treasury opening negotiations to either replace or extend any major medium term facility at least 18 months before its termination date.

*The maturity date of this facility can be extended for a further six months at the company's option.

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 nancing activities in local currency. However, the group presents its consolidated nancial 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 proportion of its exposure to uctuations 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.

At 31 December 2011, the group's US dollar and euro net assets were approximately 75% and 50% respectively hedged by foreign currency loans (2010: US dollar 65%, euro 60%).

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 xing the sterling value of this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at oating rates as described in note 29 exposes the group to cash ow 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 x the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of ve years. At 31 December 2011 the nominal value of such contracts was £174m (in respect of US dollar) (2010: £134m) and £121m (in respect of euro) (2010: £167m), their weighted average interest rate was 2.7% (US dollar) (2010: 5.0%) and 3.6% (euro) (2010: 3.7 %), and their weighted average period to maturity was two and a half years. All the interest rate hedging instruments are designated and fully effective as cash ow hedges and movements in their fair value have been deferred in equity.

33 Financial risk continued

Market risk 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 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. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2011 debt position constant throughout 2012, would lead to an expectation of an additional interest charge of £12m in the 2012 financial year.

Commodity risk and commodity swaps

The group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its cash solutions businesses. Commodity swaps and commodity options are used to fix synthetically part of the exposure and reduce the associated cost volatility. Commodity swaps hedging 24 million litres of projected 2012 diesel consumption, 22 million litres of projected 2013 diesel consumption and 15 million litres of projected 2014 diesel consumption were in place at 31 December 2011.

Counterparty credit risk

The group's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each 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 also closely monitored against policy limits assigned to each counterparty. 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.

34 Retirement benefit obligations continued

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 2011 totalled £3m (2010: £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, primarily in the Netherlands and Canada.

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

	2011 £m	2010 £m
UK	**285**	256
Rest of World	**10**	9
Net liability on material funded defined retirement benefit schemes	**295**	265
Unfunded and other funded defined retirement benefit obligations	**49**	41
	344	306

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 UK 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 2011 and use the valuation methodologies specified in IAS 19 *Employee Benefits*.

During the year the group closed the UK scheme to future accrual. Existing members retained their link to final salary where appropriate and their benefits accrued to-date. Members have been offered the opportunity to move to a new defined contribution scheme for future pension benefits. There has been no curtailment gain or loss.

In 2010, the UK government announced that the minimum rates at which pensions will increase will change from using RPI to CPI. This change resulted in a one-off reduction in the liabilities, mainly associated with UK deferred pensioners, by £32m. This was accounted for in 2010 as a credit to reserves in line with UITF48 *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 Section	GSL Section	Securicor Section	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

34 Retirement bene t obligations continued

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 2011		
Discount rate	5.0%	5.3%
Expected return on scheme assets (as at 1 January 2011)	7.0%	5.1%
Expected rate of salary increases	3.1%	2.4%
Future pension increases (LPI5%)	3.0%	1.5%
In ation	3.1%	2.1%
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%
In ation	3.5%	2.1%

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 de ned bene t schemes are as follows:

	UK £m	Rest of World £m	Total £m
Amounts recognised in income 2011			
Current service cost	**(7)**	**(2)**	**(9)**
Finance cost on de ned retirement bene t obligations	**(85)**	**(5)**	**(90)**
Expected return on de ned retirement bene t scheme assets	**89**	**4**	**93**
Total amounts recognised in income	**(3)**	**(3)**	**(6)**
Amounts recognised in income 2010			
Current service cost	(11)	(4)	(15)
Settlement and curtailment gains	–	9	9
Finance cost on de ned retirement bene t obligations	(87)	(6)	(93)
Expected return on de ned retirement bene t scheme assets	82	5	87
Total amounts recognised in income	(16)	4	(12)

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

	2011 £m	2010 £m
Cost of sales	**(6)**	(10)
Administration expenses	**(3)**	4
Finance income	**93**	87
Finance costs	**(90)**	(93)
Total	**(6)**	(12)

34 Retirement bene t obligations continued

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

	2011 £m	2010 £m
At 1 January	(253)	(268)
Actuarial (losses)/gains recognised in the year	(68)	19
Restriction to de ned bene t asset due to the asset ceiling	(5)	(4)
At 31 December	(326)	(253)

The asset ceiling restriction re ects an inability to derive economic value from an IAS19 surplus in a plan in the Netherlands.

The amounts included in the consolidated statement of nancial position arising from the group's obligations in respect of its material de ned bene t schemes are as follows:

	UK £m	Rest of World £m	Total £m
2011			
Present value of de ned bene t obligations	1,723	102	1,825
Fair value of scheme assets	(1,438)	(101)	(1,539)
Restriction to de ned bene t asset due to the asset ceiling	–	9	9
De cit in scheme	285	10	295
2010			
Present value of de ned bene t obligations	1,566	95	1,661
Fair value of scheme assets	(1,310)	(90)	(1,400)
Restriction to de ned bene t asset due to the asset ceiling	–	4	4
De cit in scheme	256	9	265
2009			
Present value of de ned bene t obligations	1,547	116	1,663
Fair value of scheme assets	(1,240)	(95)	(1,335)
De cit in scheme	307	21	328
2008			
Present value of de ned bene t obligations	1,296	111	1,407
Fair value of scheme assets	(1,040)	(81)	(1,121)
De cit in scheme	256	30	286
2007			
Present value of de ned bene t obligations	1,291	85	1,376
Fair value of scheme assets	(1,170)	(70)	(1,240)
De cit in scheme	121	15	136

34 Retirement bene t obligations continued

Movements in the present value of de ned bene t obligations in the current year and the fair value of scheme assets during the year were as follows:

2011	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2011	1,566	95	1,661
Service cost	7	2	9
Interest cost	85	5	90
Contributions from scheme members	3	3	6
Actuarial losses	131	1	132
Bene ts paid	(69)	(1)	(70)
Translation adjustments	–	(3)	(3)
At 31 December 2011	1,723	102	1,825
Assets			
At 1 January 2011	1,310	90	1,400
Expected return on scheme assets	89	4	93
Actuarial gains	61	3	64
Actual returns on schedule assets	150	7	157
Contributions from the sponsoring companies	44	4	48
Contributions from scheme members	3	3	6
Bene ts paid	(69)	(1)	(70)
Translation adjustments	–	(2)	(2)
At 31 December 2011	1,438	101	1,539

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)
Bene ts 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 return on scheme assets	78	8	86
Contributions from the sponsoring companies	45	14	59
Contributions from scheme members	5	3	8
Bene ts paid	(58)	(2)	(60)
Settlements	–	(30)	(30)
Translation adjustments	–	2	2
At 31 December 2010	1,310	90	1,400

The contribution from sponsoring companies in 2011 included £40m (2010: £33m) of additional contributions in respect of the de cit in the schemes.

34 Retirement bene t obligations continued

The composition of the scheme assets at the reporting date is as follows:

	UK	Rest of World	Total
2011			
Equity instruments	**10%**	**34%**	**12%**
Debt instruments	**25%**	**44%**	**27%**
Property	**0%**	**4%**	**0%**
Cash	**28%**	**2%**	**26%**
Other assets	**37%**	**16%**	**35%**
	100%	**100%**	**100%**
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%

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 nancial 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
2011 (return expected in 2012)	5.7%	4.4%	5.6%
2010 (return expected in 2011)	7.0%	4.5%	6.8%
2009 (return expected in 2010)	6.9%	5.6%	6.8%

For the UK, the expected return on assets is based on the return targeted under the 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 in ation 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.

34 Retirement benefit obligations continued

The history of experience adjustments is as follows:

	UK	Rest of World	Total
2011			
Experience adjustments on scheme liabilities			
Amount (£m)	**18**	**(2)**	**16**
Percentage of scheme liabilities (%)	**1**	**(2)**	**1**
Experience adjustments on scheme assets			
Amount (£m)	(58)	(5)	(63)
Percentage of scheme assets (%)	(4)	(5)	(4)
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)
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)

The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2012 in respect of the ongoing accrual of benefits should be approximately £10m and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions. Additional contributions of approximately £35m will also be made in 2012 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 4.95%, in respect of the UK schemes at 31 December 2011 (5.5% at 31 December 2010). 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 £30m.

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 21 years. The weighted average life expectancy at 65 of a male currently aged 52 has been assumed as 22 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 £78m.

Pension obligations in respect of deferred members increase in line with inflation. Increases in salaries and increases in pensions-in-payment generally move in line with inflation. Inflation is therefore an important assumption in the calculation of defined retirement benefit liabilities. The effect of a 0.1% movement in the rate of inflation assumption applicable in the UK is to alter reported liabilities (before associated deferred tax) by approximately £16m.

35 Provisions

	Employee bene ts £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Total £m
At 1 January 2011	16	5	42	16	79
Additional provision in the year	10	–	27	7	44
On acquisition of subsidiary	–	–	1	–	1
Utilisation of provision	(7)	(4)	(23)	(10)	(44)
Unused amounts reversed	(2)	–	(11)	–	(13)
Translation adjustments	–	–	1	–	1
At 31 December 2011	17	1	37	13	68

Included in current liabilities	30
Included in non-current liabilities	38
	68

Employee bene ts

The provision for employee bene ts is in respect of any employee bene ts 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.

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 nal 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 out ows. 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 bene t obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
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
At 1 January 2011	**75**	**(84)**	**27**	**45**	**63**
(Charge)/credit to the income statement	**(11)**	**25**	**(4)**	**–**	**10**
Acquisition of subsidiaries	**–**	**(19)**	**–**	**–**	**(19)**
Credit/(charge) to equity	**12**	**–**	**–**	**(1)**	**11**
Transfers/other	**–**	**1**	**–**	**1**	**2**
At 31 December 2011	**76**	**(77)**	**23**	**45**	**67**

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset) for nancial reporting purposes:

	2011 £m	2010 £m
Deferred tax liabilities	**(90)**	(98)
Deferred tax assets	**157**	161
Total deferred tax position	**67**	63

At 31 December 2011, the group has unutilised tax losses of approximately £456m (2010: £526m) potentially available for offset against future pro ts. A deferred tax asset of £23m (2010: £27m) has been recognised in respect of approximately £71m (2010: £76m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £385m (2010: £450m) of gross losses due to the unpredictability of future pro t streams in the relevant jurisdictions and the fact that a signi cant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £4m, £2m, £1m, £2m and £3m which will expire in 2012, 2013, 2014, 2015 and 2016 respectively. Other losses may be carried forward inde nitely.

At 31 December 2011, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £1,401m (2010: £1,445m). 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 insigni cant.

At 31 December 2011, the group has total unprovided contingent tax liabilities of approximately £11m (2010: £8m) relating to unresolved tax issues in various jurisdictions.

37 Share capital

G4S plc	2011 £	2010 £
Issued and fully paid ordinary shares of 25p each	**352,667,160**	352,654,660

	Number	Nominal value £m
Ordinary shares in issue		
At 1 January 2010	**1,410,518,639**	353
Shares issued on exercise of options:		
Executive Scheme	**100,000**	–
At 1 January 2011	**1,410,618,639**	353
Shares issued on exercise of options:		
Executive Scheme	**50,000**	–
At 31 December 2011	**1,410,668,639**	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.

No options over G4S plc shares remains outstanding at 31 December 2011.

The proceeds from shares allotted under this scheme during the year amounted to £45,500 (2010: £127,338).

6,265,571 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 6,265,571 shares at 31 December 2011 (2010: 5,029,315 shares) to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes. During the year 4,626,711 shares were purchased by the trust, whilst 3,390,455 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2011, the cost of shares held by the trust was £16,484,777 (2010: £12,125,010), whilst the market value of these shares was £17,029,822 (2010: £12,804,636). 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 nancial position is presented below:

	2011 £m	2010 £m
Cash and cash equivalents	**433**	351
Investments	**70**	82
Net cash and overdrafts included within disposal groups classi ed as held for sale	**(10)**	–
B		

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 2011	**Weighted average exercise price (pence) 2011**	Number of shares under option 2010	Weighted average exercise price (pence) 2010
Outstanding at 1 January	**50,000**	**91.00**	150,000	115.23
Exercised during the year	**(50,000)**	**91.00**	(100,000)	127.34
Outstanding and exercisable at 31 December	**–**	**–**	50,000	91.00

The weighted average share price at the date of exercise for share options exercised during the year was 289.30p (2010: 266.27p). No options were outstanding at 31 December 2011.

No share option expense has been recognised in the income statement during the year as all share options had previously vested (2010: 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 2011 Number	**PSP 2011 Number**	**Total 2011 Number**	Performance-related bonus scheme 2010 Number	PSP 2010 Number	Total 2010 Number
Outstanding at 1 January	**1,525,349**	**14,914,806**	**16,440,155**	1,322,739	14,962,009	16,284,748
Allocated during the year	**121,090**	**6,431,172**	**6,552,262**	546,896	5,204,762	5,751,658
Transferred during the year	**(577,984)**	**(2,798,491)**	**(3,376,475)**	(344,286)	(4,053,117)	(4,397,403)
Forfeited during the year	**–**	**(727,154)**	**(727,154)**	–	(1,177,848)	(1,177,848)
Expired during the year	**–**	**(1,717,883)**	**(1,717,883)**	–	(21,000)	(21,000)
Outstanding at 31 December	**1,068,455**	**16,102,450**	**17,170,905**	1,525,349	14,914,806	16,440,155

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2011 was 19 months (2010: 15 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 253.0p (2010: 259.2p) 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 year measured against a comparator group. 25% of the allocation vests upon the group's Total Shareholder Return equalling median performance amongst the comparator group. The fair value of the shares allocated subject to this market performance condition has therefore been reduced by 75%.

Total expenses of £1m were recognised in the income statement in the year (2010: £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 2011 £m	Joint ventures 2010 £m	**Associates 2011 £m**	Associates 2010 £m
Transactions				
Revenue	**22**	11	**–**	–
Balances				
Amounts due to related parties				
Creditors	**–**	–	**2**	2
Amounts due from related parties				
Debtors	**5**	5	**2**	2

Revenue includes fees of £10m (2010: £8m) charged to Bridgend Custodial Services Ltd and fees of £3m (2010: £3m) charged to STC (Milton Keynes) Ltd up until the date of its disposal. 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 the group. The signi cant transactions with these entities are:

	2011 Services / sales to £m	2010 Services / sales to £m
White Horse Education Partnership Limited	**2**	2
Integrated Accommodation Services plc	**45**	45
Fazakerley Prison Services Limited	**32**	30
Onley Prison Services Limited	**13**	12
ECD Cookham Wood Limited	**13**	–
ECD Onley Limited	**12**	10
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	**–**	–
Brent, Harrow & Hillingdon LIFT Company Ltd	**1**	1
Bexley, Bromley & Greenwich LIFT Company Ltd	**–**	1
Total	**128**	111

Transactions with post-employment bene t schemes

Details of transactions with the group's post-employment bene t schemes are provided in note 34. Unpaid contributions owed to schemes amounted to £1m at 31 December 2011 (2010: £2m).

Transactions with other related parties

During the year the group completed a transaction to sell a property belonging to its secure solutions business in Turkey to the then non-controlling interest for proceeds of approximately £5m. This transaction was undertaken on an arm's length basis.

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 70.

	2011 £	2010 £
Short-term employee bene ts	**6,460,187**	7,730,354
Post-employment bene ts	**1,047,125**	692,188
Other long-term bene ts	**44,992**	39,505
Share-based payment	**693,220**	3,291,345
Total	**8,245,524**	11,753,392

44 Events after the balance sheet date

No signi cant post-balance sheet events have affected the group since 31 December 2011.

45 Signi cant investments

The companies listed below are those which were part of the group at 31 December 2011 and which, in the opinion of the directors, signi cantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not signi cant 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) NV	C	Belgium	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	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	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 G4S Sdn Bhd[2,5]	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
Group 4 Securicor Beheer BV	S	Netherlands	100%
G4S Secure Solutions AS	S	Norway	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 Secure Solutions AB	S	Sweden	100%
G4S Technology LLC	S	USA	100%

45 Signi cant investments continued

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
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%
G4S Government Solutions Inc.	S	USA	100%
WSI-All Star Facility, LLC	S	USA	100%
Joint ventures (see note 21)			
Bridgend Custodial Services Limited[3]	S	England	59%
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 G4S 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 nancial and operating policies, so as to obtain the bene ts from the activities of these companies. These are therefore consolidated as full subsidiaries.

Parent company balance sheet

At 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible assets	(b)	**12**	12
Investments	(c)	**3,051**	2,548
		3,063	2,560
Current assets			
Debtors	(d)	**3,280**	2,067
Cash at bank and in hand		**36**	19
		3,316	2,086
Creditors – amounts falling due within one year			
Bank overdraft (unsecured)		**(1)**	(198)
Borrowings (unsecured)	(e)	**–**	(80)
Other creditors	(f)	**(2,887)**	(1,634)
		(2,888)	(1,912)
Net current assets		**428**	174
Total assets less current liabilities		**3,491**	2,734
Creditors – amounts falling due after more than one year			
Borrowings (unsecured)	(e)	**(1,451)**	(1,690)
Other creditors	(f)	**(4)**	(6)
		(1,455)	(1,696)
Provisions for liabilities and charges	(i)	**–**	(1)
Net assets		**2,036**	1,037
Capital and reserves			
Called up share capital	37	**353**	353
Share premium and reserves	(j)	**1,683**	684
Equity shareholders' funds		**2,036**	1,037

The parent company nancial statements were approved by the board of directors and authorised for issue on 12 March 2012.

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 2011

	2011 £m	2010 £m
Retained profit for the year	**1,120**	382
Changes in fair value of hedging derivatives	**7**	5
Dividends declared	**(114)**	(103)
Own shares purchased	**(13)**	(10)
Equity-settled transactions	**1**	7
Tax on equity movements	**(2)**	(2)
Net increase in shareholders' funds	**999**	279
Opening equity shareholders' funds	**1,037**	758
Closing equity shareholders' funds	**2,036**	1,037

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.

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 less amounts written-off.

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.

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.

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.

(a) Significant accounting policies continued

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.

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. Dividends proposed but not declared are not recognised but are disclosed in the notes to the consolidated financial statements.

Financial guarantees

The company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group. The company treats such contracts as a contingent liability unless and until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Own shares held by employee benefit trust

Transactions of the company-sponsored employee benefit trust are included in the parent company financial statements. In particular, the trust's purchases of shares in the company are debited directly to equity.

(b) Tangible xed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2011	3	12	15
Additions at cost	–	4	4
Disposals at cost	(3)	(4)	(7)
At 31 December 2011	–	12	12
Depreciation			
At 1 January 2011	(1)	(2)	(3)
On disposals	1	2	3
At 31 December 2011	–	–	–
Net book value			
At 31 December 2011	**–**	**12**	**12**
At 31 December 2010	2	10	12

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 xed asset investments:

Subsidiary undertakings	Total £m
Shares at cost:	
At 1 January 2011	2,548
Additions	2,885
Impairments	(139)
Disposals	(2,243)
At 31 December 2011	**3,051**

The impairment within the carrying value of investments in the year is primarily due to a reduction in the net asset value of centai(e0036)18(e)10(s)-17(t)1(m)8(e)1 0 0 1 3e

(g) Derivative nancial instruments

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

	Assets 2011 £m	Assets 2010 £m	Liabilities 2011 £m	Liabilities 2010 £m
Cross currency swaps designated as cash ow hedges	**40**	39	**–**	–
Interest rate swaps designated as cash ow hedges	**–**	–	**6**	13
Interest rate swaps designated as fair value hedges	**77**	55	**–**	–
Commodity swaps	**3**	2	**3**	3
	120	96	**9**	16
Amounts falling due after more than one year	**(106)**	(85)	**(4)**	(6)
Amounts falling due within one year	**14**	11	**5**	10

Derivative nancial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash ow valuations. The mark to market valuation of the derivatives has increased by £30m (2010: increase £29m) during the year.

The interest rate, cross currency and commodity swaps treated as cash ow hedges have the following maturities:

	Assets 2011 £m	Assets 2010 £m	Liabilities 2011 £m	Liabilities 2010 £m
Within one year	**2**	1	**5**	4
In the second year	**10**	1	**2**	8
In the third year	**–**	10	**2**	3
In the fourth year	**23**	–	**–**	1
In the fth year or greater	**8**	29	**–**	–
Total carrying value	**43**	41	**9**	16

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

	Assets 2011 £m	Assets 2010 £m	Liabilities 2011 £m	Liabilities 2010 £m
Within one year	**2**	1	**7**	12
In the second year	**10**	1	**3**	6
In the third year	**–**	9	**2**	1
In the fourth year	**24**	–	**–**	–
In the fth year or greater	**9**	32	**–**	–
Total cash ows	**45**	43	**12**	19

(h) Financial risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated nancial 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 uctuations 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 pro t and loss account.

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 xing the sterling value on this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at oating rates as described in note 29 to the consolidated nancial statements exposes the group to cash ow 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 x the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of ve years. At 31 December 2011 the nominal value of such contracts was £71m (in respect of US dollar) (2010: £134m) and £121m (in respect of euro) (2010: £167m), their weighted average interest rate was 4.8% (US dollar) (2010: 5.0%) and 3.6% (euro) (2010: 3.7 %), and their weighted average period to maturity was one year and two months. All the interest rate hedging instruments are designated and fully effective as cash ow 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 against policy limits assigned to each counterparty. 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 2011 the largest two counterparty exposures related to treasury transactions were £45m and £32m and both were held with institutions with long-term Standard & Poor's credit ratings of A. These exposures represent 38% (2010: 39%) and 27% (2010: 21%) 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 2011.

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 2011	1
Utilisation of provisions	(1)
At 31 December 2011	**–**

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 2011	258	438	(12)	684
Retained profit	–	1,120	–	1,120
Changes in fair value of hedging derivatives	–	7	–	7
Dividends declared	–	(114)	–	(114)
Own shares purchased	–	–	(13)	(13)
Own shares awarded	–	(9)	9	–
Equity-settled transactions	–	1	–	1
Tax on equity movements	–	(2)	–	(2)
At 31 December 2011	**258**	**1,441**	**(16)**	**1,683**

(k) Operating lease commitments

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

	2011 £m	2010 £m
In the second to fth years inclusive	–	1
After more than ve years	–	1
Total operating lease commitments	–	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 nancial statements are required to disclose such fees on a consolidated basis.

(m) Staff costs and employees

	2011 Number	2010 Number
The average monthly number of employees of the company during the year was:	51	319

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

	2011 £m	2010 £m
Wages and salaries	1	41
Social security costs	–	4
Pension costs	–	2
Total staff costs	1	47

In January 2011 the employment contracts of certain G4S plc employees were transferred to G4S Corporate Services Limited, a wholly owned subsidiary of G4S plc. The transfers formed part of a wider reorganisation of the UK holding company legal structure. Following the reorganisation, certain G4S plc staff costs are now borne by G4S Corporate Services Limited and are reported within the separate nancial statements of that company.

(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. An employee bene t trust established by the group holds shares to satisfy the vesting of conditional allocation awards. Reserve for own share disclosures relevant to the company are presented within note 38 to the consolidated nancial statements. Share-based payments disclosures relevant to the company are presented within note 42 to the consolidated nancial statements.

(o) Related party transactions

Certain disclosures relevant to the company are presented within note 43 to the consolidated nancial 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 2011 (2010: none).

(p) Contingent liabilities

To help secure cost effective nance facilities for its subsidiaries, the company issues guarantees to some of its nance providers. At 31 December 2011 guarantees totalling £583m (2010: £421m) 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 2011 totalled £21m (2010: £14m).

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 under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser. 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 the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS on Thursday, 7 June 2012 at 2.00pm in order to consider and, if thought fit, to pass the following Resolutions:

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

1. To receive the financial statements of the company for the year ended 31 December 2011 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 2011.
3. To declare a final dividend for the year ended 31 December 2011 of 5.11p (DKK 0.4544) for each ordinary share in the capital of the company.
4. To re-elect Nick Buckles as a director.
5. To re-elect Lord Condon (member of the Audit, Nomination and Remuneration Committees) as a director.
6. To re-elect Trevor Dighton as a director.
7. To re-elect Alf Duch-Pedersen (member of the Nomination Committee) as a director.
8. To re-elect Mark Elliott (member of the CSR, Nomination and Remuneration Committees) as a director.
9. To re-elect Winnie Kin Wah Fok (member of the Audit and CSR Committees) as a director.
10. To re-elect Grahame Gibson as a director.
11. To re-elect Bo Lerenius (member of the Audit and CSR Committees) as a director.
12. To re-elect Mark Seligman (member of the Audit and Remuneration Committees) as a director.
13. To re-elect Clare Spottiswoode (member of the CSR and Remuneration Committees) as a director.
14. To re-appoint KPMG Audit Plc as auditor of the company to hold office until the conclusion of the next Annual General Meeting of the company.
15. To authorise the directors to determine the remuneration of the auditor.
16. 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 £117,555,000; and

    (ii) comprising equity securities (as defined in section 560 of the Act) up to a further aggregate nominal amount of £117,555,000 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, shares represented by depositary receipts, legal or practical problems arising under the laws of any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

    provided that this authority shall expire on the date of the next Annual General Meeting of the company, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexpired authorities granted previously to the directors to allot relevant securities under section 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).
17. That the directors be and are hereby empowered, pursuant to section 570 of the Act, subject to the passing of Resolution 16 above, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 16 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 16 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 16(i) above up to a maximum nominal amount of £17,633,000;

    and shall expire on the expiry of the general authority conferred by Resolution 16 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.

18. 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 141,066,000;
    (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 Of cial List for the ve 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 2013 (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).
19. 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 19 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 de ned in the Act) during the period beginning with the date of the passing of this resolution and ending at the conclusion of the next Annual General Meeting of the company 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 rst business day thereafter) or, if earlier, on the day in which the company enters into any contract or undertaking in relation to the same.
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
26 March 2012

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN
Company No. 4992207

Notes

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the company but must attend the meeting to represent you. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. Details of how to appoint a proxy are set out in the notes to the enclosed proxy form. In order to be valid an appointment of proxy must be returned, with any power of attorney or any other authority under which it is executed, by one of the following methods: in hard copy form by post to Capita Registrars, PXS, the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; in hard copy form to that address by courier or by hand during usual business hours; by completing it online using the Share Portal service at www.capitashareportal.com by following the onscreen instructions to submit it (you will need to identify yourself with your personal Investor Code); or in the case of CREST members, by utilising the CREST electronic proxy appointment service as described in paragraphs 8 and 9 below. In each case, the form of proxy must be received by the company no later than 2.00pm on 5 June 2012. To change your proxy instructions you may return a new proxy appointment using the method set out above. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Persons listed on the VP Securities register should follow the instructions on their Voting Request Form.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction 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 5 June 2012 (or, in the event of any adjournment, on the date which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 25 March 2012 (being the latest practicable date prior to the publication of this Notice) the company's issued share capital consisted of 1,410,668,639 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 25 March 2012 was 1,410,668,639.
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 speci cations, 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 5 June 2012. 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 Uncerti cated Securities Regulations 2001.
12. Voting on all Resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholders' votes are to be counted according to the number of shares held. As soon as practicable following the Annual General Meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the Resolutions will be announced via a Regulatory Information Service and also placed on the company's website: www.g4s.com.
13. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
14. 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 of ce 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.
15. 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 con dential 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.
16. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the company (i) to give, to members of the company entitled to receive notice of the meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business at the meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment of the company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the company not later than 25 April 2012, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
17. A copy of this notice, and other information required by section 311A of the Act, can be found at www.g4s.com
18. 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. Notwithstanding any telephone number, fax number or email address that appears on this document or elsewhere, neither the company nor Capita Registrars will accept voting instructions received via medium other than post, electronically via the Share Portal service or by CREST Proxy Instruction in accordance with the notes above.

Recommendation and explanatory notes relating to business to be conducted at the Annual General Meeting on 7 June 2012

The board of G4S plc considers that 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 bene cial holdings.

Explanatory notes in relation to the business to be conducted at the Annual General Meeting are set out below.

1. Financial statements of the company (Resolution 1)

The chairman will present the nancial statements of the company for the year ended 31 December 2011 and the reports of the directors and auditor thereon to the Annual General Meeting.

2. Remuneration Report (Resolution 2)

It is mandatory for all listed companies to put their directors' remuneration report to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual director.

3. Final dividend (Resolution 3)

A nal dividend of 5.11p (DKK 0.4544) per ordinary share for the year ended 31 December 2011 is recommended for payment by the directors. If the recommended nal dividend is approved, it will be paid on 15 June 2012 to all ordinary shareholders who were on the register of members at the close of business on 11 May 2012.

4. Re-election of directors (Resolutions 4 to 13)

Resolutions 4 to 13 deal with the re-election of the directors in accordance with the requirements of the UK Corporate Governance Code which provides for all directors of FTSE 350 companies to be subject to re-election by shareholders every year.

Biographies of each of the directors seeking re-election are set out on pages 49 to 51. The board has con rmed following a performance review that all directors standing for re-election continue to perform effectively and demonstrate commitment to their roles. Mr Duch-Pedersen has noti ed the board of his intention to retire from the board once a new chairman has been appointed.

5. Re-appointment of auditor and auditor's remuneratio3243i4ca3S3( )-7(u)25()6(p)32)9(s)26(a)25(4)233i4ca3S3

Group financial record

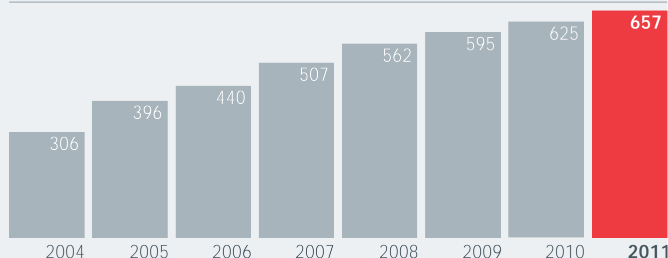
G4S plc was formed in 2004 from the merger of Group 4 Falck and Securicor. Since that time, the group has delivered strong financial performance and shareholder returns as demonstrated by the following financial record:

Employees

With 657,000 employees, G4S is one of the largest private employers 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 2011

Employees
000s



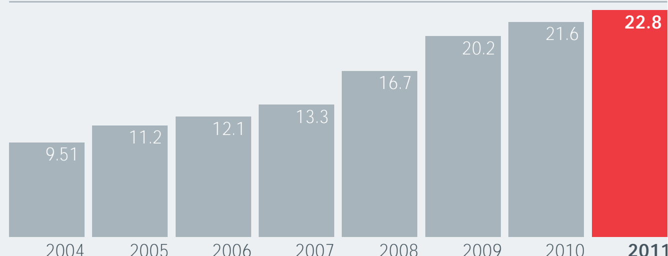
Earnings per share

Since 2004, G4S has generated average adjusted earnings per share growth of 13% on a compounded basis.

+6%
EPS in 2011

+13%
EPS CAGR* from 2004 to 2011

Earnings per share
(as reported) pence



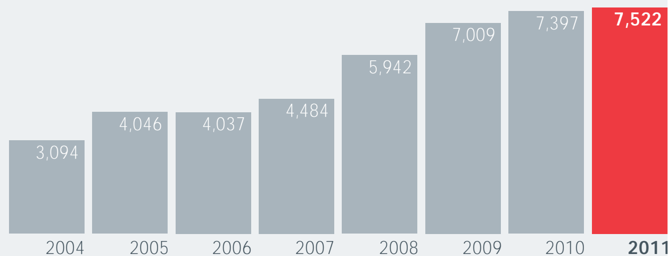
Revenue

G4S revenues have grown by an average of 14% since 2004. The group strategy for enhanced growth has helped deliver strong underlying organic growth together with capability-adding acquisitions to help drive growth in the future.

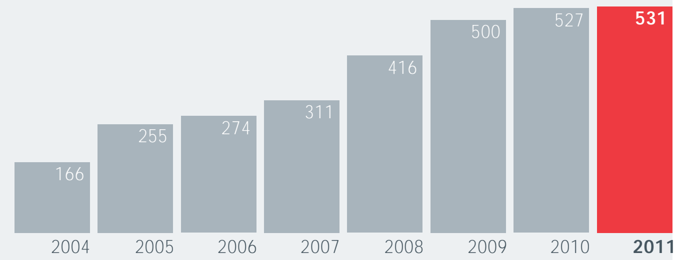
+5%**
Revenues in 2011

+14%
Revenue CAGR* from 2004 to 2011

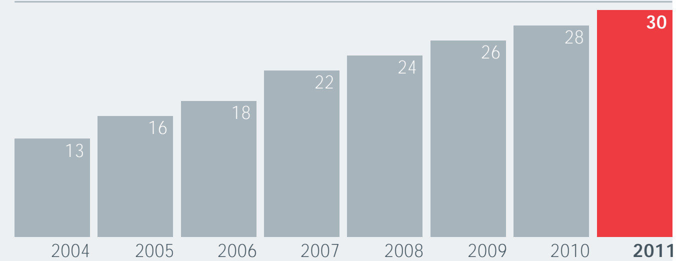
Revenue
(as reported) £m



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



Revenue from Developing markets
%



2004–2011 share price performance
Value (p)

General information

Financial calendar

Results announcements

Half-year results – August
Final results – March

Dividend payment

Interim paid – 14 October 2011
Final payable – 15 June 2012

Annual General Meeting

7 June 2012

Corporate addresses

Registered of ce

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

Registered number

4992207

Auditor

KPMG Audit Plc
15 Canada Square
London E14 5GL

Stockbrokers

J.P. Morgan Cazenove
125 London Wall
London EC2Y 5AJ

Citigroup Global Markets Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

Financial advisors

J.P. Morgan Cazenove
125 London Wall
London EC2Y 5AJ

Barclays Capital
5 The North Colonnade
Canary Wharf
London E14 4BB

G4S website

www.g4s.com

General shareholder information

Registrars and transfer of ce

All enquiries relating to the administration of shareholdings should be directed to:

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
Secure share portal: www.capitashareportal.com

Please note that bene cial 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.

The share portal is an online facility provided by the company's registrars, Capita Registrars, for shareholders to manage their holding securely online reducing the need for paperwork. By registering for a free portal account, shareholders are able to access a range of online facilities 24 hours a day including those described below.

View account holding details

Allows shareholders to access their personal account, shareholding balance, share transaction history, indicative share valuation and dividend payment history. It also enables shareholders to buy and sell shares.

Change of address, bank mandates, downloadable forms

Allows shareholders to update their postal address and complete, change or delete bank mandate instructions for dividends. A wide range of shareholder information, including downloadable forms such as stock transfer forms, is also available.

Online proxy voting

Provides shareholders with an online proxy voting mechanism to cast proxy votes.

Dedicated helpline

Capita Registrars also has a helpline to help users with all aspects of the service.
Telephone (from the UK): 0871 664 0391
Calls cost 10p per minute plus network extras, lines are open 8:30am to 5:30pm
Monday to Friday)
Telephone
(outside the UK): +44 (0) 20 8639 3367
Email: shareportal @capita.co.uk

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For further information visit our website:
www.g4s.com

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