OFFERING CIRCULAR

G4S plc

(*incorporated with limited liability in the United Kingdom*)

£2,000,000,000
Euro Medium Term Note Programme

Under this £2,000,000,000 Euro Medium Term Note Programme (the **Programme**), G4S plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Offering Circular to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

The Royal Bank of Scotland

Dealers

Barclays Capital
BNP PARIBAS
Citi
Danske Bank
HSBC
ING Wholesale Banking
Lloyds TSB Corporate Markets
Merrill Lynch International
Nordea Bank
The Royal Bank of Scotland
SEB

The date of this Offering Circular is 1 May 2009.

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive).

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan, see "*Subscription and Sale*".

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to *U.S. dollars*, *U.S.$* and *$* refer to United States dollars. In addition, all references to *Sterling* and *£* refer to pounds sterling and to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

CONTENTS

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	G4S plc.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include the risk factors referred to therein under the headings "*Customers*", "*Regulation*", "*Political Risk*", "*Employees and Management*" and "*Cash Services*" respectively. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme.
Arranger:	The Royal Bank of Scotland plc.
Dealers:	Barclays Bank PLC
	BNP Paribas
	Citigroup Global Markets Limited
	Danske Bank A/S
	HSBC Bank plc
	ING Bank N.V.
	Lloyds TSB Bank plc
	Merrill Lynch International
	Nordea Bank Danmark A/S
	Skandinaviska Enskilda Banken AB (publ)

	The Royal Bank of Scotland plc.
	and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular.
Notes having a maturity of less than one year**:**	Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch.
Trustee:	Citicorp Trustee Company Limited.
Programme Size:	Up to £2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of*

	the Notes".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant

Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Final Terms may provide that, upon a Change of Control (as defined in Condition 7.6) occurring and certain other conditions being satisfied, Notes will be redeemable at the option of the Noteholders, see "*Terms and Conditions of the Notes – Redemption and Purchase – Change of Control Put*".

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Condition 3.

Cross Default: The terms of the Notes will contain a cross default provision as further described in Condition 10.

Status of the Notes: The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured

	obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms.
Listing and Admission to Trading:	Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area including the United Kingdom and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The Issuer is the holding company of the Group

The Issuer is the holding company of the Group. Accordingly, substantially all of the assets of the Issuer are comprised of its shareholdings in its subsidiaries. The ability of the Issuer to satisfy its payment obligations under Notes issued under the Programme will be dependent upon dividend payments and/or other payments received by the Issuer from other members of the Group, and the payment obligations of the Issuer under Notes issued under the Programme will be structurally subordinated to any payment obligations owed to creditors of the Issuer's subsidiaries.

Customers

The Group has a large and diversified customer base, with the majority of customers individually contributing no more than one per cent. of the Group's revenue. Nevertheless, the Group's two largest customers, namely the U.S. government and the U.K. government, accounted for approximately 14.8 per cent. and 10.6 per cent. respectively of the Group's turnover for the financial year ended 31 December 2008. The contracts with the US Government generally have three to five year terms whilst the contracts with the UK government have terms from five years to 25 years. The loss of either of these key customers, in particular, could have a material adverse impact on the financial condition and results of operations of the Group and affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme. In addition, should the Group fail to meet the operational requirements of its customers this could negatively impact upon the Group's reputation, contract retention and growth.

Regulation

A significant part of the Group's activities are subject to public regulation by national and local authorities. The Group may be required to change operations or make additional investments to adapt to new or amended laws or regulations, which could have a material adverse effect on the financial condition or the results of the operations of the Group.

In particular, following the 11 September 2001 terrorist attacks, the U.S. government federalised the aviation security sector in the United States. There is a risk that other sections of the security services industry may be federalised or become subject to regulation or increased regulation in jurisdictions in which the Group carries on business. This may adversely affect the ability of the Group to carry on certain of its businesses in affected jurisdictions.

Security can be a high-profile industry, and there is a wide and ever-changing variety of regulations applicable to the Group's businesses across the world. Increased regulation in jurisdictions in which the Group carries on business could have a materially adverse impact on the financial condition and results of operations of the Group and affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Political Risk

With a presence in over 110 countries around the world (as at 31 December 2008), certain of the Group's activities are located in countries which may be considered to be politically unstable. Present and future operations of the Group in such countries could be adversely affected by factors such as changes in government, their policies, changes in laws and regulations relating to foreign investment, trade and taxation and by social unrest in addition to other political, economic and social risks, which in turn could affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Operations

Unexpected costs and losses can arise due to human error, inadequate internal or external processes or systems, natural and other catastrophes, technological (including IT systems) failure and external events. The Group may be affected in its operations by the acts of third parties, including sub-contractors and manufacturers.

Failure to manage such risks could have a material adverse impact on the financial condition and results of operations of the Group and affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Acquisitions

The Group has completed a significant number of acquisitions over the last few years and, as part of its strategy of taking greater responsibility for managing the risks of clients, is actively seeking further acquisitions.

However, there can be no assurance that the Group will continue to identify suitable acquisition opportunities or obtain the financing necessary to complete such acquisitions on satisfactory terms. Furthermore, the expected benefits of any acquisition by the Group may not materialise to the extent originally envisaged, and accordingly no assurance can be given that any business so acquired will be profitable.

Acquisitions involve a significant number of risks, including, but not limited to: difficulties in the assimilation of operations, technologies, systems, services and products; failure to maintain key personnel; risks arising from change of control provisions in contracts of any acquired company; local law factors; risks associated with restructuring operations and unforeseen liabilities. There can be no assurance that the integration of any acquired company will be successful or that such company will continue to perform as expected once acquired.

Inability to identify suitable acquisition opportunities or to integrate newly acquired businesses successfully could have a material adverse impact on the financial condition and results of operations of the Group and affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Joint Ventures

The Group's typical strategy for entering a new territory in developing markets is to purchase a controlling interest in an existing entity, whilst retaining the existing entity's management, thereby leveraging local knowledge.

The ability to undertake joint ventures depends on many factors, including local law considerations and the ability to find suitable and willing joint venture partners. There are certain risks associated with joint venture partners including the fact that joint venture partners may:

(i) have economic or business interests or goals that are inconsistent with those of the Group; or

(ii) veto proposals in respect of joint venture operations; or

(iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or

(iv) experience financial or other difficulties.

These risks may have a materially adverse impact on the financial condition and results of operations of the Group and in turn affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Employees and management

The security industry generally, and the manned security sector in particular, is labour intensive and consequently the Group relies on being able to attract and retain high quality employees in all the countries in which it operates. Factors, such as minimum levels of training and/or licences for employees in certain positions in various countries and increasing levels of regulation, may limit the Group's ability to recruit new employees and replace leaving employees effectively, thereby limiting the Group's ability to expand its business. The Group's greatest asset is its large and committed workforce. However, were the Group to source inappropriate staff, whether it be as permanent employees, temporary workers or sub-contractors, the result could be detrimental to the Group's reputation and could have a material adverse effect on the profitability of the Group.

Minimum wage legislation, restrictions on the number of hours employees can work and shortages of skilled workers may affect the Group's ability to control labour costs. The Group may not be able to increase its prices to compensate fully for increases in salaries, training of employees and associated costs.

The Group's ability to perform its contractual obligations may be adversely affected by work stoppages and other labour problems.

The Group is reliant on the retention at group and regional level and in certain countries of key members of its management team. The loss of members of the management team could lead to a deterioration in the operations of the Group, particularly where members of management enjoy strong relationships with key customers.

Pensions

Calculating pensions requires management to make assumptions in relation to various factors, such as expected returns on plan assets and longevity of scheme members. Actual results could differ from the assumptions made. The Group could be required to contribute additional amounts to its pension schemes, which could have a negative impact on the future profitability of the Group.

As at 31 December 2008, the Group's funding shortfall on defined benefit schemes, on the valuation basis specified in IAS19 Employee Benefits, was £327 million before tax or approximately £235 million after tax (2007: £167 million and £119 million respectively).

A prolonged period of poor asset returns and/or unexpected increases in longevity could require increases in the current level of additional cash contributions to defined benefit schemes, which may constrain the

Group's ability to invest in acquisitions or capital expenditure, thereby adversely impacting its growth and profitability.

Unions

With approximately 585,000 employees around the world, relationships with employees, works councils, trade unions and other employee representatives are an important part of the Group's strategy. The Group has over 200 formal relationships with trade unions around the world. Should these relationships deteriorate, there could be a risk to customer service and increased costs associated with industrial disputes.

Economic Conditions

The global downtown in the economy is likely to affect the growth and survival of customers and increase counterparty credit risk, which could have a material adverse effect on the financial condition and profitability of the Group.

If due to adverse financial market conditions insufficient or only very costly funding was available, the Group might not be in a position to implement its planned strategy or invest in acquisitions or capital expenditure, thereby adversely impacting its growth and profitability.

A decline in outsourcing by clients of functions such as security or cash processing and cash management functions, a reversal of the trend towards globalisation in large corporations and other socio-economic factors could have a material adverse impact on the results of operations or the financial condition of the Group and in turn affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

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. Action taken by the Group's competitors may place pressure upon its pricing, margins and profitability.

Major changes in market dynamics, including new technologies, government legislation or customer consolidation could, particularly if rapid or unpredictable, negatively impact upon the Group's revenues and profitability.

Legal

Should the Group commit to sales contracts specifying disadvantageous pricing mechanisms, unachievable service levels or excessive liability this could negatively impact upon the Group's revenues and profitability.

The Group is also involved in a number of low value claims, lawsuits and other legal proceedings arising out of the ordinary course of business. Such matters can be lengthy, costly and disruptive to normal business operations. The results of these legal proceedings cannot be predicted with any certainty.

An unfavourable judgment against any member of the Group could have a material adverse effect on the Group's business, financial condition, operating results, liquidity and goodwill and in turn affect the ability of the Issuer to fulfil its obligations under Notes issued under the Programme.

Brand and Reputational Issues

Any incident where the Group has been responsible for providing security but has failed to do so adequately could lead to brand and reputational damage, and so affect earnings and profitability.

Cash Services

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 contract and reconciliation provisions in respect to customer cash these could also adversely affect the Group's profitability. The success of the Group's cash services businesses may be adversely affected by any significant reduction in the amount of cash required to be transported or the frequency of its transportation. This might arise through a reduction of cash in circulation whether generally or in particular countries or markets. It may also arise from any increasing trend to cash recycling and a decrease in the number of bank branches.

Exchange Rate Exposure

The Group conducts operations in over 110 countries around the world (as at 31 December 2008). The Group's turnover therefore comprises many different currencies, though mainly Sterling, U.S. dollars and Euros. The results of the Group are reported in Sterling. Consequently, the reported results of the Group may be materially affected by movements in foreign currency exchange rates and particularly by Sterling/U.S. dollar and Sterling/Euro exchange rates.

Interest Rates

Changes in prevailing interest rates (including changes in the differences between the levels of prevailing short- and long-term rates) may adversely affect the Group's results and costs of funding.

Insurance

The majority of companies in which the Issuer has management control are covered by the group's General liability (**GL**) and Cash in Transit (**CIT**) insurance programmes.

The GL insurance provides cover in respect of the group's legal liability for personal injury, and loss or damage to third party property. This insurance includes cover for our legal liability for loss or damage to customers' premises or property due to our negligence whilst being guarded, and also includes liability arising in connection with the provision of our security and safety services, or from the products we supply.

The CIT insurance cover is wide and includes cash, securities, bullion and precious stones or jewellery. The programme provides cover for loss or damage to property in the group's care, custody or control, but only to the extent to which we are legally liable under the terms of our contracts with our customers.

The terms, conditions and premiums for these programmes are negotiated each year with the insurance market. The group also maintains self-insured retentions using captive insurance subsidiaries in order to take advantage of the pooling of risk to obtain optimum coverage and terms as a group, whilst ensuring that each individual company's potential liability is proportionate to the reward afforded by its contracts.

In the U.S., Wackenhut achieved certification under the Safety Act on 1 April 2005. Both the Group and its customers are protected against certain claims for damages being awarded as a result of acts of terrorism. No assurance can be given in relation to the scope and extent of such protection. The certification expires in April 2010. Negotiations to extend the certification are shortly to commence.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 15.

Certificates or reports as sufficient evidence for the Trustee

Pursuant to the Trust Deed, the Trustee is able to rely on a certificate or report from the Auditors notwithstanding any limitation of liability that may have been imposed by the Auditors.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

SUPPLEMENTS

Following the publication of this Offering Circular a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 50,000 (or its equivalent in another currency).

[*Date*]

G4S plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the £2,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 1 May 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular is available for viewing at www.londonstockexchange.com/en-gb/pricesnews/marketnews/ and during normal business hours at the registered offices of the Issuer and the Agent.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated 1 May 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circulars dated 1 May 2009 and [*original date*]. Copies of such Offering Circulars are available for viewing at www.londonstockexchange.com/en-gb/pricenews/marketnews/ and during normal business hours at the registered offices of the Issuer and the Agent.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		[ ]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ] *(Note – where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:* *"[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].")* *(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination or its equivalent is not required.)*
	(b)	Calculation Amount:	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]

		(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:	[*Fixed rate - specify date/* *Floating rate* - Interest Payment Date falling in or nearest to [*specify month*]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	Put Event (see Condition 7.6) [Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	Senior
	(b) [Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[*specify other*] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)] [*specify other*]
	(f)	Determination Date(s):	[ ] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other*]]

(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
(f)	Screen Rate Determination:	
	(i) Reference Rate:	[ ] (*Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement*)
	(ii) Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	(iii) Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	(i) Floating Rate Option:	[ ]
	(ii) Designated Maturity:	[ ]
	(iii) Reset Date:	[ ]
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360

			30E/360 (ISDA) *Other*] (*See Condition 5 for alternatives*)
	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 7.5(c) and 7.11 apply/*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]

	(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
19.	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]

(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)

21.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee*)
22.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix] (*N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)

23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5):	[[ ] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "*[*€50,000*] *and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€99,000*]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)
	(b) New Global Note:	[Yes][No]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(c) and 18(g) relate*)
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*. *N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]

28.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
30.	Other final terms:	[Not Applicable/*give details*] [(*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

DISTRIBUTION

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*] *(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
	(b) Date of Subscription Agreement:	[ ] (*The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*).
	(c) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
33.	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
34.	Additional selling restrictions:	[Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority of the Notes described herein pursuant to the £2,000,000,000 Euro Medium Term Note Programme of G4S plc.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of G4S plc:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listed on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [ ]]
[Moody's: [ ]]
[Fitch: [ ]]
[[Other]: [ ]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer:	[ ]
[(ii)]	Estimated net proceeds:	[ ]
[(iii)]	Estimated total expenses:	[ ]] (*N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are*

also required.)]

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-linked Notes only*)

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained*.]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

[(*When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

The Issuer does not intend to provide post-issuance information*.*

(*N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

7. PERFORMANCE OF RATE[S] OF EXCHANGE (*Dual Currency Notes only*)

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained*.]

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.*)]

(*N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

8. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant	[Not Applicable/*give name(s) and number(s)*]

	identification number(s):	
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by G4S plc (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 1 May 2009 made between the Issuer and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 1 May 2009 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 1 May 2009 at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) the Issuer will not, and will procure that its Subsidiaries will not, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Subsidiaries, to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-quarters of the votes cast thereon at a meeting of the Noteholders or by a resolution in writing signed by or on behalf of the holders of not less than three quarters of the nominal amount of the Notes) of the Noteholders.

For the purposes of these Conditions:

(a) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which have an initial stated maturity of not less than one year and which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness; and

(b) **Subsidiary** means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 50,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 50,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent and the Trustee may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

   (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

   (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

   and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

4.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 50,000 and which are admitted to trading on a regulated market in the European Economic Area; and

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest

Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8. References to "Specified Currency" will include any successor currency under applicable law.

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

   (i) the relevant place of presentation;

   (ii) London;

   (iii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.6 Change of Control Put

(A) A **Put Event** will be deemed to occur if:

(i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in section 1159 of the Companies Act 2006) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of 22 of the Companies Act 2006) in (a) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (b) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer (each, a **Change of Control**); and

(ii) at the time of the occurrence of a Change of Control, the Notes carry from the Rating Agency an investment grade credit rating (*BBB-, or equivalent, or better*), and such rating from the Rating Agency is within a period ending 120 days after announcement of the Change of Control having occurred (or such longer period as the Notes are under consideration, announced publicly within such 120 day period, for rating review, such period not to exceed 90 days after the public announcement of such consideration) either downgraded to a non-investment grade credit rating

(*BB+, or equivalent, or worse*) or withdrawn and is not raised to BBB-, or equivalent or better, or as the case may be reinstated to an investment grade credit rating within such 120 day period (as so extended); and

(iii) in making the relevant decision(s) referred to above, the Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

Further, if at the time of the occurrence of the Change of Control the Notes carry (a) a non-investment grade credit rating (*BB+, or equivalent, or worse*) from the Rating Agency then assigning a credit rating to the Notes or (b) no credit rating from the Rating Agency, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone.

(B) If a Put Event occurs, each Noteholder shall have the option (unless, prior to the giving of the Change of Control Put Notice referred to below, the Issuer gives notice under Condition 7.2) to require the Issuer to redeem or at the Issuer's option to purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its Early Redemption Amount together with interest accrued to but excluding the date of redemption or purchase. Such option shall operate as set out below.

(C) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.6.

(D) To exercise the option to require the redemption or, as the case may be, the purchase of a Note under this Condition 7.6 the holder of the Note must, if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, or any alternative clearing system deliver such Note, on any Payment Day (as defined in Condition 6.5) falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Change of Control Put Notice**). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the **Put Date**) failing which (unless the applicable Final Terms provide that the relative Coupons are to become void upon the due date for redemption of such Note) the Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon (or any replacement therefore issued pursuant to Condition 11) at any time after such payment, but before the expiry of the period of 10 years from the Relevant Date (as defined in Condition 8) in respect of that Coupon. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. If the Note is represented by a Global Note or is in definitive form and held through Euroclear and/or Clearstream, Luxembourg or any alternative clearing system, to exercise the right to require redemption or, as the case may be, purchase of a Note under this Condition 7.6, the Noteholder must, within the Put Period, give notice of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or the relevant alternative clearing system (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or the relevant alternative clearing system or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg or the relevant alternative clearing system from time to time and, at the same time, if the Note is represented by a Global Note, present or procure the presentation of the relevant Global Note to the Agent for notation accordingly. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. Payment in respect of any Note represented by a Global Note or in definitive form and held through Euroclear and/or Clearstream, Luxembourg or the relevant alternative clearing system in respect of which the relevant Noteholder has exercised the option given under this Condition 7.6 will be made on the Put Date. A Change of Control Put Notice, once given, shall be irrevocable. The Issuer shall redeem or repay or, as the case may be, purchase the relevant Note on the Put Date unless previously redeemed and cancelled.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.6, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Put Date redeem or, at its option, purchase or procure the purchase of, the remaining Notes as a whole at a redemption price of the Early Redemption Amount thereof plus interest accrued to but excluding the date of such redemption.

(E) If the rating designations employed by the Rating Agency is changed from that which is described in paragraph (A)(ii) above, or if a rating is procured from its successor, the Issuer shall determine, with the written approval of the Trustee (not to be unreasonably withheld or delayed), the rating designations of such successor as are most equivalent to the prior rating designations of the Rating Agency and paragraph A(ii) shall be read accordingly.

(F) The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

(G) In these Conditions **Rating Agency** means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc or its successor.

7.7 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.9 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

7.10 Cancellation

The Issuer may at its option retain any Notes which have been redeemed or purchased pursuant to this Condition 7 and any unmatured Coupons attached to or surrendered with such Notes for its own account and/or resell or cancel or otherwise deal with such Notes at its discretion.

7.11 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in the United Kingdom; or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or

(d) where such withholding or deduction is imposed on a payment to or for an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

(i) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer), (e) to (h) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Principal Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above which have occurred and are continuing, amounts to at least £25,000,000 (or its equivalent in another currency); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) in the case of a Principal Subsidiary, a Permitted Reorganisation; or

(e) if (A) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) in the case of a Principal Subsidiary, a Permitted Reorganisation, or (B) the Issuer or any of its Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (A) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or

(g) if the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) in each case save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) in the case of a Principal Subsidiary, a Permitted Reorganisation; or

(h) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the

Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10.3 Definitions

For the purposes of the Conditions:

Cash means, as of any date determined in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements, the Sterling amount or equivalent of the amount shown next to the heading "Cash at bank and in hand" in the Issuer's most recently published annual consolidated financial statements or, as the case may be, the Issuer's most recent semi-annual consolidated financial reports delivered to the London Stock Exchange, to the extent beneficially owned by a member of the Group and not subject to any Security Interest.

Consolidated EBITDA means, without duplication, in relation to any Relevant Period, the (or, as the case may be, the Sterling equivalent of the) aggregate of:

(a) the consolidated pre-tax operating profit of the Group;

(b) Consolidated Net Interest Expense;

(c) goodwill amortisation; and

(d) depreciation, amortisation and provisions for impairment,

in each case for such period calculated in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements, but excluding (to the extent included):

(i) any gains or losses by members of the Group against book value on the disposal of assets other than in the ordinary course of trading and any gain arising on any revaluation of any asset; and

(ii) any exceptional items,

during the Relevant Period.

Consolidated Financial Indebtedness means, without duplication, as at any particular time and determined in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements (with no double counting) the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any Financial Indebtedness of members of the Group at such time (other than any indebtedness referred to in paragraphs (g) or (h) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness), where for this purpose, any amount outstanding or repayable in a currency other than Sterling shall on that day be taken into account:

(i) if an audited consolidated balance sheet of the Group has been prepared as at that day, in their Sterling equivalent at the rate of exchange used for the purpose of preparing that balance sheet; and

(ii) in any other case, in their Sterling equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements.

Consolidated Net Interest Expense means, for any Relevant Period, the aggregate amount of interest and any other finance charges whether, in each case, paid, payable or capitalised in respect of the Consolidated Financial Indebtedness payable by any member of the Group but deducting any other interest receivable by any member of the Group, in each case as determined in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements.

Consolidated Total Assets means, without duplication, at any time, the aggregate value of the gross assets of the Group, calculated in accordance with GAAP consistent with that applied in the preparation of the Original Financial Statements.

Financial Indebtedness means (without double-counting) any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would be treated as a finance or capital lease in accordance with the generally accepted accounting principles in the jurisdiction of the relevant company;

(e) receivables sold, assigned or discounted (other than on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) save for Permitted Financial Indebtedness, any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

but excluding any liabilities incurred in respect of Permitted Trade Debt.

GAAP means (a) with respect to the Issuer, the Group and any Subsidiary located and incorporated in the United Kingdom, generally accepted accounting principles in the United Kingdom as the same are from time to time in force or applied (including International Financial Reporting Standards at such times as the relevant member of the Group is required to, or chooses to, prepare its accounts in accordance with International Financial Reporting Standards) and (b) with respect to any other Subsidiary, generally accepted accounting principles applicable to such Subsidiary in its jurisdiction of incorporation.

Group means the Issuer and its Subsidiaries for the time being.

Half Year-End Date means on or about 30 June of any year.

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

Original Financial Statements means the audited consolidated financial statements of the Issuer for its financial year ended 31 December 2008.

Permitted Financial Indebtedness means:

(i) any Financial Indebtedness owed by one member of the Group to another member of the Group;

(ii) for a period of six months from the date of acquisition only, any Financial Indebtedness of a person acquired by a member of the Group after the date of this Offering Circular to the extent that such Financial Indebtedness was not incurred in contemplation of the acquisition and provided the amount of such Financial Indebtedness is not increased;

(iii) any Financial Indebtedness of a Subsidiary whose principal purpose is the issue of debt obligations and the lending of those proceeds to other members of the Group, provided that the Financial Indebtedness incurred by such Subsidiary is either retained by that Subsidiary or is lent to the Issuer and such Subsidiary has no significant assets other than the relevant loan receivables; and

(iv) any other Financial Indebtedness the principal amount of which when aggregated with (A) the principal amount of any other Financial Indebtedness of a member of the Group (other than any such indebtedness permitted by paragraphs (i) to (iii) above) and (B) the principal amount of any other indebtedness which has the benefit of Security Interest given by any member of the Group (other than any Permitted Security Interest) does not exceed an amount equal to 15 per cent. of Consolidated Total Assets of the Group.

Permitted Reorganisation means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by any Principal Subsidiary (not involving or arising out of the insolvency of the Principal Subsidiary) under which:

(i) the whole or substantially the whole of the business, undertaking and assets of such Principal Subsidiary are transferred to, and all or substantially all of the liabilities and obligations of such Principal Subsidiary are assumed by, one or more new or surviving entities automatically by operation of applicable law; provided that each person to whom such liabilities and obligations of such Principal Subsidiary are transferred or who is assuming such liabilities and obligations is, or thereby becomes, a member of the Group, or

(ii) the whole or substantially the whole of the business, undertaking and assets of such Principal Subsidiary are transferred (other than by operation of law) to the Issuer; or

(iii) the whole or substantially the whole of the business, undertaking and assets of such Principal Subsidiary are transferred (other than by operation of law) and each transferee is or immediately upon such transfer becomes a Principal Subsidiary.

Permitted Security Interest means:

(i) the mortgage by G4S SPV Holdings Limited of shares in Bridgend Custodial Services Limited, granted in favour of National Westminster Bank Plc on 17 September 2001 in respect of indebtedness in the principal amount of £35,500,111.20, except to the extent that the principal amount secured by such mortgage exceeds £35,500,111.20;

(ii) any lien arising by operation of law and in the ordinary course of business;

(iii) any Security Interest arising out of conditional sale or title retention provisions arising pursuant to any contract for the purchase of goods in the ordinary course of business;

(iv) for the avoidance of doubt, any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(v) any Security Interest over or affecting any asset acquired by a member of the Group after the date of this Offering Circular but only for a period of six months from the date of such acquisition and only if:

(A) the Security Interest was not created in contemplation of the acquisition of that asset by a member of the Group; and

(B) the principal amount secured has not increased in contemplation of, or since the acquisition of that asset by a member of the Group;

(vi) any Security Interest over or affecting any asset of any company which becomes a member of the Group after the date of this Offering Circular, but only for a period of six months from such acquisition, where the Security Interest is created prior to the date on which that company becomes a member of the Group and only if:

(A) the Security Interest was not created in contemplation of the acquisition of that company; and

(B) the principal amount secured has not increased in contemplation of or since the acquisition of that company;

(vii) any Security Interest incurred after the date of this Offering Circular given to secure Financial Indebtedness incurred after the date of this Offering Circular in connection with the acquisition (including an acquisition pursuant to a finance lease arrangement), modification, improvement, development or redevelopment of any property, asset (or documents of title thereto) (which, for the purposes of clarity, shall not include inventory or receivables) or part thereof (the **New Property**) which is useful and intended to be used in carrying on the business of the Issuer or one or more of its Subsidiaries, including, without limitation, any Security Interest existing on such New Property at the time of acquisition thereof, whether or not such existing Security Interest was given to secure the payment of the purchase price of the New Property to which they attach *provided* that (x) the Security Interest shall attach solely to the New Property acquired, modified, improved, developed or redeveloped, and there is no recourse to any other assets of the Group (y) the portion of such Financial Indebtedness permitted to be secured pursuant to the provisions of this paragraph (vii) shall not exceed the lesser of the total purchase price and the fair market value of such New Property at the time of acquisition, modification, improvement, development or redevelopment of such New Property (as determined in good faith by the Issuer), and (z) such Security Interest is created or assumed with respect of such New Property at the time of, or within 365 days of such acquisition, modification, improvement, development or redevelopment.

(viii) any Security Interest created in favour of any relevant taxation authority in respect of taxes that are being contested in good faith by appropriate measures, and sufficient reserves in Cash or other liquid assets are available to pay the amount of those taxes;

(ix) any Security Interest created in favour of a plaintiff or a defendant in any proceeding as security for costs or expenses;

(x) any Security Interest to secure obligations under worker's compensation, social security or similar law, or under unemployment insurance as required by law or regulation;

(xi) any Security Interest for which the relevant member of the Group has the prior written consent of the Majority Lenders;

(xii) any Security Interest entered into pursuant to any Finance Document; or

(xiii) any Security Interest created in substitution for any Security Interest allowed under sub-paragraph (i), but only if the amount allowed to be secured by the new Security Interest does not exceed the amount secured by the Security Interest which it replaced.

Permitted Trade Debt means indebtedness incurred to a trade creditor by any member of the Group or on behalf of any member of the Group in the ordinary course of its trading in respect of the supply of goods or services by the creditor including indebtedness under any indemnity, guarantee, bond or letter of credit issued in respect of (and to the extent of) that indebtedness provided that no indebtedness shall constitute Permitted Trade Debt if it is, or is capable of being, outstanding for more than six months from the date it is incurred.

a **Principal Subsidiary** means at any time a Subsidiary of the Issuer:

(i) whose EBITDA (as calculated in the same way as Consolidated EBITDA but excluding intra-Group items) accounts for five per cent. or more of the Consolidated EBITDA; or

(ii) whose gross assets account for five per cent. or more of the Consolidated Total Assets of the Group; or

(iii) to which has been transferred (whether in a single transaction or in a series of transactions (related or not)) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transaction(s) was a Principal Subsidiary;

where for these purposes EBITDA and gross assets are to be determined by reference to such Subsidiary's most recent produced unconsolidated financial statements and the then latest consolidated financial statements for the Issuer.

Relevant Period means each period of two consecutive financial half-years ending of the Half Year-End Date or the Year-End Date, as appropriate.

Security Interest means a mortgage, charge, pledge, lien, hypothecation, assignment by way of security, title retention arrangement or other security interest.

Year-End Date means on or about 31 December of any year.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them shall be governed by and in accordance with English law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

G4S plc (**G4S** or the **Company** and, together with its subsidiaries, undertakings and joint ventures, the **Group**) was originally incorporated and registered in England and Wales under the name Precis (2395) Limited on 11 December 2003 under the Companies Act 1985 as a public limited company. The principal legislation under which G4S operates are the Companies Act 1985, as amended and, as applicable, the Companies Act 2006, as amended (together, the **Companies Acts**) and the regulations made thereunder. The Company's registered office and principal place of business is The Manor, Manor Royal, Crawley, West Sussex, RH10 9UN, with the telephone number +44 (0)20 8770 7000. The Company's registered number is 04992207.

G4S is a major provider of risk management and protection to governments and major corporate customers around the world and is an expert in local and international secure logistics. G4S is listed on the London Stock Exchange (stock symbol: GFS) with a secondary listing in Copenhagen. It is a member of the FTSE 100 index (an index that comprises the 100 largest publicly-traded United Kingdom companies by market capitalisation). G4S was formed in July 2004 from the merger of Securicor plc and Group 4 Falck A/S's security business.

The Group is the world's largest, by revenue, international security solutions provider which specialises in assessing current and future risks and developing secure solutions to minimise their impact across a wide range of geographic markets and business centres. It has a presence in more than 110 countries and has over 585,000 employees around the world. G4S is the largest employer quoted on the London Stock Exchange, with over 585,000 employees.

For the financial year-ended 31 December 2008, G4S generated turnover of £5.94 billion (2007: £4.49 billion), earnings before interest, taxation, depreciation and amortisation of acquisition-related intangible assets and exceptional items (**EBITDA**) of £529.1 million (2007: £408.7 million) and profit before interest, taxation and amortisation of acquisition-related intangible assets and exceptional items (**PBITA**) of £416.4 million (2007: £312.1 million) from continuing operations. The Group's total assets were £5.58 billion (2007: £3.68 billion) and net debt was £1,348 million (2007: £804.9 billion).

Divisions

Until December 2006, G4S split its businesses into three divisions: Manned Security, Security Systems and Cash Services. Since then, the Manned Security and Security Systems divisions have been merged into a single Security Services division renamed Secure Solutions. The Cash Services division remains unchanged and has been renamed Cash Solutions.

Secure Solutions

This division covers four main business areas: Manned Security, Security Systems, Care and Justice Services and Other Services.

Manned Security provides risk management services and skilled security personnel for the protection of commercial premises, aviation sites, retailers and special events, and services comprising the monitoring of and response to data supplied by electronic surveillance equipment. Security Systems focuses on the supply, installation, maintenance and monitoring of electronic security equipment, such as intruder alarms, closed circuit television and access control systems. The Group also provides consultancy, risk audit services and on-site or remote alarm and access control monitoring via manned control room facilities.

The justice services business provides custody and rehabilitation services, detention and escorting, immigration services and electronic monitoring of offenders.

Other services include areas such as security training services and pre-deployment training.

Security Services accounts for approximately 80 per cent. of Group turnover, and 70 per cent. of PBITA as at 31 December 2008. The Group holds the top market position, on a revenue basis, in the United Kingdom, Netherlands, Denmark, Belgium, Central and Eastern Europe, Middle East, Asia and South Africa for Security Services.

Cash Solutions

The Cash Services division covers a wide range of services, focused on the transportation, storage and management of cash and valuables on behalf of banks, retailers and other customers. Services provided to customers include transport and storage of cash and valuables, retail cash office management, outsourced cash centre management, ATM cash replenishment, ATM maintenance, ATM engineering and ATM network management.

Cash Services amounts to approximately 20 per cent. of Group turnover and 30 per cent. of PBITA as at 31 December 2008. The Group holds the top market position on a revenue basis in the United Kingdom, Belgium, Netherlands, Poland, Finland, Canada, Central and Eastern Europe, Middle East and Asia and is in the top three in Sweden for Cash Services.

Diversified customer base

G4S has a large and diversified customer base. The Group's largest customers are the United States government and United Kingdom government and combined contribute circa 25.4 per cent. of the Group's turnover (14.8 per cent. (£885 million) from the United States government and 10.0 per cent (£618 million) from the United Kingdom government) as at 31 December 2008. Other than the United Kingdom and United States governments, two other customers contribute to more than one per cent. of the Group revenue being the Australian government and the Bank of America, both circa 1.6 per cent.

Group strategy

The Group vision is to be recognised as the global leader in providing security solutions.

From 2004 to 2007, the Group strategy focused on integrating Securicor plc and Group 4 Falck A/S, achieving the benefits of the merger that the Group promised to its stakeholders and continuing to deliver strong business performance.

In 2007, G4S undertook a strategic review to develop the next phase of the Group strategy. The review supported the view that in order to drive accelerated growth and development, G4S would need to develop total risk management and outsourcing solutions across the service range and geographies.

G4S has added value to the core services that it already provides by taking a greater role not just in specialist security areas, but in total outsourcing of the management of environments where security and safety is key. By doing this, G4S aims to take greater responsibility for managing entire aspects of customers' businesses, which are not core to them and where G4S can add value through its security and segment expertise.

In order to drive growth forward at an accelerated level, the Group is adding "intelligence" to the businesses in key areas such as risk assessment and consulting, capability in bidding for large government type contracts and project management skills. The implementation of the strategy received a major boost with the acquisition of Global Solutions Limited (**GSL**) in May 2008. GSL has revenues of around £450 million mainly resulting from long term government contracts, and has significant in-house expertise in bidding and managing these types of contracts. The Group is focusing on creating customer propositions tailored for specific industry sectors and building relationships at a senior level within customer organisations to ultimately gain a larger share of customer commitment and spend on secure outsourcing solutions.

The Group has extended the number of businesses which provide complete outsourced security solutions to customers and has focused initially on key markets in the United States, United Kingdom, Benelux, South Africa and India.

History and Development

G4S history comprises two substantial mergers, namely the merger between Group 4 and Falck (2000) and subsequently that of the security businesses of Group 4 Falck A/S and Securicor plc (2004). Selected significant business acquisitions, disposals and developments of the Company are set out below:

2009

- G4S Holdings (France) SAS was divested which resulted in G4S exiting the French market.

2008

- GSL was acquired in the United Kingdom.
- Travel Logistics Limited was acquired in the United Kingdom.
- The Rock Steady group of companies (Rock Steady Security Limited, Rock Steady Sports Event Services Limited, Rock Steady Event Services Limited, Avant-Guard Resource Services Limited and FPC Security Limited) was acquired in the United Kingdom.
- Armor Group International plc was acquired in the United Kingdom.
- 25 per cent. of G4S Baltics AS, the holding company of the G4S subsidiaries in Estonia, Latvia and Lithuania, was acquired bringing G4S's holding in this company to 90 per cent.
- Contracts to provide security to the European Parliament and Schipol airport were renewed.
- Wackenhut Services Inc. (WSI) was selected to provide security for the Department of Energy's Hanford Site, United States.
- MJM Investigations International, LLC was acquired in the United States.
- RONCO Consulting Corporation was acquired in the United States.
- The German manned guarding and security systems and French systems businesses were sold, which resulted in G4S exiting the German market.

2007

- The United States Department of Energy and National Nuclear Security Administration selected Wackenhut Services, Inc. for the Oak Ridge Complex Protective Services contracts.
- G4S was awarded Norway's largest security contract at OSL, Oslo airport.
- G4S won a major new contract to provide Electronic Monitoring equipment and services to the Department of Corrections in New Zealand.

- G4S Cash Services (UK) Limited partnered with SmartWater Technology Ltd, specialists in forensic security, to protect its valuable cargo.

- G4S launched next phase of strategy, to drive accelerated growth and development, to the capital markets.

- The total spent on acquisitions in 2007 was £217.6 million adding £253.0 million of turnover and £18.9 million of PBITA. Significant acquisitions were made in United Kingdom, Netherlands, Saudi Arabia, South Africa, Czech Republic, Serbia and Mozambique. This includes the acquisition of Fidelity Cash Management Services (PTY) Ltd, the market leader in cash services in South Africa, and the manned security and fire suppression business of the Omada Fire & Security Group (Omada Group), and A1 Omada Limited, a company in the Omanda Group.

- G4S entered the FTSE 100.

2006

- G4S acquired a 50 per cent. shareholding in Alfa-Seguranca De Pessoas E Instalacoes S.a.r.l, a market leader in guarding, alarms and cash services in Mozambique. G4S also acquired certain assets of Strategic Technologies EM Inc (STI), the electronic curfew monitoring (EM) division of STI, for a consideration of CA$3.2m (£1.5m), a 75 per cent. ownership stake in the Chilean company, Servicios Generales Limitada (SEGEL) and the Congolese company, Defence Systems Africa (Congo) S.P.R.L..

- The total spent on acquisitions in 2006 was £98.4 million adding £112.5 million of turnover and £12.9 million of PBITA.

- Jorgen Philip-Sorensen stepped down as Chairman and Alf Duch-Pedersen succeeded him as Non Executive Chairman.

2005

- G4S International UK Limited Valuables Transport acquired OneService International, Inc, a California-based shipper of diamonds and jewellery.

- The divestments of Securicor Luxembourg S.A. and Group 4 Falck Cash Services UK Limited were completed and G4S Cash Services Canada Inc. acquired Universal ATM Services Inc., an Ontario-based provider of cash logistics and ATM services.

- Following the merger of the two companies and the new name, G4S, the new brand was launched in May 2005.

- The total spent on acquisitions in 2005 was £51.9 million adding £83.8 million of turnover and £9.4 million of PBITA.

- Lars Nørby Johansen left the board, being succeeded as chief executive by Nick Buckles.

2004

- In July, Group 4 Falck A/S's security business merged with Securicor plc to create the world's second largest security provider. G4S shares began trading on the London Stock Exchange.

- G4S's United Kingdom Justice Services business won three new electronic monitoring contracts in England and Wales.

- Group 4 Technology Limited acquired HI SEC International A/S, a Copenhagen based designer and manufacturer of intruder alarm equipment and systems components.
- In connection with the merger the Safety and Global Solutions business of Group 4 Falck A/S was demerged.
- The total spent on acquisitions in 2004 was £40.6 million adding £20.8 million of turnover and £2.2 million of PBITA.

Corporate structure

G4S is the parent company with subsidiaries, associated undertakings and joint ventures. The main holding companies under which the trading companies sit are Group 4 Falck International A/S, Group 4 Securitas Holding (B) NV, Group 4 Gulf Holdings NV, Securicor International Limited and G4S International Holdings Limited.

There are only three companies that each contribute over 5 per cent. of the Group's turnover: The Wackenhut Corporation (United States), Wackenhut Services Inc. (United States) and G4S Cash Services (UK) Limited (United Kingdom).

The Wackenhut Corporation

The Wackenhut Corporation (**TWC**) is a leading provider of contract services to major corporations, government agencies, and a wide range of industrial and commercial customers. TWC's security-related services include uniformed security officers, investigations, background checks, hotline programmes, emergency protection, and security audits and assessments. TWC operates in the general commercial sector and the civil nuclear sector. In the general commercial sector, TWC maintains a 6 per cent. market share, with competitors Securitas, Allied Security and Guardsmark having a 9 per cent., 6 per cent., and 2 per cent. market share respectively. The US Commercial security solutions business has approximately 2,000 customers.

According to Freedonia World Security Services report of September 2008 and Company estimates, the security service market in North America is forecast to expand 2.5 per cent. annually through 2012 to $67 billion.

*Wackenhut Services Inc. (**WSI**)*

WSI is a wholly owned subsidiary of TWC. It sells its services exclusively to the government sector including security, law enforcement, operations and maintenance, fire suppression and prevention and aircraft operation and maintenance.

WSI has a number of major competitors including Omniplex and Pinkerton Government Services. Growth has for some years been higher in this sector than in commercial guarding. The key driver in this market is the political propensity towards outsourcing and the response to the threat of terrorists. Market share analysis is not appropriate due to the high level of fragementation, but the scale of the facility support sector, which is estimated by G4S to be in excess of US$22 billion, provides scope for penetration by G4S.

G4S Cash Services (UK) Limited (G4SCS)

G4S Cash Services (UK) Limited provides a wide range of cash management services including secure cash transportation, cash processing (counting, verification and consolidation), ATM management services, high value vaulting services, as well as secure distribution services.

Shareholders

The share capital of the Company is £500,000,000 divided into 2,000,000,000 ordinary shares of 25p each. As at 31 December 2008, the issued share capital of G4S consisted of 1,408,298,639 ordinary shares with voting rights. An employee benefit trust holds 5,832,653.

The ten largest shareholders at 31 December 2008 in the ordinary capital of G4S plc are listed below.

Shareholder	Number of shares held	Percentage shareholding (%)
Philip-Sorensen J	171,939,961	12.21%
INVESCO Asset Management Limited	63,004,626	4.47%
Den Danske (Nominees)	61,185,751	4.34%
Legal & General Investment Management Ltd	51,880,641	3.68%
Templeton Investment Counsel LLC	39,760,177	2.82%
Harris Assoc LP	36,358,952	2.58%
Fidelity	34,713,214	2.47%
Barclays Global	22,416,524	1.59%
PFA	19,559,395	1.39%
Scottish Widows	16,103,000	1.14%

Board of Directors

The members of the board of directors are set out below:

Name	**Position**	**Description**
Alf Duch-Pedersen	*Chairman*	Alf was appointed to the board in May 2004 and became chairman of the board in June 2006. He is also chairman of the Nomination Committee. Alf's career has involved managing multi-national companies covering a range of industries from manufacturing and financial services to food and food products. He was president and chief executive of Tryg-Baltica A/S from 1991 to 1997 and fulfilled the same roles at Danisco A/S from 1997 to 2006. He is now chairman of the board of Danske Bank A/S, chairman of the British Chamber of Commerce in Denmark and a member of the executive committee of the Confederation of Danish Industries.
Nick Buckles	*Chief Executive*	Nick was appointed to the board in May 2004 and was the company's deputy chief executive and chief operating officer. He became chief executive in July 2005. Nick joined Securicor in 1985 as a projects accountant. In 1996 he was appointed managing director of Securicor Cash Services and became chief executive of the security division of Securicor in 1999. He was appointed to the board of Securicor plc in 2000 and became its chief executive in January 2002. Nick is a non-executive director of Arriva plc.
Trevor Dighton	*Chief Financial*	Trevor was appointed to the board in May 2004. An accountant, he joined Securicor in 1995 after a previous

Name	Position	Description
	Officer	career which included posts in both the accountancy profession and in industry, including five years in Papua New Guinea, three years in Zambia and seven years with BET plc. He joined Securicor's vehicle services division in 1995, was appointed finance director of its security division in 1997 and became its deputy Group finance director in 2001. He was appointed to the board of Securicor plc as group finance director in June 2002. Trevor became the company's chief financial officer in July 2004.
Grahame Gibson	*Chief Operating Officer*	Grahame was appointed to the board in April 2005. He joined Group 4 in 1983, starting as finance director (United Kingdom) and then deputy managing director (United Kingdom), followed by a number of senior roles, including deputy managing director (United Kingdom), vice president (corporate strategy), vice president (finance and administration), vice president operations (Central & South Eastern Europe and United Kingdom) and chief operating officer of Group 4 Falck. In July 2004, he became the company's divisional president for Americas & New Markets (which means, for the purposes of the G4S markets, those geographies outside the developed markets of North America and Europe. This segment comprises businesses in Latin America and the Caribbean, Africa, the Middle East and Gulf states, and Asia Pacific.). Grahame became the company's chief operating officer in July 2005.
Thorleif Krarup	*Non-executive Director*	Thorleif was appointed to the board in May 2004 and is currently chairman of the Audit Committee. A former chairman of TDC (Tele Danmark Corporation) and former Group chief executive of Nykredit A/S, Unibank A/S and Nordea AB, Thorleif is currently chairman of Exiqon A/S and Sport One Danmark A/S. He is also deputy chairman of H. Lundbeck A/S, ALK-Abello A/S and LFI A/S and a director of Bang & Olufsen A/S, Brightpoint Inc. and the Lundbeck Foundation.
Mark Elliott	*Non-executive Director*	Mark was appointed to the board in September 2006 and is a member of the Remuneration Committee. Based in the USA, he worked for IBM between 1970 and 2008 having occupied a number of senior management positions in that company including General Manager, IBM Europe, Middle East and Africa where he was responsible for that company's operations in over 120 countries. Mark is a non-executive director of Reed Elsevier PLC and Reed Elsevier Group plc , a member of the supervisory board of Reed Elsevier NV and chairman of Reed Elsever's remuneration committee. He also serves on the Dean's Advisory Council and the Technology Advisory Council at Indiana University.

Name	Position	Description
Lord Condon	*Deputy Chairman & Senior Independent Director*	Lord Condon was appointed to the board in May 2004. He became deputy chairman of the board in September 2006 and is chairman of the Remuneration Committee, a member of the Nomination Committee and Senior Independent Director. Lord Condon joined the Metropolitan Police in 1967 and, after holding various senior appointments in the police force, including a period as Chief Constable of Kent, served as Commissioner of the Metropolitan Police between 1993 and 2000. He was created a life peer in 2001 and is President of the British Security Industry Association, an advisor to international sports governing bodies and a member of the advisory board of Vidient Systems Inc.
Bo Lerenius	*Non-executive Director*	Bo was appointed to the board in May 2004 and is a member of the Audit and Remuneration Committees. After a diverse early business career, he served as chief executive of Ernstromgruppen, a Swedish building materials business, between 1985 and 1992 when he joined Stena Line where he was chief executive and vice chairman. In 1999 he became Group chief executive of Associated British Ports Holdings plc. He is a non-executive director of Mouchel Group Plc, Land Securities Group plc and Thomas Cook Group plc, chairman of the Swedish Chamber of Commerce for the United Kingdom and a senior advisor to the infrastructure fund of Swedish venture capital Group, EQT.
Mark Seligman	*Non-executive Director*	Mark was appointed to the board in January 2006 and is a member of the Audit and Remuneration Committees. He will become chairman of the Audit Committee following the company's AGM in May 2009. Having qualified as a chartered accountant with Price Waterhouse, Mark spent 12 years with SG Warburg before joining BZW in 1995 and then, following the takeover of BZW, becoming head of UK Investment Banking at CSFB and subsequently deputy chairman of CSFB Europe. In 2003 he became chairman of UK Investment Banking for CSFB and in 2005 became a senior adviser to Credit Suisse Europe. He is an alternate member of the Panel on Takeovers and Mergers and chairman of the Industrial Development Advisory Board.

Group Management

The members of Group Management are set out below:

Name	Position	Description
Nick Buckles	*Chief Executive*	Nick has worked in the security industry for 23 years, focusing throughout this time on the commercial and strategic aspects of all areas of security services. After a variety of commercial roles throughout the Group, he was responsible for driving significant profit improvements in many Securicor businesses throughout the 1990s as a business unit managing director and divisional chief executive of the security division. He was also instrumental in the development of Securicor's security sector focus and in bringing together Group 4 Falck and Securicor to create the new combined Group. Nick became chief executive of G4S in July 2005. Nick is chairman of the Ligue Internationale des Societes de Surveillance, the international association of leading security companies.
Grahame Gibson	*COO & Divisional President, Security Services*	Grahame has been involved in the security industry for 25 years, having joined Group 4's United Kingdom operating company in 1983 as finance director. Since that time, Grahame has held a number of operational, management and board positions in the United Kingdom, 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 Group 4 Securicor in April 2005. Grahame is a board member of the Ligue Internationale des Societes de Surveillance.
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 program. Søren is a member of the Danish Bar and Law Society, a board member of the Danish Blood Donation Society and author of the book "Executive Management Contracts", published in Denmark.
Trevor Dighton	*Chief Financial Officer*	Trevor has worked in the security industry for 22 years. After several years in both the accountancy profession and commerce working in the finance function and general management, he joined BET in 1986 as finance director of their Security and Communications Division. Trevor joined Securicor in 1995 and, following a number of

Name	Position	Description
		years as finance director of the security division, he was appointed to the board of Securicor plc in June 2002 as Group finance director. He became chief financial officer of G4S in July 2004. Trevor is a fellow of the Chartered Institute of Management Accountants.
Ken Niven	*Divisional President – Cash Services*	Ken has 12 years' experience in the security industry, having joined Securicor in 1996 as operations director of the United Kingdom cash services business where he was later promoted to managing director and was instrumental in the development of new product areas, including cash centre outsourcing and establishing Securicor's independent ATM network. Ken was appointed to his current role in July 2004 and is responsible for the Group's cash services division, which includes all of the major cash services business units, and for sharing cash services best practice throughout the entire organisation. Ken joined the security industry following a successful career within the logistics management industry where he held senior roles at Express Foods, Excel Logistics and Coca Cola. Ken is president of ESTA, the European cash services association and is a member of the Chartered Institute of Logistics and Transport.
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 30 years and has held director level positions at business unit, divisional and corporate level. She was appointed to the Board of Securicor plc in 2002 as Group HR Director. Irene is a member of the Chartered Institute of Personnel and Development (MCIPD).

The business address of each of member of the G4S executive committee, the Group president in respect of each of the divisions and each member of the Board of Directors is The Manor, Manor Royal, Crawley, West Sussex RH10 9UN.

There are no potential conflicts of interest between the duties to G4S plc of the persons listed in this section and their private interests or other duties.

Recent Developments

The Group has continued to make small acquisitions which are intended to augment its strategic capabilities. In addition, the Group is implementing the new Group strategy in all countries in which the Group maintains a presence in the course of the next three years.

TAXATION

UK Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments of principal and interest in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

1. Payment of Interest on the Notes

   Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

   Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where, at the time the payment is made, the Issuer reasonably believes that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

   Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

   In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.).

   Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will generally not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined below.

   Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for the purposes of United Kingdom withholding tax and reporting requirements.

   Where an applicable double tax treaty provides for no tax to be withheld (or for a lower rate of withholding tax) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or, as the case may be, for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). Alternatively, where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 15 of the Notes (Meetings of Noteholders; Modification, Waiver and Substitution) or otherwise and does not consider the tax consequences of any such substitution.

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2009 and HMRC has indicated informally that it will continue not to exercise this power beyond 5 April 2009, but has not provided details as to when it may decide to require that information to be provided. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

2. *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement as modified and/or supplemented and/or restated from time to time, (the **Programme Agreement**) dated 1 May 2009, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of

Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated 23 April 2009.

Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or around 7 May 2009.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

(a) the constitutional documents of the Issuer;

(b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2007 and 31 December 2008, in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a semi-annual basis;

(d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(e) a copy of this Offering Circular;

(f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(g) in the case of each issue of Notes admitted to trading on the London Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition to the above, the Offering Circular and the Final Terms relating to each Tranche of Notes which is admitted to the Official List and to trading on the London Stock Exchange's regulated market, are available for viewing at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and/or any subsidiaries of the Issuer (the **Group**) since 31 December 2008 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2008.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are KPMG Audit Plc, Chartered Accountants and Registered Auditors (Members of the Institute of Chartered Accountants in England and Wales), who have audited the Issuer's accounts, without qualification, in accordance with the International Standards on Auditing (UK and Ireland) for each of the two financial years ended on 31 December 2008. The auditors of the Issuer have no material interest in the Issuer.

Post-issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

FINANCIAL INFORMATION

Set out below are the audited consolidated financial statements of the Issuer for the two years ended 31 December 2007 and 31 December 2008, in each case together with the independent auditor's report thereon.

2007 FINANCIAL STATEMENTS

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).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985. 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 Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF G4S PLC

We have audited the group and parent company financial statements ('the financial statements') of G4S plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page ●.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements. This information given in the Report of the Directors includes that specific information presented in the Operating and Financial Review that is cross referred from the group results section of the Report of the Directors. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs at 31 December 2007 and of its profit for the year then ended;

- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs at 31 December 2007;

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
7 April 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Continuing operations			
Revenue	5, 6	**4,490.4**	4,036.8
Profit from operations before amortisation of acquisition-related intangible assets and share of profit from associates		**309.1**	271.6
Share of profit from associates		**3.0**	2.8
Profit from operations before amortisation of acquisition-related intangible assets (PBITA)	6	**312.1**	274.4
Amortisation of acquisition-related intangible assets		**(41.6)**	(36.0)
Profit from operations before interest and taxation (PBIT)	6, 8	**270.5**	238.4
Finance income	12	**92.6**	79.5
Finance costs	13	**(146.3)**	(118.4)
Profit before taxation (PBT)		**216.8**	199.5
Taxation:			
- Before amortisation of acquisition-related intangible assets		**(71.1)**	(67.4)
- On amortisation of acquisition-related intangible assets		**14.9**	10.8
	14	**(56.2)**	(56.6)
Profit after taxation		**160.6**	142.9
Loss from discontinued operations	7	**-**	(33.0)
Profit for the year		**160.6**	109.9
Attributable to:			
Equity holders of the parent		**147.2**	96.5
Minority interests		**13.4**	13.4
Profit for the year		**160.6**	109.9
Earnings per share attributable to equity shareholders of the parent	16		
For profit from continuing operations:			
Basic		**11.5p**	10.2p
Diluted		**11.5p**	10.2p
For profit from continuing and discontinued operations:			
Basic		**11.5p**	7.6p
Diluted		**11.5p**	7.6p

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Notes	2007 £m	2006 £m
ASSETS			
Non-current assets			
Goodwill	19	**1,332.4**	1,175.6
Other acquisition-related intangible assets	19	**219.9**	220.6
Other intangible assets	19	**31.3**	22.2
Property, plant and equipment	20	**400.9**	354.9
Investment in associates	22	**10.2**	7.3
Trade and other receivables	25	**69.4**	49.9
Deferred tax assets	36	**84.2**	115.7
		2,148.3	1,946.2
Current assets			
Inventories	23	**57.1**	49.5
Investments	24	**73.2**	73.7
Trade and other receivables	25	**885.0**	798.3
Cash and cash equivalents	28	**381.3**	307.5
Assets classified as held for sale	27	**130.9**	-
		1,527.5	1,229.0
Total assets	6	**3,675.8**	3,175.2
LIABILITIES			
Current liabilities			
Bank overdrafts	28,29	**(109.9)**	(97.5)
Bank loans	29	**(80.6)**	(70.1)
Obligations under finance leases	30	**(16.2)**	(13.6)
Trade and other payables	31	**(845.7)**	(710.2)
Current tax liabilities		**(18.0)**	(26.3)
Retirement benefit obligations	34	**(47.3)**	(42.2)
Provisions	35	**(23.6)**	(41.3)
Liabilities associated with assets classified as held for sale	27	**(78.3)**	-
		(1,219.6)	(1,001.2)
Non-current liabilities			
Bank loans	29	**(729.1)**	(830.3)
Loan notes	29	**(290.4)**	-
Obligations under finance leases	30	**(46.0)**	(42.5)
Trade and other payables	31	**(38.7)**	(1.0)
Retirement benefit obligations	34	**(120.1)**	(208.3)
Provisions	35	**(33.9)**	(38.7)
Deferred tax liabilities	36	**(75.0)**	(81.7)
		(1,333.2)	(1,202.5)
Total liabilities	6	**(2,552.8)**	(2,203.7)
Net assets		**1,123.0**	971.5
EQUITY			
Share capital	37	**320.2**	320.0
Share premium and reserves	38	**766.9**	615.2
Equity attributable to equity holders of the parent		**1,087.1**	935.2
Minority interests		**35.9**	36.3
Total equity		**1,123.0**	971.5

The consolidated financial statements were approved by the board of directors and authorised for issue on 7 April 2008.

They were signed on its behalf by:

Nick Buckles	**Trevor Dighton**
Director	Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Profit before taxation		**216.8**	199.5
Loss before taxation from discontinued operations		**(0.3)**	(31.6)
Adjustments for:			
Finance income		**(92.6)**	(79.5)
Finance costs		**146.3**	118.4
Finance costs attributable to discontinued operations		**3.3**	3.0
Depreciation of property, plant and equipment		**91.1**	82.8
Amortisation of acquisition-related intangible assets		**41.6**	36.0
Amortisation of other intangible assets		**8.5**	7.4
Impairment of other intangible assets		**-**	2.5
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related		**(14.4)**	(1.6)
(Profit)/loss on disposal of discontinued operations		**(12.0)**	14.0
Share of profit from associates		**(3.0)**	(2.8)
Equity-settled transactions		**4.1**	5.0
Operating cash flow before movements in working capital		**389.4**	353.1
Increase in inventories		**(9.6)**	(6.9)
Increase in receivables		**(69.7)**	(17.7)
Increase/(decrease) in payables		**84.1**	(13.5)
Decrease in provisions		**(36.7)**	(47.6)
Cash generated by operations		**357.5**	267.4
Tax paid		**(66.2)**	(70.3)
Net cash flow from operating activities		**291.3**	197.1
Investing activities			
Interest received		**24.9**	11.5
Cash flow from associates		**1.0**	2.7
Purchases of property, plant and equipment and intangible assets other than acquisition-related		**(134.5)**	(93.2)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**25.5**	10.7
Acquisition of subsidiaries		**(151.6)**	(96.7)
Net cash balances acquired		**11.6**	3.5
Disposal of subsidiaries		**7.9**	9.9
Purchase of investments		**(0.3)**	(21.8)
Own shares purchased		**(3.1)**	(3.1)
Net cash used in investing activities		**(218.6)**	(176.5)
Financing activities			
Share issues		**0.9**	9.1
Dividends paid to minority interests		**(3.8)**	(3.0)
Loan to minority interests		**(13.3)**	-
Dividends paid to equity shareholders of the parent		**(59.3)**	(49.8)
Proceeds on issue of loan notes		**280.6**	-
Repayment of revolving credit facilities with proceeds from issue of loan notes		**(280.6)**	-
Other net movement in borrowings		**140.4**	95.1
Interest paid		**(79.9)**	(59.3)
Net cash flow from hedging financial instruments		**(4.3)**	11.8
Repayment of obligations under finance leases		**(4.6)**	(8.4)
Net cash flow from financing activities		**(23.9)**	(4.5)
Net increase in cash, cash equivalents and bank overdrafts	*39*	**48.8**	16.1
Cash, cash equivalents and bank overdrafts at the beginning of the year		**210.0**	205.1
Effect of foreign exchange rate fluctuations on cash held		**11.9**	(11.2)
Cash, cash equivalents and bank overdrafts at the end of the year	*28*	**270.7**	210.0

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	2007 **£m**	2006 £m
Exchange differences on translation of foreign operations	**37.4**	(42.6)
Change in fair value of net investment hedging financial instruments	**(19.0)**	11.6
Change in fair value of cash flow hedging financial instruments	**(7.0)**	1.1
Actuarial gains/(losses) on defined retirement benefit schemes	**64.7**	(33.4)
Tax on items taken directly to equity	**(14.0)**	(1.4)
Net income/(expense) recognised directly in equity	**62.1**	(64.7)
Profit for the year	**160.6**	109.9
Net recognised income	**222.7**	45.2
Attributable to:		
Equity holders of the parent	**209.3**	31.8
Minority interests	**13.4**	13.4
Net recognised income	**222.7**	45.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

A resolution was passed at the 2007 Annual General Meeting, held on 31 May 2007, to change the company's name from Group 4 Securicor plc to G4S plc. G4S plc is a company incorporated in the United Kingdom under the Companies Act 1985. The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising the group) and the group's interest in associates and jointly controlled entities made up to 31 December each year. The nature of the group's operations and its principal activities are set out in note 6 and in the Operating and Financial Review on pages ● to ●. The group operates throughout the world and in a wide range of functional currencies, the most significant being the euro, the US dollar and sterling. The group's financial statements are presented in sterling, as the group's primary listing is in the UK. Foreign operations are included in accordance with the policies set out in note 3. The address of the registered office is given on page ●.

2. Statement of compliance

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

3. Significant accounting policies

(a) Basis of preparation

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

The comparative income statement for the year ended 31 December 2006 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £316.8m and PBT has been reduced by £0.5m compared to the figures published previously. Further details of discontinued operations are presented within note 7. In addition, the comparative balance sheet as at 31 December 2006 has been restated to reflect the completion during 2007 of the initial accounting in respect of acquisitions made during 2006. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £4.7m, with an equivalent increase in the reported value of goodwill. The impact of these adjustments on the net assets acquired is presented in note 17.

(b) Basis of consolidation

Subsidiaries

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

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

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

Joint ventures

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

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

Associates

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

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

Transactions eliminated on consolidation

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

(c) Foreign currencies

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

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

In order to hedge its translation exposure to certain foreign currencies in which more than 1% of the group's consolidated net operating assets are denominated, the group utilises derivative financial instruments (see note 3(d) for details of the group's accounting policies in respect of such instruments).

(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, 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, to the extent that these are not matched by foreign currency borrowings. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, 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 re-measurement to fair value is recognised immediately in the income statement, 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 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.

3 Significant accounting policies (continued)

(e) Intangible assets

Goodwill

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

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

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 depreciation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives up to a maximum of five years.

(f) Property, plant and equipment

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

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

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

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

(g) Financial instruments

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

Trade receivables

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

PFI assets

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

Current asset investments

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Trade payables

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

Equity instruments

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

(h) Inventories

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

(i) Impairment

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

The recoverable amount of an asset is the greater of its net selling price and its value in use, where value in use is assessed as the estimated 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 for 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.

3 Significant accounting policies (continued)

(k) Employee benefits

Retirement benefit costs

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

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

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

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

Long-term service benefits

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

Share-based payments

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

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

(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 claims against the group's captive insurance businesses, costs of meeting lease requirements on unoccupied properties 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 services products and for recurring services in security systems products is recognised over the period in which the service is provided. Revenue on security systems installations is recognised either on completion in respect of product sales, or in accordance with the stage of completion method in respect of construction contracts.

3 Significant accounting policies (continued)

(m) Revenue recognition (continued)

Construction contracts

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

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

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

Government grants

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

Interest

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

Dividends

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

(n) Borrowing costs

All borrowing costs are recognised in the income statement.

(o) Profit from operations

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

(p) Income taxes

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

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

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

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

The carrying amount of deferred tax assets 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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.

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

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

(r) Segment reporting

A segment is a significant component of the group which is subject to risks and rewards distinguishable from those of other segments either by the nature of the services provided (business segment) or by the economic environment in which it transacts business (geographical segment).

(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 that meets the criteria to be classified as held for sale.

(t) Dividends

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

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

In the year ended 31 December 2007, the group has adopted IFRS 7 *Financial Instruments: Disclosures* and the related amendment to IAS 1 *Presentation of Financial Statements*, both of which were effective from 1 January 2007. The effect of the adoption of IFRS 7 and the amendment to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) were effective for the current year. These were:

- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*;

- IFRIC 8 *Scope of IFRS 2;*
- IFRIC 9 *Reassessment of Embedded Derivatives; and*
- IFRIC 10 *Interim Financial Reporting and Impairment.*

The adoption of these interpretations has not resulted in changes to the group's accounting policies and has not had a material impact on amounts reported for the current or prior years.

At the year end, the following were in issue, endorsed but not yet effective:

- IFRS 8 *Operating Segments* which was issued in November 2006 and will apply to the group from 1 January 2009. This standard supersedes IAS 14 *Segment Reporting* and will require the group to adopt the "management approach" to reporting on the financial performance of its operating segments; and
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* which was issued in November 2006 and is effective for annual periods beginning on or after 1 March 2007. This interpretation requires a share-based payment arrangement in which the group receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction.

At the year end, the following were in issue, but were not yet endorsed or effective:

- IAS 1 (*Revised*) *Presentation of Financial Statements*;
- IAS 23 (*Revised*) *Borrowing Costs;*
- IFRIC 12 *Service Concession Arrangements;*
- IFRIC 13 *Customer Loyalty Programmes; and*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

IFRIC 14, if endorsed, may impact on the group's valuation of defined retirement benefit obligations. The directors anticipate that the adoption of the other standards and interpretations in future periods will have no material financial impact on the financial statements of the group.

4. Accounting estimates

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

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

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

Valuation of acquired businesses

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

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

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

Valuation of retirement benefit obligations

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

5. Revenue

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

	Notes	2007 £m	2006 £m
Continuing operations			
Sale of goods		**105.3**	93.7
Rendering of services		**4,288.7**	3,886.9
Revenue from construction contracts		**96.4**	56.2
Revenue from continuing operations as presented in the consolidated income statement	*6*	**4,490.4**	4,036.8
Discontinued operations			
Sale of goods		**9.3**	7.1
Rendering of services		**259.2**	373.6
Revenue from construction contracts		**16.4**	12.5
Revenue from discontinued operations	*6, 7*	**284.9**	393.2
Other operating income			
Interest income		**15.1**	12.3
Net gain in fair value of loan note derivative financial instruments and hedged items		**0.2**	-
Expected return on defined retirement benefit scheme assets		**77.3**	67.2
Total other operating income		**92.6**	79.5

6. Business and geographical segments

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

The current management structure of the group is a combination of product area and geography, within which the larger businesses generally report by product area. The group's primary segmentation is therefore by business segment and its secondary segmentation is by geography.

Segment information is presented below:

Segment revenue

Revenue by business segment	**Continuing operations 2007 £m**	**Discontinued operations 2007 £m**	**Total 2007 £m**	Continuing operations 2006 £m	Discontinued operations 2006 £m	Total 2006 £m
Security Services						
UK and Ireland	**593.0**	**-**	**593.0**	539.7	-	539.7
Continental Europe	**1,078.3**	**258.6**	**1,336.9**	985.4	270.5	1,255.9
Europe	**1,671.3**	**258.6**	**1,929.9**	1,525.1	270.5	1,795.6
North America	**1,043.8**	**-**	**1,043.8**	1,049.9	13.2	1,063.1
Middle East and Gulf States	**177.9**	**-**	**177.9**	125.5	-	125.5
Latin America and the Caribbean	**158.0**	**1.7**	**159.7**	117.7	6.8	124.5
Africa	**183.9**	**-**	**183.9**	152.6	-	152.6
Asia Pacific	**268.9**	**3.3**	**272.2**	230.0	6.0	236.0
New Markets	**788.7**	**5.0**	**793.7**	625.8	12.8	638.6
Total Security Services	**3,503.8**	**263.6**	**3,767.4**	3,200.8	296.5	3,497.3
Cash Services						
Europe	**706.3**	**17.2**	**723.5**	628.8	92.6	721.4
North America	**78.0**	**-**	**78.0**	85.3	-	85.3
New Markets	**202.3**	**4.1**	**206.4**	121.9	4.1	126.0
Total Cash Services	**986.6**	**21.3**	**1,007.9**	836.0	96.7	932.7
Total revenue	**4,490.4**	**284.9**	**4,775.3**	4,036.8	393.2	4,430.0

Revenue by geographical market	**Total 2007 £m**	Total 2006 £m
UK and Ireland	**1,007.5**	928.9
Continental Europe	**1,645.9**	1,588.1
Europe	**2,653.4**	2,517.0
North America	**1,121.8**	1,148.4
Middle East and Gulf States	**202.5**	147.1
Latin America and the Caribbean	**203.3**	162.9
Africa	**257.2**	168.1
Asia Pacific	**337.1**	286.5
New Markets	**1,000.1**	764.6
Total revenue	**4,775.3**	4,430.0

6 Business and geographical segments (continued)

Segment revenue (continued)

Revenue from internal and external customers by business segment	Total gross segment revenue 2007 £m	Inter-segment revenue 2007 £m	External revenue 2007 £m	Total gross segment revenue 2006 £m	Inter-segment revenue 2006 £m	External revenue 2006 £m
Security Services	3,773.7	(6.3)	3,767.4	3,501.1	(3.8)	3,497.3
Cash Services	1,008.5	(0.6)	1,007.9	933.5	(0.8)	932.7
Total revenue	4,782.2	(6.9)	4,775.3	4,434.6	(4.6)	4,430.0

Inter-segment sales are charged at prevailing market prices.

Segment result

PBITA by business segment	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m	Continuing operations 2006 £m	Discontinued operations 2006 £m	Total 2006 £m
Security Services						
UK and Ireland	48.4	-	48.4	44.1	-	44.1
Continental Europe	61.5	(4.3)	57.2	56.5	(0.8)	55.7
Europe	109.9	(4.3)	105.6	100.6	(0.8)	99.8
North America	61.5	-	61.5	62.7	0.7	63.4
Middle East and Gulf States	14.2	-	14.2	10.9	-	10.9
Latin America and the Caribbean	10.3	(0.5)	9.8	6.3	0.2	6.5
Africa	16.0	-	16.0	12.5	-	12.5
Asia Pacific	22.9	(1.4)	21.5	18.5	-	18.5
New Markets	63.4	(1.9)	61.5	48.2	0.2	48.4
Total Security Services	234.8	(6.2)	228.6	211.5	0.1	211.6
Cash Services						
Europe	77.4	(2.2)	75.2	67.8	(14.7)	53.1
North America	0.6	-	0.6	1.8	-	1.8
New Markets	29.7	(0.6)	29.1	17.4	-	17.4
Total Cash Services	107.7	(2.8)	104.9	87.0	(14.7)	72.3
Total PBITA before head office costs	342.5	(9.0)	333.5	298.5	(14.6)	283.9
Head office costs	(30.4)	-	(30.4)	(24.1)	-	(24.1)
Total PBITA	312.1	(9.0)	303.1	274.4	(14.6)	259.8
PBITA by geographical market						
Europe	187.3	(6.5)	180.8	168.4	(15.5)	152.9
North America	62.1	-	62.1	64.5	0.7	65.2
New Markets	93.1	(2.5)	90.6	65.6	0.2	65.8
Total PBITA before head office costs	342.5	(9.0)	333.5	298.5	(14.6)	283.9
Head office costs	(30.4)	-	(30.4)	(24.1)	-	(24.1)
Total PBITA	312.1	(9.0)	303.1	274.4	(14.6)	259.8

6 Business and geographical segments (continued)

Segment result (continued)

Result by business segment	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m	Continuing operations 2006 £m	Discontinued operations 2006 £m	Total 2006 £m
Total PBITA	**312.1**	**(9.0)**	**303.1**	274.4	(14.6)	259.8
Amortisation of acquisition-related intangible assets	**(41.6)**	**-**	**(41.6)**	(36.0)	-	(36.0)
Total PBIT	**270.5**	**(9.0)**	**261.5**	238.4	(14.6)	223.8
Security Services	**215.4**	**(6.2)**	**209.2**	195.4	0.1	195.5
Cash Services	**85.5**	**(2.8)**	**82.7**	67.1	(14.7)	52.4
Head office costs	**(30.4)**	**-**	**(30.4)**	(24.1)	-	(24.1)
Total PBIT	**270.5**	**(9.0)**	**261.5**	238.4	(14.6)	223.8

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

Segment assets and liabilities

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

Total assets	2007 £m	2006 £m
By business segment		
Security Services	**2,135.3**	1,805.7
Cash Services	**954.8**	843.0
Head office	**103.5**	81.4
Inter-segment trading balances	**(64.1)**	(51.8)
Total segment operating assets	**3,129.5**	2,678.3
By geographical segment		
UK and Ireland	**938.1**	869.5
Continental Europe	**923.9**	773.6
Europe	**1,862.0**	1,643.1
North America	**615.5**	586.7
Middle East and Gulf States	**102.5**	62.5
Latin America and the Caribbean	**104.7**	82.4
Africa	**190.3**	76.6
Asia Pacific	**206.8**	178.3
New Markets	**604.3**	399.8
Head office	**103.4**	81.4
Inter-segment trading balances	**(55.7)**	(32.7)
Total segment operating assets	**3,129.5**	2,678.3
Non-operating assets	**546.3**	496.9
Total assets	**3,675.8**	3,175.2

6 Business and geographical segments (continued)

Segment assets and liabilities (continued)

Total liabilities	2007 £m	2006 £m
By business segment		
Security Services	**(719.5)**	(602.5)
Cash Services	**(233.6)**	(195.1)
Head office	**(119.2)**	(45.4)
Inter-segment trading balances	**64.1**	51.8
Total segment operating liabilities	**(1,008.2)**	(791.2)
Non-operating liabilities	**(1,544.6)**	(1,412.5)
Total liabilities	**(2,552.8)**	(2,203.7)

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

Included within operating and non-operating assets are £123.3m (2006: £nil) and £7.6m (2006: £nil) respectively relating to assets classified as held for sale. Included within operating and non-operating liabilities are £66.3m (2006: £nil) and £12.0m (2006: £nil) respectively relating to liabilities associated with assets classified as held for sale. Disposal groups are analysed in note 27.

Other information by geographical location

By business segment	Impairment losses recognised in income 2007 £m	Depreciation and amortisation 2007 £m	Capital additions 2007 £m	Impairment losses recognised in income 2006 £m	Depreciation and amortisation 2006 £m	Capital additions 2006 £m
Security Services	**-**	**72.5**	**201.3**	2.5	58.2	139.7
Cash Services	**-**	**68.1**	**192.1**	-	67.7	73.9
Head office	**-**	**0.6**	**2.9**	-	0.3	0.6
Total	**-**	**141.2**	**396.3**	2.5	126.2	214.2

By geographical segment	Capital additions 2007 £m	Capital additions 2006 £m
UK and Ireland	**83.3**	46.2
Continental Europe	**124.7**	64.5
Europe	**208.0**	110.7
North America	**13.2**	15.2
Middle East and Gulf States	**27.4**	31.0
Latin America and the Caribbean	**13.6**	20.3
Africa	**106.1**	17.0
Asia Pacific	**25.1**	19.4
New Markets	**172.2**	87.7
Head office	**2.9**	0.6
Total	**396.3**	214.2

7. Discontinued operations

Operations qualifying as discontinued in the current year primarily comprise: G4S Cash Services (France) SAS, disposed of on 2 July 2007; the security services businesses in France, which principally include Group 4 Securicor SAS; and the security services businesses in Germany, which principally include G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH, Berlin. The disposal of the security services businesses in both France and Germany is still in progress.

Additionally, operations qualifying as discontinued in the prior year primarily comprise the German cash services business of G4S Geld-und Wertdienste GmbH, where terms were agreed for divestment on 22 December 2006, and the business and assets of Cognisa Transportation, Inc, disposed of on 28 December 2006.

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

	2007 £m	2006 £m
Revenue	**284.9**	393.2
Expenses	**(293.9)**	(407.8)
Operating loss before interest and taxation (PBIT)	**(9.0)**	(14.6)
Net finance costs	**(3.3)**	(3.0)
Attributable tax credit/(expense)	**0.3**	(1.4)
Total operating loss for the year	**(12.0)**	(19.0)
Profit/(loss) on disposal of discontinued operations (note 18)	**9.1**	(19.2)
Adjustment in respect of disposals in the prior year	**2.9**	5.2
Net loss attributable to discontinued operations	**-**	(33.0)

The 2007 adjustment in respect of disposals in the prior year comprises £0.4m relating to the disposal of the German cash services business of G4S Geld-und Wertdienste GmbH, and £2.5m relating to the finalisation of the disposal of Cognisa Transportation, Inc.

The 2006 adjustment in respect of disposals in the prior year comprises £3.2m relating to the finalisation of the disposal of Cognisa Security and £2.0m relating to the finalisation of the disposal of Falck Security Nederland.

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

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

	2007 £m	2006 £m
Net cash flows from operating activities	**12.5**	(10.8)
Net cash flows from investing activities	**(1.4)**	6.4
Net cash flows from financing activities	**2.7**	(3.7)
	13.8	(8.1)

8. Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

Continuing operations	**2007 £m**	2006 £m
Revenue	**4,490.4**	4,036.8
Cost of sales	**(3,485.4)**	(3,158.0)
Gross profit	**1,005.0**	878.8
Administration expenses	**(737.5)**	(643.2)
Share of profit from associates	**3.0**	2.8
PBIT	**270.5**	238.4

Included within administration expenses is £41.6m (2006: £36.0m) of amortisation of acquisition-related intangible assets.

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

9. Profit from operations

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

	2007 £m	2006 £m
Cost of sales		
Cost of inventories recognised as an expense	**92.4**	68.0
Write-down of inventories to net realisable value	**0.6**	0.5
Reversal of inventories previously written down to net realisable value because subsequently sold	**-**	(0.2)
Administration expenses		
Amortisation of acquisition-related intangible assets	**41.6**	36.0
Amortisation of other intangible assets	**8.5**	7.4
Depreciation of property, plant and equipment	**91.1**	82.8
Impairment of property, plant and equipment and intangible assets other than acquisition-related	**-**	2.5
Profit on disposal of property, plant and equipment and intangible assets other than acquisition-related	**(14.4)**	(1.6)
Impairment of trade receivables	**5.4**	4.6
Litigation settlements	**0.7**	0.1
Research and development expenditure	**2.1**	1.4
Operating lease rentals payable	**96.7**	85.0
Operating sub-lease rentals receivable	**(3.0)**	(1.9)
Cost of equity-settled transactions	**4.1**	5.0
Government grants received as a contribution towards wage costs	**(2.2)**	(2.3)
Net foreign translation adjustments	**(0.2)**	1.0

10. Auditors' remuneration

	2007 £m	2006 £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	**1.0**	1.0
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	**2.6**	2.2
Other services pursuant to legislation	**0.2**	0.1
Taxation services	**0.3**	0.3
Corporate finance services	**0.4**	0.2
Fees payable to other auditors for the audit of the company's subsidiaries pursuant to legislation	**0.5**	0.6

The Corporate Governance Statement on pages ● to ● 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:

	2007 Number	2006 Number
By business segment		
Security Services	**466,035**	403,079
Cash Services	**41,255**	36,866
Not allocated, including shared administration and head office	**190**	183
Total average number of employees	**507,480**	440,128
By geographical segment		
Europe	**115,951**	114,216
North America	**53,414**	51,919
New Markets	**337,925**	273,810
Not allocated, including shared administration and head office	**190**	183
Total average number of employees	**507,480**	440,128

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

	2007 £m	2006 £m
Wages and salaries	**2,772.2**	2,654.3
Social security costs	**410.2**	387.8
Employee benefits	**75.3**	66.2
Total staff costs	**3,257.7**	3,108.3

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 ● to ●.

12. Finance income

	2007 £m	2006 £m
Interest income on cash, cash equivalents and investments	**12.4**	9.9
Other interest income	**2.7**	2.4
Expected return on defined retirement benefit scheme assets	**77.3**	67.2
Gain arising from change in fair value of derivative financial instruments hedging loan notes	**14.3**	-
Loss arising from fair value adjustment to the hedged loan note items	**(14.1)**	-
Total finance income	**92.6**	79.5

13. Finance costs

	2007 £m	2006 £m
Interest on bank overdrafts and loans	**53.0**	49.6
Interest on loan notes	**13.5**	-
Interest on obligations under finance leases	**3.3**	2.4
Other interest charges	**4.2**	0.2
Total group borrowing costs	**74.0**	52.2
Finance costs on defined retirement benefit obligations	**72.3**	66.2
Total finance costs	**146.3**	118.4

Included within interest on bank overdrafts and loans is a credit of £2.1m (2006: £2.5m) relating to cash flow hedges that were transferred from equity during the year.

14. Taxation

	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m	Continuing operations 2006 £m	Discontinued operations 2006 £m	Total 2006 £m
Current taxation expense						
UK corporation tax	**2.6**	**-**	**2.6**	10.1	-	10.1
Overseas tax	**64.5**	**(0.3)**	**64.2**	49.7	1.4	51.1
Adjustments in respect of prior years:						
UK corporation tax	**(7.1)**	**-**	**(7.1)**	0.7	-	0.7
Overseas tax	**-**	**-**	**-**	(3.5)	-	(3.5)
Total current taxation expense/(credit)	**60.0**	**(0.3)**	**59.7**	57.0	1.4	58.4
Deferred taxation (credit)/expense (see note 36)						
Current year	**(7.4)**	**-**	**(7.4)**	-	-	-
Adjustments in respect of prior years	**3.6**	**-**	**3.6**	(0.4)	-	(0.4)
Total deferred taxation credit	**(3.8)**	**-**	**(3.8)**	(0.4)	-	(0.4)
Total income tax expense/(credit) for the year	**56.2**	**(0.3)**	**55.9**	56.6	1.4	58.0

UK corporation tax is calculated at 30.0% (2006: 30.0%) of the estimated assessable profits for the period. The total income tax expense for the year includes a £1.7m credit resulting from the deferred tax movement arising from the reduction in the UK corporation tax rate from 30.0% to 28.0%. Taxation for other jurisdictions 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:

	2007 £m	2006 £m
Profit/(loss) before taxation		
Continuing operations	**216.8**	199.5
Discontinued operations	**(0.3)**	(31.6)
Total profit before taxation	**216.5**	167.9
Tax at UK corporation tax rate of 30.0% (2006: 30.0%)	**65.0**	50.4
Expenses that are not deductible in determining taxable profit	**2.2**	5.1
Tax losses not recognised in the current year	**1.5**	13.7
Different tax rates of subsidiaries operating in non-UK jurisdictions	**(9.3)**	(8.0)
Adjustments for previous years	**(3.5)**	(3.2)
Total income tax charge	**55.9**	58.0
Effective tax rate	**25.8%**	34.5%

In addition to the income tax expense charged to the income statement, a tax charge of £14.0m (2006: £1.4m) has been recognised in equity.

15. Dividends

	Pence per share	DKK per share	**2007 £m**	2006 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2005	2.24	0.2435	-	28.3
Interim dividend for the six months ended 30 June 2006	1.69	0.1863	-	21.5
Final dividend for the year ended 31 December 2006	2.52	0.2766	**32.0**	-
Interim dividend for the six months ended 30 June 2007	2.11	0.2319	**27.3**	-
			59.3	49.8
Proposed final dividend for the year ended 31 December 2007	2.85p	0.2786	**36.3**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 6 June 2008 to shareholders who are on the register on 2 May 2008. The exchange rate used to translate it into Danish kroner is that at 10 March 2008.

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

	2007 £m	2006 £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**147.2**	96.5
Effect of dilutive potential ordinary shares (net of tax)	**0.2**	0.3
Profit for the purposes of diluted earnings per share	**147.4**	96.8
Number of shares (m)		
Weighted average number of ordinary shares	**1,275.2**	1,268.3
Effect of dilutive potential ordinary shares	**1.5**	5.4
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**1,276.7**	1,273.7
Earnings per share from continuing and discontinued operations (pence)		
Basic	**11.5p**	7.6p
Diluted	**11.5p**	7.6p
From continuing operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**147.2**	96.5
Adjustment to exclude loss for the year from discontinued operations (net of tax) (note 7)	**-**	33.0
Profit from continuing operations	**147.2**	129.5
Effect of dilutive potential ordinary shares (net of tax)	**0.2**	0.3
Profit from continuing operations for the purpose of diluted earnings per share	**147.4**	129.8
Earnings per share from continuing operations (pence)		
Basic	**11.5p**	10.2p
Diluted	**11.5p**	10.2p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic	**-**	(2.6)p
Diluted	**-**	(2.6)p
From adjusted earnings		
Earnings		
Profit from continuing operations	**147.2**	129.5
Adjustment to exclude net retirement benefit finance income (net of tax)	**(3.6)**	(0.7)
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	**26.7**	25.2
Adjusted profit for the year attributable to equity holders of the parent	**170.3**	154.0
Weighted average number of ordinary shares (m)	**1,275.2**	1,268.3
Adjusted earnings per share (pence)	**13.4p**	12.1p

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

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

17. Acquisitions

Current year acquisitions

The group undertook a number of acquisitions in the year, none of which were individually material. Principal acquisitions in subsidiary undertakings include the purchase of controlling interests in: Fidelity Cash Management Services (Pty) Ltd, in South Africa; al Majal Service Master LLC, a facilities management business in Saudi Arabia; and in RIG – PR Ltd, a specialist police recruitment agency in the United Kingdom. In addition, the group increased its interests in Israel and Mozambique, and recognised put options that increased the group's interest in the Baltic states. A summary of the provisional fair value of net assets acquired by geographical location is presented below:

	Europe £m	North America £m	New Markets £m	**Total group £m**
Provisional fair value of net assets acquired of subsidiary undertakings	7.8	0.3	9.4	**17.5**
Acquisition of minority interests	19.2	0.3	1.4	**20.9**
Total provisional fair value of net assets acquired	27.0	0.6	10.8	**38.4**
Goodwill	92.5	1.6	85.1	**179.2**
Total purchase consideration	119.5	2.2	95.9	**217.6**

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

	Book value £m	Fair value adjustments £m	**Fair value £m**
Acquisition-related intangible assets	-	34.1	**34.1**
Other intangible assets	1.0	(0.7)	**0.3**
Property, plant and equipment	24.5	(1.9)	**22.6**
Inventories	4.0	(0.4)	**3.6**
Trade and other receivables	50.2	(3.6)	**46.6**
Deferred tax assets	0.1	-	**0.1**
Cash and cash equivalents	11.6	-	**11.6**
Trade and other payables	(46.7)	(2.4)	**(49.1)**
Current tax liabilities	(1.6)	(1.1)	**(2.7)**
Provisions	(7.7)	(3.1)	**(10.8)**
Borrowings	(22.9)	-	**(22.9)**
Deferred tax liabilities	-	(9.7)	**(9.7)**
Minority interests	(10.7)	4.5	**(6.2)**
Net assets acquired of subsidiary undertakings	1.8	15.7	**17.5**
Acquisition of minority interests	17.8	3.1	**20.9**
Goodwill			**179.2**
Total purchase consideration			**217.6**
Satisfied by:			
Cash			**147.7**
Transaction costs			**3.9**
Contingent consideration			**66.0**
Total purchase consideration			**217.6**

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 £34.1m attributable to the acquisition of subsidiary undertakings and £3.1m attributable to the acquisition of minority interests. 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. Final fair value adjustments will, if required, be reflected in the comparative to the 2008 consolidated financial statements.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £47.5m arising on the acquisition of minority interests.

From the date of acquisition, in aggregate, the acquired businesses contributed £171.2m to revenues, £10.0m to PBITA and £(0.3)m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2007, group revenue would have been £4,572.2m, PBITA would have been £321.0m and profit for the year would have been £162.4m.

17. Acquisitions (continued)

Prior year acquisitions

The group undertook a number of acquisitions in 2006, none of which were individually material. Principal acquisitions in subsidiary undertakings included the purchase of controlling interests in the Chilean company, Servicios Generales, Limitada, a manned security services provider, and in al Majal Security Services, a security services and cash services business in Saudi Arabia. In addition, the group increased its interests in United Arab Emirates.

At 31 December 2006, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2006 has since been finalised. The net assets acquired and goodwill arising in respect of all acquisitions made in the year are as follows:

	Book value £m	Fair value adjustments £m	**Fair value £m**
Acquisition-related intangible assets	-	17.6	**17.6**
Property, plant and equipment and intangible assets other than acquisition-related	7.0	(0.5)	**6.5**
Deferred tax assets	0.2	-	**0.2**
Current assets	22.0	(2.1)	**19.9**
Current liabilities	(10.6)	(4.7)	**(15.3)**
Non-current liabilities	(6.6)	(6.4)	**(13.0)**
Minority interests	(1.8)	0.6	**(1.2)**
Net assets acquired of subsidiary undertakings	10.2	4.5	**14.7**
Acquisition of minority interests	6.4	4.6	**11.0**
Goodwill			**72.7**
Total purchase consideration			**98.4**
Satisfied by:			
Cash			**96.0**
Transaction costs			**0.7**
Contingent consideration			**1.7**
Total purchase consideration			**98.4**

Included within current assets acquired is £3.5m of cash and cash equivalents.

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 £17.6m attributable to the acquisition of subsidiary undertakings and £4.6m attributable to the acquisition of minority interests. On completion of the fair value exercise during 2007, adjustments made to the provisional calculation amounted to £4.7m, with an equivalent increase in the reported value of goodwill. The comparative balance sheet at 31 December 2006 has been restated accordingly.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £10.1m arising on the acquisition of minority interests.

In the year of acquisition, in aggregate, the acquired businesses contributed £57.1m to revenues, £7.8m to PBITA and £1.8m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2006, group revenue would have been £4,092.2m, PBITA would have been £279.5m and profit for the year would have been £110.0m.

Post balance sheet acquisitions

A number of acquisitions were effected after the balance sheet date, but before the financial statements were authorised for issue, none of which were individually material. In aggregate, the acquisitions, primarily within Europe, North America and Africa, were satisfied by total consideration of £66m. In addition, there was a cash outflow of £41m in respect of contingent consideration accrued at 31 December 2007.

It is considered impractical to disclose any further information in relation to acquisitions effected after the balance sheet date because the preliminary assessment of the fair value of assets and liabilities acquired is in progress.

Acquisition of the Global Solutions group (GSL)

In December 2007, the group announced the acquisition of the entire share capital of De Facto 1119 Limited, the holding company of GSL, for a total consideration of £355m payable in cash on completion. GSL is an international leader in the provision of support services for governments, companies and public authorities. The acquisition is subject to approval from the European Commission. The acquisition is expected to complete following the receipt of such approval in 2008.

Offer for ArmorGroup International plc

In March 2008, the group announced that it was making a recommended cash offer for the shares of ArmorGroup International plc. ArmorGroup is a leading provider of defensive, protective security services to national governments, multinational corporations and international peace and security agencies operating in hazardous environments.

18. Disposal of a subsidiary

On 2 July 2007, the group disposed of G4S Cash Services (France) SAS.

In 2006, the group disposed of the German cash services business of G4S Geld-und Wertdienste GmbH, where terms were agreed for divestment on 22 December 2006, and the business and assets of Cognisa Transportation, Inc, disposed of on 28 December 2006.

The net assets of operations disposed of were as follows:

	2007 £m	2006 £m
Goodwill	**-**	7.7
Property, plant and equipment and intangible assets other than acquisition-related	**12.9**	6.9
Current assets	**6.6**	11.1
Liabilities	**(8.3)**	(14.5)
Net assets of operations disposed	**11.2**	11.2
Financial liabilities arising on disposal	**-**	14.7
Profit/(loss) on disposal	**9.1**	(19.2)
Total consideration	**20.3**	6.7
Satisfied by:		
Cash	**20.3**	6.7

In the current year, £12.4m was paid relating to the disposal of the German cash services business G4S Geld-und Wertdienste GmbH. These amounts were fully provided for within the loss on disposal recognised in 2006.

In the prior year, a further £3.2m was received relating to the finalisation of proceeds from the sale of Cognisa Security in 2005.

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

19. Intangible assets

2007	Goodwill	Acquisition-related intangible assets			Other intangible assets		Total
		Trademarks	Customer related	Technology	Development expenditure	Software	
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2007	1,218.0	16.4	274.8	10.9	4.8	47.1	1,572.0
Acquisition of businesses	179.2	-	37.2	-	0.2	0.1	216.7
Additions	-	-	-	-	2.3	15.1	17.4
Disposals	-	-	-	-	(0.1)	(0.3)	(0.4)
Disposal of businesses	-	-	-	-	-	(1.3)	(1.3)
Reclassified as held for sale	(85.1)	(0.7)	-	-	(0.3)	(3.2)	(89.3)
Translation adjustments	46.0	0.5	5.9	(0.2)	0.1	3.0	55.3
At 31 December 2007	1,358.1	16.2	317.9	10.7	7.0	60.5	1,770.4
Amortisation and accumulated impairment losses							
At 1 January 2007	(42.4)	(7.9)	(68.4)	(5.2)	(0.3)	(29.4)	(153.6)
Amortisation charge	-	(3.3)	(36.2)	(2.1)	(0.7)	(7.8)	(50.1)
Disposals	-	-	-	-	0.1	0.2	0.3
Disposal of businesses	-	-	-	-	-	1.0	1.0
Reclassified as held for sale	27.8	0.4	-	-	0.2	2.6	31.0
Translation adjustments	(11.1)	(0.2)	(2.1)	0.1	(0.1)	(2.0)	(15.4)
At 31 December 2007	(25.7)	(11.0)	(106.7)	(7.2)	(0.8)	(35.4)	(186.8)
Carrying amount							
At 1 January 2007	1,175.6	8.5	206.4	5.7	4.5	17.7	1,418.4
At 31 December 2007	**1,332.4**	**5.2**	**211.2**	**3.5**	**6.2**	**25.1**	**1,583.6**

2006							
Cost							
At 1 January 2006	1,229.0	16.9	259.7	12.3	2.8	47.2	1,567.9
Acquisition of businesses	72.7	-	22.2	-	-	0.1	95.0
Additions	-	-	-	-	2.2	4.9	7.1
Disposals	-	-	-	-	-	(0.7)	(0.7)
Disposal of businesses	(7.7)	-	-	-	-	(2.3)	(10.0)
Translation adjustments	(76.0)	(0.5)	(7.1)	(1.4)	(0.2)	(2.1)	(87.3)
At 31 December 2006	1,218.0	16.4	274.8	10.9	4.8	47.1	1,572.0
Amortisation and accumulated impairment losses							
At 1 January 2006	(52.7)	(4.7)	(39.3)	(3.5)	(0.1)	(22.6)	(122.9)
Amortisation charge	-	(3.3)	(30.5)	(2.2)	(0.3)	(7.1)	(43.4)
Impairment losses for the year	-	-	-	-	-	(2.5)	(2.5)
Disposals	-	-	-	-	-	0.2	0.2
Disposal of businesses	-	-	-	-	-	1.8	1.8
Translation adjustments	10.3	0.1	1.4	0.5	0.1	0.8	13.2
At 31 December 2006	(42.4)	(7.9)	(68.4)	(5.2)	(0.3)	(29.4)	(153.6)
Carrying amount							
At 1 January 2006	1,176.3	12.2	220.4	8.8	2.7	24.6	1,445.0
At 31 December 2006	1,175.6	8.5	206.4	5.7	4.5	17.7	1,418.4

19 Intangible assets (continued)

Included within software is internally generated software with a gross carrying value of £4.7m (2006: £3.5m), and accumulated amortisation of £2.2m (2006: £1.4m), giving a net book value of £2.5m (2006: £2.1m). During the year, additions amounted to £1.2m (2006: £2.4m) and the amortisation charge associated to these assets was £0.8m (2006: £1.3m).

Customer-related intangibles comprise the contractual relationship with customers and the customer relationships which meet the criteria for identification as intangible assets in accordance with IFRS.

Customer contracts and relationships recognised upon the acquisition of Securicor plc on 19 July 2004 are considered significant to the group. The carrying amount at 31 December 2007 was £152.3m (2006: £172.6m), and the amortisation period remaining in respect of these assets is six and a half years.

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) which are expected to benefit from that business combination. The following CGUs have significant carrying amounts of goodwill:

	2007 £m	2006 £m
US security services (manned security)	**246.6**	250.4
UK cash services	**226.1**	226.1
UK security services (justice services)	**105.8**	94.0
Netherlands security services	**103.8**	95.4
UK security services (manned security)	**65.7**	63.4
Other (all allocated)	**584.4**	446.3
Total goodwill	**1,332.4**	1,175.6

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 just prior to the year end when the budgeting process is finalised. The group's impairment test compares the carrying value of each CGU to its recoverable amount. Under IAS 36 *Impairment of Assets*, an impairment is deemed to have occurred where the recoverable amount of a CGU is less than its carrying value.

The recoverable amount of a CGU is determined by its value in use which is derived from discounted cash flow calculations. These calculations include forecast cash flows for a period of five years. The five year cash flow forecasts are based on the budget for the following year (year one) and the business plans for years two and three, the results of which are reviewed by the board, and projections for years four and five, all of which reflect past experience as well as future expected market trends. Cash flows beyond the five year forecast period are projected into perpetuity at the lower of the planned growth rate in year three and the forecast underlying economic growth rate for the economies in which the CGU operates. Where the planned growth rate in year three exceeds the forecast underlying economic growth rate, the excess is progressively reduced in the projections for years four and five. Growth rates across the group's CGUs range from 0% to 18%. Future cash flows are discounted at a pre-tax, weighted average cost of capital which for the group is 11.3% (2006: 10.8%).This rate is adjusted where appropriate to reflect the different financial risks in each country in which the CGUs operate.

In applying the group's model, no impairment has been identified and recognised in any of the group's CGUs for the year ended 31 December 2007 or for the year ended 31 December 2006.

The key assumptions used in the discounted cash flow calculations relate to the discount rate and underlying economic growth rate. With all other variables being equal, an impairment of approximately £5m would arise if either the group discount rate were to be increased by 1.5% to 12.8%, with an equivalent increase in the discount rate for all countries, or the underlying growth rate in all countries were to be reduced by 1.6%. 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

2007	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2007	137.8	540.4	678.2
Acquisition of businesses	3.1	19.5	22.6
Additions	34.5	105.1	139.6
Disposals	(12.4)	(35.9)	(48.3)
Disposal of businesses	(12.4)	(11.9)	(24.3)
Reclassified as held for sale	(0.6)	(21.6)	(22.2)
Translation adjustments	7.6	33.5	41.1
At 31 December 2007	157.6	629.1	786.7
Depreciation and accumulated impairment losses			
At 1 January 2007	(30.5)	(292.8)	(323.3)
Depreciation charge	(12.1)	(79.0)	(91.1)
Disposals	6.9	19.1	26.0
Disposal of businesses	3.5	8.2	11.7
Reclassified as held for sale	0.3	16.8	17.1
Translation adjustments	(3.7)	(22.5)	(26.2)
At 31 December 2007	(35.6)	(350.2)	(385.8)
Carrying amount			
At 1 January 2007	107.3	247.6	354.9
At 31 December 2007	**122.0**	**278.9**	**400.9**

2006

Cost			
At 1 January 2006	142.4	489.9	632.3
Acquisition of businesses	0.7	5.7	6.4
Additions	12.3	93.4	105.7
Disposals	(8.2)	(12.4)	(20.6)
Disposal of businesses	(4.9)	(12.8)	(17.7)
Translation adjustments	(4.5)	(23.4)	(27.9)
At 31 December 2006	137.8	540.4	678.2
Depreciation and accumulated impairment losses			
At 1 January 2006	(28.2)	(249.5)	(277.7)
Depreciation charge	(8.5)	(74.3)	(82.8)
Disposals	3.6	8.4	12.0
Disposal of businesses	1.4	9.9	11.3
Translation adjustments	1.2	12.7	13.9
At 31 December 2006	(30.5)	(292.8)	(323.3)
Carrying amount			
At 1 January 2006	114.2	240.4	354.6
At 31 December 2006	107.3	247.6	354.9

20 Property, plant and equipment (continued)

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

	2007 £m	2006 £m
Net book value	**50.8**	52.3
Accumulated depreciation	**47.9**	34.2
Depreciation charge for the year	**14.0**	11.2

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:

	2007 £m	2006 £m
Net book value	**32.5**	29.3
Accumulated depreciation	**49.0**	40.2
Depreciation charge for the year	**7.5**	5.6

The net book value of land and buildings comprises:

	2007 £m	2006 £m
Freeholds	**51.3**	42.9
Long leaseholds (50 years and over)	**17.0**	14.1
Short leaseholds (under 50 years)	**53.7**	50.3

At 31 December 2007 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.1m (2006: £4.3m).

21. Investment in joint ventures

The group has the following significant interests in joint ventures:

(a) The group owns 100% of the equity of Wackenhut Services, Inc. ("WSI") under US Foreign Ownership Controlling Interest provisions, governed through a proxy agreement. WSI provides security services to US Government agencies including security services on sites deemed to be strategically sensitive. In accordance with the proxy agreement the group is excluded from access to operational information and is represented by directors on the WSI board who are independent of the group but under fiduciary and contractual obligation to act in the best interest of the shareholder. The group, through the proxy agreement, retains the power to veto certain material operational and strategic decisions. As day to day management of the business remains with an independent board, WSI is accounted for as a joint venture. This means that the group proportionately consolidates the results of WSI at 100%, giving rise to an accounting result identical to that which would be the case if WSI were accounted for as a subsidiary.

(b) At the year end the group owned 59% of the equity of Bridgend Custodial Services Ltd and 50% of the equity in STC (Milton Keynes) Ltd. In both cases, the group jointly shares operational and financial control over the operations and is therefore entitled to a proportionate share of the results of each, which are consolidated on the basis of the equity shares held. In addition, at 31 December 2006, the group's 49% equity shareholding in Safeguards Securicor Sdn Bhd, in Malaysia, was accounted for as a joint venture. During 2007, the group obtained control of this operation which is now accounted for as a subsidiary.

21 Investment in joint ventures (continued)

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

Results	**2007 £m**	2006 £m
Income	**320.6**	344.4
Expenses	**(307.1)**	(326.4)
Profit after tax	**13.5**	18.0

Balance sheet	**2007 £m**	2006 £m
Assets		
Non-current assets	**54.5**	49.7
Current assets	**92.6**	75.8
	147.1	125.5
Liabilities		
Current liabilities	**(56.3)**	(41.6)
Non-current liabilities	**(52.5)**	(43.2)
	(108.8)	(84.8)
Net assets	**38.3**	40.7

22. Investment in associates

The group's share of associates' profit and net assets and the reconciliation to the net investment are as follows:

	2007 £m	2006 £m
Total assets	**14.2**	13.1
Total liabilities	**(4.0)**	(5.8)
Net investment in associates	**10.2**	7.3
Revenue	**75.8**	83.6
Profit for the year	**3.0**	2.8

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

23. Inventories

	2007 £m	2006 £m
Raw materials	**12.5**	9.0
Work in progress	**7.4**	9.5
Finished goods including consumables	**37.2**	31.0
Total inventories	**57.1**	49.5

24. Investments

Investments comprise primarily listed securities of £61.6m (2006: £64.2m) held by the group's wholly-owned captive insurance subsidiaries stated at their fair values based on quoted market prices. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

25. Trade and other receivables

	2007 £m	2006 £m
Within current assets		
Trade debtors	**788.5**	709.7
Allowance for doubtful debts	**(36.4)**	(25.7)
Amounts owed by associated undertakings	**3.3**	1.2
Other debtors	**64.4**	58.2
Prepayments and accrued income	**51.6**	40.7
Amounts due from construction contract customers (see note 26)	**11.3**	7.0
Derivative financial instruments at fair value (see note 32)	**2.3**	7.2
Total trade and other receivables included within current assets	**885.0**	798.3
Within non-current assets		
Derivative financial instruments at fair value (see note 32)	**15.1**	1.4
Other debtors	**13.9**	7.3
Amounts receivable under PFI contracts	**40.4**	41.2
Total trade and other receivables included within non-current assets	**69.4**	49.9

Credit risk on trade receivables

There is limited concentration of credit risk with respect to trade receivables, as the group's customers are both large in number and dispersed geographically in over 100 countries.

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

The movement in the allowance for doubtful debts is as follows:

	2007 £m	2006 £m
At 1 January	**(25.7)**	(24.9)
Amounts written off during the year	**5.4**	4.6
Increase in allowance	**(16.1)**	(5.4)
At 31 December	**(36.4)**	(25.7)

Included within trade receivables are trade debtors with a carrying amount of £290m (2006: £351m) which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The group does not hold any collateral over these balances. The proportion of trade debtors at 31 December 2007 that were overdue for payment was 39% (2006: 32%). The group-wide average age of all trade debtors at year end was 58 days (2006: 56 days).

The directors believe the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value.

Amounts receivable under PFI contracts

Amounts receivable under PFI contracts comprise the group's proportion of amounts receivable in respect of the Private Finance Initiative (PFI) projects undertaken by the group's joint ventures. During the year the group increased its ownership interest in Bridgend Custodial Services Ltd to 59%. There were no further changes in these arrangements during the year. The projects are the design, construction, financing and management of HM Prison and Young Offenders Institution Parc in Bridgend, South Wales, for the Home Office; and the Oakhill Secure Training Centre for young people in Milton Keynes for the Youth Justices Board. The Bridgend contract commenced in January 1996 and expires in December 2022.The Milton Keynes contract commenced in June 2003 and expires in June 2028. Both contracts can be terminated by the customer either in the event of a severe failure to comply with the contract or voluntarily with six months notice and the payment of appropriate compensation. The specified assets remain the property of the customers. The group's joint ventures have the right to provide services using the specified assets during the life of the contracts. There is currently no obligation to acquire or build further assets and any such obligation would be agreed with the customers as variations to the contracts. The pricing basis is inflation-indexed.

Amounts receivable under PFI contracts are pledged as security against borrowings of the group.

26. Construction contracts

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

	2007 £m	2006 £m
Amounts due from contract customers included in trade and other receivables	**11.3**	7.0
Amounts due to contract customers included in trade and other payables	**(1.7)**	(1.5)
Net balances relating to construction contracts	**9.6**	5.5
Contract costs incurred plus recognised profits less recognised losses to date	**32.2**	22.6
Less: Progress billings	**(22.6)**	(17.1)
Net balances relating to construction contracts	**9.6**	5.5

At 31 December 2007, advances received from customers for contract work amounted to £2.8m (2006: £3.6m).There were no retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

The directors believe the fair value of amounts due from and to contract customers, being the present value of future cash flows, approximates to their book value.

27. Disposal groups classified as held for sale

Disposal groups classified as held for sale as at 31 December 2007 primarily comprise the assets and liabilities associated with the security services businesses in France, which principally include Group 4 Securicor SAS, and the security services businesses in Germany, which principally include G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH, Berlin.

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

	2007 £m
ASSETS	
Goodwill and acquisition-related intangible assets	**57.6**
Property, plant and equipment and intangible assets other than acquisition-related	**5.8**
Inventories	**3.3**
Trade and other receivables	**56.6**
Cash and cash equivalents	**7.6**
Total assets classified as held for sale	**130.9**
LIABILITIES	
Bank overdrafts	**(8.3)**
Bank loans	**(0.6)**
Trade and other payables	**(62.3)**
Current tax liabilities	**(2.0)**
Retirement benefit obligations	**(1.1)**
Provisions	**(4.0)**
Total liabilities associated with assets classified as held for sale	**(78.3)**
Net assets of disposal group	**52.6**

28. Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the consolidated cash flow statement to amounts reported within the balance sheet is presented below:

	2007 £m	2006 £m
Cash and cash equivalents	**381.3**	307.5
Bank overdrafts	**(109.9)**	(97.5)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	**(0.7)**	-
Total cash, cash equivalents and bank overdrafts	**270.7**	210.0

Cash and cash equivalents principally comprise short-term money market deposits, current account balances and cash held in ATM machines and in 2007 bore interest at a weighted average rate of 3.3% (2006: 3.2%). The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The group operates a multi-currency notional pooling cash management system which included in excess of 80 group companies at 31 December 2007. It is anticipated that the number of participants in the group will continue to grow. At 31 December 2007 £82.9m (2006: £75.2m) of the cash balances and the equivalent amount of the overdraft balances were effectively offset for interest purposes within the cash pool.

Cash and cash equivalents of £28.1m (2006: £17.7m) are held by the group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the group's captive insurance subsidiaries.

29. Bank overdrafts, bank loans and loan notes

	2007 £m	2006 £m
Bank overdrafts	**109.9**	97.5
Bank loans	**809.7**	900.4
Loan notes	**290.4**	-
Total bank overdrafts, bank loans and loan notes	**1,210.0**	997.9
The borrowings are repayable as follows:		
On demand or within one year	**190.5**	167.6
In the second year	**10.7**	6.5
In the third to fifth years inclusive	**702.1**	805.5
After five years	**306.7**	18.3
Total bank overdrafts, bank loans and loan notes	**1,210.0**	997.9
Less: Amount due for settlement within 12 months (shown under current liabilities):		
-Bank overdrafts	**(109.9)**	(97.5)
-Bank loans	**(80.6)**	(70.1)
	(190.5)	(167.6)
Amount due for settlement after 12 months	**1,019.5**	830.3

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

	Sterling £m	Euros £m	US Dollars £m	Others £m	Total £m
Bank overdrafts	64.4	12.4	2.6	30.5	109.9
Bank loans	184.9	329.2	242.2	53.4	809.7
Loan notes	-	-	290.4	-	290.4
At 31 December 2007	**249.3**	**341.6**	**535.2**	**83.9**	**1,210.0**
Bank overdrafts	61.4	12.1	1.1	22.9	97.5
Bank loans	126.1	293.6	447.8	32.9	900.4
At 31 December 2006	187.5	305.7	448.9	55.8	997.9

29 Bank overdrafts, bank loans and loan notes (continued)

Of the borrowings in currency other than sterling, £821m (2006: £763m) are designated as net investment hedging instruments.

The weighted average interest rates on bank overdrafts, bank loans and loan notes were as follows:

	2007 %	2006 %
Bank overdrafts	**6.0**	4.3
Bank loans	**5.7**	5.1
Loan notes	**5.9**	-

The group's committed bank borrowings comprise two multicurrency revolving credit facilities totalling £1,087m with a maturity date of June 2012 and a revolving credit facility of £30m maturing June 2008 with a one year term out option, and uncommitted facilities of £410.9m (2006: £353.3m). At 31 December 2007, undrawn committed available facilities amounted to £427.9m (2006: £227.7m). 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 repriced within one year or less.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 33.

The group issued fixed rate loan notes in the US Private Placement market totalling US$550m (£276.3m) on 1st March 2007. The notes mature in March 2014 ($100m), March 2017 ($200m), March 2019 ($145m) and March 2022 ($105m).

The committed bank facilities and the loan notes are subject to one financial covenant and any non-compliance with the covenant may lead to an acceleration of maturity. The group was fully in compliance with the financial covenant throughout the year to 31 December 2007 and, where applicable, the year to 31 December 2006. The group has not defaulted on, or breached the terms of, any material loans during the year.

Bank overdrafts and bank loans are stated at amortised cost. Loan notes are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date. The directors believe the fair value of the group's bank overdrafts, bank loans and loan notes, calculated from market prices, approximates to their book value.

30. Obligations under finance leases

	Minimum lease payments 2007 £m	Minimum lease payments 2006 £m	**Present value of minimum lease payments 2007 £m**	Present value of minimum lease payments 2006 £m
Amounts payable under finance leases:				
Within one year	**18.7**	15.6	**16.2**	13.6
In the second to fifth years inclusive	**40.3**	40.8	**35.6**	35.0
After five years	**11.2**	8.4	**10.4**	7.5
	70.2	64.8	**62.2**	56.1
Less: Future finance charges on finance leases	**(8.0)**	(8.7)		
Present value of lease obligations	**62.2**	56.1		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(16.2)**	(13.6)
Amount due for settlement after 12 months			**46.0**	42.5

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is eight years. For the year ended 31 December 2007, the weighted average effective borrowing rate was 5.4% (2006: 5.5%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

31. Trade and other payables

	2007 £m	2006 £m
Within current liabilities:		
Trade creditors	**137.1**	116.6
Amounts due to construction contract customers (see note 26)	**1.7**	1.5
Amounts owed to associated undertakings	**0.3**	0.7
Other taxation and social security costs	**129.1**	140.3
Other creditors	**409.4**	311.2
Accruals and deferred income	**153.0**	138.5
Derivative financial instruments at fair value (see note 32)	**15.1**	1.4
Total trade and other payables included within current liabilities	**845.7**	710.2
Within non-current liabilities:		
Derivative financial instruments at fair value (see note 32)	**6.7**	0.3
Other creditors	**32.0**	0.7
Total trade and other payables included within non-current liabilities	**38.7**	1.0

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 46 days (2006: 42 days). The directors believe the fair value of trade and other payables, being the present value of future cash flows, approximates to their book value.

32. Derivative financial instruments

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

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Forward foreign exchange contracts	**-**	6.3	**13.6**	0.9
Interest rate swaps designated as cash flow hedges	**3.1**	2.3	**8.2**	0.4
Interest rate swaps designated as fair value hedges	**14.3**	-	**-**	-
Commodity swaps	**-**	-	**-**	0.4
	17.4	8.6	**21.8**	1.7
Less: Non-current portion	**(15.1)**	(1.4)	**(6.7)**	(0.3)
Current portion	**2.3**	7.2	**15.1**	1.4

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The source of the market prices is Bloomberg and in addition the third party relationship counterparty banks. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument which are discounted back to the balance sheet date. This value is compared to the original transaction value giving a fair value of the instrument at the balance sheet date.

The mark to market valuation of the derivatives has fallen by £11.3m during the year.

The interest rate and commodity swaps which qualify as cash flow hedges have the following maturities:

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Within one year	**0.1**	0.5	**0.1**	0.4
In the second year	**1.0**	0.3	**0.9**	-
In the third year	**0.6**	1.1	**1.1**	-
In the fourth year	**0.7**	0.2	**2.2**	-
In the fifth year or greater	**0.7**	0.2	**3.9**	0.4
Total carrying value of cash flow hedges	**3.1**	2.3	**8.2**	0.8

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Within one year	**1.7**	1.4	**1.6**	0.4
In the second year	**0.6**	0.5	**3.1**	0.1
In the third year	**0.4**	0.4	**1.7**	0.2
In the fourth year	**0.2**	0.1	**0.9**	0.1
In the fifth year or greater	**0.2**	-	**0.9**	0.1
Total cash flows	**3.1**	2.4	**8.2**	0.9

33. Financial risk

Capital management

The group's objective in managing its capital is to ensure that the businesses within it can continue and develop as going concerns whilst returns to stakeholders are maximised. The group believes that these returns are maximised when the group's Weighted Average Cost of Capital (WACC) is minimised and that this is the case when the group broadly has the characteristics of a BBB rated entity. The group therefore aims generally to maintain its net debt expressed as a multiple of cash generated from operations within a range corresponding to those of BBB rated entities.

The group has a range of return on capital targets in respect of potential acquisitions, depending upon their size. Most proposals for "bolt-on" acquisitions must demonstrate a post-tax return of at least 12% on the capital investment within 3 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 2007 was 8.2%.

The group monitors the financial performance of acquired businesses during the years following acquisition against the return targets. In addition, the group monitors the Return on Net Assets (RONA) of all its businesses on a monthly basis. The group regards RONA as a measure of operational performance and therefore calculates it as EBITA divided by net assets excluding goodwill, tax, dividends payable and retirement benefit obligations.

The group has no current intention to commence a share buy-back plan. The group operates a programme to purchase its own shares on the market on a regular basis so as to provide a pool of shares from which to satisfy share awards to employees as the awards vest.

The group is not subject to externally-imposed capital requirements and there were no changes in the group's approach to capital management during the year.

33 Financial risk (continued)

Liquidity risk

The group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. Policy demands a minimum of 20% of such facilities to remain unutilised and in practice the group runs comfortably above this level.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2006	22%
31 March 2007	47%
30 June 2007	41%
30 September 2007	39%
31 December 2007	38%

To reduce re-financing risk, Group Treasury obtains finance with a range of maturities and hence minimises the impact of a single material source of finance terminating on a single date.

The group's committed facilities have the following maturity dates:

June 2008	£30m
June 2012	£1,087m
March 2014	£50m
March 2017	£100m
March 2019	£73m
March 2022	£53m

Re-financing risk is further reduced by Group Treasury opening negotiations to either replace or extend any major facility at least 18 months before its termination date.

Following the example of the inaugural US Private Placement of loan notes issued in March 2007, the group will continue to seek to diversify its sources of finance and reduce further the proportion of bank supplied finance.

Market risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. Transaction risk is limited since, wherever possible, each business operates and conducts its financing activities in local currency. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial proportion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

Translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges.

The group enters into forward foreign exchange contracts so as to hedge a high proportion of the translation risk not hedged by way of loans. The group hedges those foreign currencies in which more than 1% of the group's consolidated net operating assets are denominated, provided there is a sufficiently liquid and large enough foreign exchange market in which to hedge the currency. Other currencies below the 1% threshold will also be considered where the cost of hedging is acceptable. Gains and losses on such forward foreign exchange contracts are recognised in equity. The notional value of outstanding forward foreign exchange contracts at 31 December 2007 was £373.2m (2006: £342.4m). All these contracts had matured by 29 February 2008, at which point they were replaced with new forward foreign exchange contracts. All the foreign exchange hedging instruments are designated and fully effective as net investment hedges and movements in their fair value have been deferred in equity.

At 31 December 2007, the group's US dollar, euro, Canadian dollar and Danish krone net assets were approximately 98%, 90%, 93% and 83% respectively hedged by foreign currency loans and foreign exchange forward contracts (2006: US dollar 90.6% and euro 94.7%).

The financial instruments used to hedge the foreign currency translation exposure had a fair value loss of £13.6m at 31 December 2007.

Assuming a 1% depreciation of GBP against each of the hedged currencies, the fair value loss on these instruments would increase by a further £3.9m. This additional fair value loss would be posted to equity. A simultaneous depreciation of GBP against all currencies is unlikely based on past market movements.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 29 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum period of five years. At 31 December 2007 the nominal value of such contracts was £213.5m (in respect of US dollar) (2006: £196.7m) and £183.6m (in respect of euro) (2006: £141.5m), their weighted average interest rate was 4.9% (US dollar) (2006: 4.9%) and 3.8% (euro) (2006: 3.4%), and their weighted average period to maturity was three years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

33 Financial 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 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 core group borrowings are held in USD, euro and GBP. Although the impact of rising interest rates is partly shielded by interest rate swaps which fix a portion of the exposure, some interest rate risk remains. Assuming a 1% increase in interest rates across the yield curve in each of these currencies and keeping the 31 December 2007 debt position constant throughout 2008, an additional interest charge of £5.6m would be expected in the 2008 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 services businesses. Commodity swaps are sometimes used to fix synthetically part of the exposure and reduce the associated cost volatility. There were no commodity swaps in place at 31 December 2007.

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. For short-term transactions (under one year), the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agency. For long-term transactions, the financial counterparty must have a minimum rating of A+/A1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the group's relationship banks all of which have a strong investment grade rating. At 31 December 2007 the largest two counterparty exposures related to Treasury transactions were £5.3m and £4.4m and held with institutions with long term Standard & Poor's credit ratings of AA and AA- respectively. These exposures represent 30% and 25% of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date.

The group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of an AA rated bank. At year end credit balances of £84.5m were pooled with debit balances of £82.9m, resulting in a net pool balance of £1.6m. There is legal right of set off under the pooling agreement.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no, or a non-investment grade, rating can be approved as counterparties for a period of up to 12 months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

34. Retirement benefit obligations

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the income statement totalled £57.9m (2006: £49.8m).

In the UK, following the closure of the defined benefit schemes to new entrants, the main scheme for new employees is a contracted-in defined contribution scheme.

Wackenhut Services, Inc ("WSI") is the administrator of several defined benefit schemes. WSI is responsible for making periodic cost-reimbursable deposits to the various defined benefit schemes as determined by independent actuaries. In each instance, the US Department of Energy ("DOE") acknowledged within the contract entered between the DOE and WSI its responsibility for all unfunded pension and benefit liabilities. Therefore, these schemes are accounted for as defined contribution schemes.

In the Netherlands, most employees are members of industry-wide defined benefit schemes which are not valued on an IAS 19 basis as it is not possible to identify separately the group's share of the schemes' assets and liabilities. As a result the schemes are accounted for as defined contribution schemes. Contributions made to the schemes and charged to the income statement in 2007 totalled £4.7m (2006: £4.2m).The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2008 in respect of the ongoing accrual of benefits is approximately £4.9m.

Defined benefit arrangements

The group operates a number of defined benefit retirement arrangements where the benefits are based on employees' length of service and final pensionable 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 2007 totalled £1.8m (2006: £1.6m). Under funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds. The pension costs are assessed on the advice of qualified independent actuaries using the projected unit credit method. The group operates several funded defined retirement benefit schemes. Whilst the group's primary schemes are in the UK, it also operates other material schemes in the Netherlands, Ireland, Canada and Israel. During 2007, two defined benefit schemes (one in the Netherlands and one in Israel) have been reclassified, for disclosure purposes, into the material funded defined retirement benefit schemes category.

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

	2007 £m	2006 £m
UK	**121.6**	210.7
Rest of World	**13.9**	15.7
Net liability on material funded defined retirement benefit schemes	**135.5**	226.4
Unfunded and other funded defined retirement benefit obligations	**31.9**	24.1
	167.4	250.5
Less: Amounts included within current liabilities	**(47.3)**	(42.2)
Included within non-current liabilities	**120.1**	208.3

The defined benefit schemes in the UK account for 90% of the net balance sheet liability on material funded defined retirement benefit schemes. They comprise two arrangements: the pension scheme demerged from the former Group 4 Falck A/S with total membership of approximately 8,000 and 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. Regular actuarial assessments of the schemes are carried out, the latest being at 31 March 2007 in respect of the Group 4 scheme and at 5 April 2006 in respect of the Securicor scheme. Pension obligations stated in the balance sheet take account of future service and earnings increases, have been updated to 31 December 2007 and use the valuation methodologies specified in IAS 19 *Employee Benefits*.

34 Retirement benefit obligations (continued)

Defined benefit arrangements (continued)

The weighted average principal assumptions used for the purposes of the actuarial valuations were as follows:

	UK	Rest of World
Key assumptions used 2007		
Discount rate	5.8%	5.5%
Expected return on scheme assets	6.7%	5.8%
Expected rate of salary increases	5.2%	3.3%
Future pension increases	3.4%	2.1%
Inflation	3.4%	2.2%
Key assumptions used 2006		
Discount rate	5.2%	4.8%
Expected return on scheme assets	6.5%	5.8%
Expected rate of salary increases	4.9%	3.7%
Future pension increases	3.1%	2.3%
Inflation	3.1%	2.3%

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

- Current and future pensioners 125% of PMA92 (YOB) Short Cohort Male
- Current and future pensioners 115% of PFA92 (YOB) Short Cohort Female

The amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	UK £m	Rest of World £m	Total £m
Amounts recognised in income 2007			
Current service cost	(11.5)	(4.1)	(15.6)
Finance cost on defined retirement benefit obligations	(68.4)	(3.9)	(72.3)
Expected return on defined retirement benefit scheme assets	73.9	3.4	77.3
Total amounts recognised in income	(6.0)	(4.6)	(10.6)
Amounts recognised in income 2006			
Current service cost	(10.2)	(3.5)	(13.7)
Past service cost	(0.4)	(0.7)	(1.1)
Finance cost on defined retirement benefit obligations	(63.3)	(2.9)	(66.2)
Expected return on defined retirement benefit scheme assets	64.8	2.4	67.2
Total amounts recognised in income	(9.1)	(4.7)	(13.8)

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

	2007 £m	2006 £m
Cost of sales	**(11.3)**	(11.1)
Administration expenses	**(4.3)**	(3.7)
Finance income	**77.3**	67.2
Finance costs	**(72.3)**	(66.2)
Total	**(10.6)**	(13.8)

34 Retirement benefit obligations (continued)

Defined benefit arrangements (continued)

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

	2007 £m	2006 £m
At 1 January	**(72.5)**	(39.1)
Recognised in the year	**64.7**	(33.4)
At 31 December	**(7.8)**	(72.5)

The amounts included in the balance sheet arising from the group's obligations in respect of its defined benefit schemes are as follows:

	UK £m	**Rest of World £m**	**Total £m**
2007			
Present value of defined benefit obligations	1,291.3	84.6	1,375.9
Fair value of scheme assets	(1,169.7)	(70.7)	(1,240.4)
Deficit in scheme recognised in the balance sheet	121.6	13.9	135.5
2006			
Present value of defined benefit obligations	1,328.8	61.1	1,389.9
Fair value of scheme assets	(1,118.1)	(45.4)	(1,163.5)
Deficit in scheme recognised in the balance sheet	210.7	15.7	226.4
2005			
Present value of defined benefit obligations	1,199.3	61.1	1,260.4
Fair value of scheme assets	(1,004.5)	(39.3)	(1,043.8)
Deficit in scheme recognised in the balance sheet	194.8	21.8	216.6
2004			
Present value of defined benefit obligations	1,038.6	87.0	1,125.6
Fair value of scheme assets	(845.8)	(59.6)	(905.4)
Deficit in scheme recognised in the balance sheet	192.8	27.4	220.2

Movements in the present value of defined benefit obligations in the current year and the fair value of scheme assets during the year were as follows:

2007	**UK £m**	**Rest of World £m**	**Total £m**
Obligations			
At 1 January 2007	1,328.8	61.1	1,389.9
Service cost	11.5	4.1	15.6
Interest cost	68.4	3.9	72.3
Contributions from scheme members	3.3	1.9	5.2
Actuarial gains	(77.5)	(8.4)	(85.9)
Benefits paid	(44.5)	(1.3)	(45.8)
Other	1.3	15.9	17.2
Translation adjustments	-	7.4	7.4
At 31 December 2007	**1,291.3**	**84.6**	**1,375.9**
Assets			
At 1 January 2007	1,118.1	45.4	1,163.5
Expected return on scheme assets	73.9	3.4	77.3
Actuarial losses	(16.6)	(4.6)	(21.2)
Actual return on scheme assets	57.3	(1.2)	56.1
Contributions from the sponsoring companies	34.2	3.8	38.0
Contributions from scheme members	3.3	1.9	5.2
Benefits paid	(44.5)	(1.3)	(45.8)
Other	1.3	15.7	17.0
Translation adjustments	-	6.4	6.4
At 31 December 2007	**1,169.7**	**70.7**	**1,240.4**

34 Retirement benefit obligations (continued)

2006	**UK £m**	**Rest of World £m**	**Total £m**
Obligations			
At 1 January 2006	1,199.3	61.1	1,260.4
Service cost	10.2	3.5	13.7
Past service cost	0.4	0.7	1.1
Interest cost	63.3	2.9	66.2
Contributions from scheme members	3.5	1.0	4.5
Actuarial losses/(gains)	85.4	(4.0)	81.4
Benefits paid	(36.7)	(1.2)	(37.9)
Acquisitions/divestments	0.4	0.5	0.9
Other	3.0	-	3.0
Translation adjustments	-	(3.4)	(3.4)
At 31 December 2006	1,328.8	61.1	1,389.9
Assets			
At 1 January 2006	1,004.5	39.3	1,043.8
Expected return on scheme assets	64.8	2.4	67.2
Actuarial gains	45.4	2.6	48.0
Actual return on scheme assets	110.2	5.0	115.2
Contributions from the sponsoring companies	33.2	3.2	36.4
Contributions from scheme members	3.5	1.0	4.5
Benefits paid	(36.7)	(1.2)	(37.9)
Acquisitions/divestments	0.4	0.5	0.9
Other	3.0	-	3.0
Translation adjustments	-	(2.4)	(2.4)
At 31 December 2006	1,118.1	45.4	1,163.5

The contribution from sponsoring companies in 2007 included £26.1m (2006: £24.2m) of additional contributions in respect of the deficit in the schemes. The other movements in the rest of the world in 2007 represent the reclassification as material of two funded plans.

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

Analysis of scheme assets	**UK**	**Rest of World**	**Total**
2007			
Equity instruments	68%	50%	67%
Debt instruments	30%	21%	30%
Property	-	4%	-
Other assets	2%	25%	3%
	100%	100%	100%
2006			
Equity instruments	70%	64%	70%
Debt instruments	27%	27%	27%
Property	-	6%	-
Other assets	3%	3%	3%
	100%	100%	100%

None of the pension scheme assets are held in the entity's own financial instruments or in any assets held or used by the entity.

34 Retirement benefit obligations (continued)

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
2007 (return expected in 2008)	6.9%	6.2%	6.9%
2006 (return expected in 2007)	6.7%	6.2%	6.7%
2005 (return expected in 2006)	6.5%	5.8%	6.4%

The expected rates of return on individual categories of scheme assets are determined with respect to bonds by reference to relevant indices, and with respect to other assets by reference to relevant indices of the historical return and economic forecasts of future returns relative to inflation in respect of assets of a similar nature. The overall expected rate of return is the weighted average of the rates on the individual asset categories.

The history of experience adjustments is as follows:

2007	**UK**	**Rest of World**	**Total**
Experience adjustments on scheme liabilities			
Amount (£m)	5.5	(3.1)	2.4
Percentage of scheme liabilities (%)	-	(4)	-
Experience adjustments on scheme assets			
Amount (£m)	(16.6)	(4.6)	(21.2)
Percentage of scheme assets (%)	(1)	(7)	(2)
2006			
Experience adjustments on scheme liabilities			
Amount (£m)	29.0	0.1	29.1
Percentage of scheme liabilities (%)	2	-	2
Experience adjustments on scheme assets			
Amount (£m)	45.4	2.6	48.0
Percentage of scheme assets (%)	4	6	4
2005			
Experience adjustments on scheme liabilities			
Amount (£m)	(17.5)	1.1	(16.4)
Percentage of scheme liabilities (%)	(1)	2	(1)
Experience adjustments on scheme assets			
Amount (£m)	99.0	2.4	101.4
Percentage of scheme assets (%)	10	6	10
2004			
Experience adjustments on scheme liabilities			
Amount (£m)	(2.7)	-	(2.7)
Percentage of scheme liabilities (%)	(1)	-	(1)
Experience adjustments on scheme assets			
Amount (£m)	30.2	3.7	33.9
Percentage of scheme assets (%)	4	6	4

The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2008 in respect of the ongoing accrual of benefits is approximately £18m 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 around £26m will also be made in 2008 in respect of the deficit in the schemes.

IAS 19 specifies that pension liabilities should be discounted at appropriate high quality corporate bond rates. The directors consider that it is appropriate to apply the average of the yields on those AA corporate bonds which most closely approximate to the timescale of the liability profile of the schemes and have therefore used such a rate, being 5.8%, in respect of the UK schemes at 31 December 2007 (5.2% at 31 December 2006). The effect of a 0.1% movement in the discount rate applicable in the UK is to alter reported liabilities (before associated deferred tax) by approximately £26m.

Liability calculations are also heavily impacted 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 19.6 years. The weighted average life expectancy at 65 of a male currently aged 52 has been assumed as 20.4 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 £49m.

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 £14m.

35. Provisions

	Employee benefits £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Other £m	Total £m
At 1 January 2007	11.5	1.9	37.9	10.1	18.6	80.0
Additional provision in the year	3.6	5.2	12.2	-	-	21.0
On acquisition of subsidiary	-	0.2	-	8.2	2.4	10.8
Utilisation of provision	(2.3)	(1.2)	(10.9)	(3.6)	(18.6)	(36.6)
Unused amounts reversed	(0.6)	(2.4)	(9.0)	-	(2.5)	(14.5)
Reversals on disposal of a subsidiary	-	-	-	-	(0.6)	(0.6)
Reclassified as held for sale	(2.0)	-	-	(2.0)	-	(4.0)
Translation adjustments	0.2	0.2	-	0.3	0.7	1.4
At 31 December 2007	**10.4**	**3.9**	**30.2**	**13.0**	**-**	**57.5**

Included in current liabilities	23.6
Included in non-current liabilities	33.9
	57.5

Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards and termination indemnity schemes.

Restructuring

Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term.

Claims reserves

The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey, Luxembourg and the US which underwrite part of the group's cash services, general liability, workers' compensation and auto liability policies. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain, dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

Onerous contracts

The onerous contract provision mainly comprises the provision against future liabilities for all properties sub-let at a shortfall and for long-term idle, leased 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. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

Other provisions

Other provisions include amounts arising in respect of disposals where their final calculation is dependent on future events. The company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provision is made for the estimated value of settlements likely to be made, but both this value and the timing of any payments are uncertain. The directors do not anticipate, taking account of legal and other professional advice as appropriate, that the outcome of these proceedings and claims will have a material adverse effect on the group's financial position or on the results of its operations.

36. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior
reporting periods:

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2006	74.1	(70.9)	8.2	16.7	28.1
(Charge)/credit to the income statement	(10.6)	10.8	(1.4)	1.6	0.4
Acquisition of subsidiaries	-	(3.9)	-	-	(3.9)
Credit/(charge) to equity	9.7	-	-	(2.1)	7.6
Translation adjustments	-	2.8	-	(1.0)	1.8
At 31 December 2006	73.2	(61.2)	6.8	15.2	34.0
At 1 January 2007	73.2	(61.2)	6.8	15.2	34.0
(Charge)/credit to the income statement	(14.6)	14.9	(1.7)	5.2	3.8
Acquisition of subsidiaries	-	(9.7)	-	0.1	(9.6)
(Charge)/credit to equity	(22.2)	-	-	6.9	(15.3)
Translation adjustments	0.7	(3.7)	-	(0.7)	(3.7)
At 31 December 2007	**37.1**	**(59.7)**	**5.1**	**26.7**	**9.2**

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

	2007 £m	2006 £m
Deferred tax liabilities	**(75.0)**	(81.7)
Deferred tax assets	**84.2**	115.7
Total deferred tax position	**9.2**	34.0

At the balance sheet date, the group has unutilised tax losses of approximately £126.5m (2006: £118.4m) potentially available for offset against future profits. A deferred tax asset of £5.1m (2006: £6.8m) has been recognised in respect of approximately £19.3m (2006: £32.1m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £107.2m (2006: £86.3m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £0.8m, £3.0m, £1.7m, £1.4m and £0.4m which will expire in 2008, 2009, 2010, 2011 and 2012 respectively. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £2,504m (2006: £1,056m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

At the balance sheet date, the group has total unprovided contingent tax liabilities of approximately £39.0m (2006: £31.8m) relating to unresolved tax issues in various jurisdictions. No provision has been made for these amounts on the basis that the group considers that the likelihood of the liabilities crystallising is improbable. It is not possible to estimate the timing or outcome of these issues.

37. Share capital

	At 31 December 2007		At 31 December 2006	
	Authorised	**Issued and fully paid**	Authorised	Issued and fully paid
G4S plc	**£**	**£**	£	£
Ordinary shares of 25p each (2006: 25p each)	**500,000,000**	**320,177,685**	500,000,000	319,954,230

	Number	**Nominal value £m**
Ordinary shares in issue		
At 1 January 2006	1,268,715,480	317.2
Shares issued on exercise of options:		
Executive Scheme	3,556,271	0.9
Sharesave Scheme	7,545,167	1.9
At 1 January 2007	1,279,816,918	320.0
Shares issued on exercise of options:		
Executive Scheme	667,500	0.2
Sharesave Scheme	226,320	-
At 31 December 2007	**1,280,710,738**	**320.2**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Options over G4S plc shares outstanding at 31 December 2007, rolled over at 19 July 2004 from options previously held over Securicor plc shares, were as follows:

(a) Executive share option scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise date
1	72,901	107.98p	2008
9	450,000	164p	2008 - 2009
9	300,000	133.75p	2008 - 2010
10	230,000	153p	2008 - 2010
5	1,655,000	108p	2008 - 2011
2	150,000	130p	2008 - 2012
1	25,000	85p	2008 - 2013
1	25,000	79.75p	2008 - 2013
1	50,000	91p	2008 - 2013

The proceeds from shares allotted under this scheme during the year amounted to £783,769 (2006: £4,266,774).

(b) Sharesave scheme

All remaining shares under this scheme have been exercised or have lapsed during the year. The proceeds from shares allotted under this scheme during the year amounted to £144,845 (2006: £4,860,469).

All of the above options are inclusive of those held by directors as set out in the Directors' Remuneration Report on page ●.

5,209,320 shares are held by an employee benefit trust as detailed in note 38.

38. Share premium and reserves

	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 2006	4.0	157.0	(5.8)	49.8	426.3	(6.3)	625.0
Net recognised income/(expense) attributable to equity shareholders of the parent	-	73.8	10.6	(52.6)	-	-	31.8
Shares issued	6.3	-	-	-	-	-	6.3
Dividends declared	-	(49.8)	-	-	-	-	(49.8)
Own shares purchased	-	-	-	-	-	(3.1)	(3.1)
Equity-settled transactions	-	5.0	-	-	-	-	5.0
At 31 December 2006	10.3	186.0	4.8	(2.8)	426.3	(9.4)	615.2
At 1 January 2007	10.3	186.0	4.8	(2.8)	426.3	(9.4)	615.2
Net recognised income/(expense) attributable to equity shareholders of the parent	-	189.7	(19.2)	38.8	-	-	209.3
Shares issued	0.7	-	-	-	-	-	0.7
Dividends declared	-	(59.3)	-	-	-	-	(59.3)
Own shares purchased	-	-	-	-	-	(3.1)	(3.1)
Own shares awarded	-	(3.5)	-	-	-	3.5	-
Equity-settled transactions	-	4.1	-	-	-	-	4.1
At 31 December 2007	**11.0**	**317.0**	**(14.4)**	**36.0**	**426.3**	**(9.0)**	**766.9**

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 holds 5,209,320 shares (2006: 6,022,967 shares), to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes. During the year 1,451,326 shares were purchased by the trust, whilst 2,264,973 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2007, the cost of shares held by the trust was £8,953,071 (2006: £9,435,828), whilst the market value of these shares was £12,749,808 (2006: £11,323,178). Shares held by the trust are treated as treasury shares, are deducted from equity, do not bear dividends and are excluded from the calculations of earnings per share.

39. Analysis of net debt

A reconciliation of net debt to amounts in the consolidated balance sheet is presented below:

	2007 £m	2006 £m
Cash and cash equivalents	**381.3**	307.5
Investments	**73.2**	73.7
Net debt included within disposal groups classified as held for sale	**(1.5)**	-
Bank overdrafts	**(109.9)**	(97.5)
Bank loans	**(809.7)**	(900.4)
Loan notes	**(290.4)**	-
Fair value of loan note derivative financial instruments	**14.3**	-
Obligations under finance leases	**(62.2)**	(56.1)
Total net debt	**(804.9)**	(672.8)

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

	2007 £m	2006 £m
Increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	**48.8**	16.1
Purchase of investments	**0.3**	21.8
Increase in debt and lease financing	**(135.8)**	(86.7)
Change in net debt resulting from cash flows	**(86.7)**	(48.8)
Borrowings acquired with subsidiaries	**(22.9)**	(2.5)
Net additions to finance leases	**(10.3)**	(19.6)
Movement in net debt in the year	**(119.9)**	(70.9)
Translation adjustments	**(12.2)**	55.4
Net debt at the beginning of the year	**(672.8)**	(657.3)
Net debt at the end of the year	**(804.9)**	(672.8)

40. Contingent liabilities

Contingent liabilities exist in respect of agreements entered into in the normal course of business, none of which are individually or collectively significant.

Details of unprovided contingent tax liabilities are presented in note 36.

41. Operating lease arrangements

The group as lessee

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2007 £m	2006 £m
Within one year	**95.6**	72.4
In the second to fifth years inclusive	**185.8**	140.2
After five years	**148.2**	130.4
Total operating lease commitments	**429.6**	343.0

The group leases a number of its office properties, vehicles and other operating equipment under operating leases. Leased properties are negotiated over an average term of eight and a half years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of three and a half years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £16.4m (2006: £18.3m).

42. Share-based payments

The group has two types of equity-settled, share-based payment scheme in place: (1) share options previously held by employees over Securicor plc shares and rolled over to G4S plc shares with the acquisition of that business on 19 July 2004, and (2) conditional allocations of G4S plc shares.

Share options

Share options rolled over from Securicor plc fall under either the Executive Share Option Scheme (ESOS) or the Sharesave Scheme. 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. Options under the Inland Revenue-approved Sharesave scheme were granted at a discount of 20% to market value, vest after three years following the date of grant and remain exercisable for a period of six months following vesting.

Details of the share options outstanding during the year are as follows:

	Number of shares under option 2007	**Weighted average exercise price (pence) 2007**	Number of shares under option 2006	Weighted average exercise price (pence) 2006
Outstanding at 1 January	**3,912,990**	**117.73**	15,377,443	91.23
Forfeited during the year	**-**	**-**	(249,061)	70.50
Exercised during the year	**(893,820)**	**103.89**	(11,101,438)	82.22
Expired during the year	**(61,269)**	**64.00**	(113,954)	104.00
Outstanding at 31 December	**2,957,901**	**123.02**	3,912,990	117.73
Exercisable at 31 December	**2,957,901**	**123.02**	3,912,990	117.73

The weighted average share price at the date of exercise for share options exercised during the year was 197.85 p (2006: 174.56p). All options outstanding at 31 December 2007 were vested.

No share option expense has been recognised in the income statement during the year (2006: £1.4m) as all share options had previously vested.

42 Share-based payments (continued)

Shares allocated conditionally

Shares allocated conditionally fall under either the group's performance-related bonus scheme or the group's Performance Share Plan (PSP). Shares allocated conditionally under the performance-related bonus scheme vest three years following the date of grant provided certain non-market performance conditions are met. Those allocated under the PSP vest after three years, to the extent that (a) certain non-market performance conditions are met as to two thirds of the allocation (one half for awards made prior to 2007) and (b) certain market performance conditions are met as to the remaining third of the allocation (half for awards made prior to 2007).

The number of shares allocated conditionally is as follows:

	Performance-related bonus scheme 2007 Number	**PSP 2007 Number**	**Total 2007 Number**	Performance-related bonus scheme 2006 Number	PSP 2006 Number	Total 2006 Number
Outstanding at 1 January	**1,915,270**	**11,154,403**	**13,069,673**	-	7,763,419	7,763,419
Allocated during the year	**377,725**	**4,359,350**	**4,737,075**	1,915,270	3,716,815	5,632,085
Transferred during the year	**(311,218)**	**(1,953,755)**	**(2,264,973)**	-	-	-
Forfeited during the year	**-**	**(952,469)**	**(952,469)**	-	(325,831)	(325,831)
Expired during the year	**-**	**(1,147,460)**	**(1,147,460)**	-	-	-
Outstanding at 31 December	**1,981,777**	**11,460,069**	**13,441,846**	1,915,270	11,154,403	13,069,673

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2007 was 16 months (2006: 17 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 216.83p (2006: 185.14p) and the contractual life of all conditional allocations was three years.

Under the PSP, the vesting of two thirds of the shares allocated conditionally (one half for awards made prior to 2007) 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 £4.1m were recognised in the income statement in the year (2006: £3.6m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Joint ventures 2007 £m	Joint ventures 2006 £m	**Associates 2007 £m**	Associates 2006 £m
Transactions				
Revenue	**13.8**	14.5	**-**	-
Balances				
Amounts due to related parties				
Creditors	**-**	-	**1.5**	5.4
Amounts due from related parties				
Debtors	**0.7**	1.4	**-**	-
Loans	**2.3**	3.5	**-**	-

Revenue relates to fees of £10.4m (2006: £9.6m) charged to Bridgend Custodial Services Ltd and fees of £3.4m (2006: £4.9m) charged to STC (Milton Keynes) Ltd. Amounts owed by the group are to its associated undertaking Space Gateway Support LLC. The amounts outstanding are unsecured and will be settled in cash. 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.

Transactions with Mr Jørgen Philip-Sørensen, whilst a director (retired 30 June 2006)

In 2006, the group purchased air transport services of £19,300 and leased office facilities for £34,707 from Mr Jørgen Philip-Sørensen at cost price.

43 Related party transactions (continued)

Transactions with post-employment benefit schemes

Details of transactions with the group's post-employment benefit schemes are provided in note 34. Unpaid contributions owed to schemes amounted to £1.4m at 31 December 2007 (2006: £1.5m).

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 ● to ●.

	2007 **£**	2006 £
Short-term employee benefits	**4,869,365**	4,337,944
Post-employment benefits	**343,443**	826,777
Other long-term benefits	**28,896**	22,138
Share-based payment	**2,344,412**	2,022,518
Total	**7,586,116**	7,209,377

44. Events after the balance sheet date

A number of acquisitions were effected after the balance sheet date, but before the financial statements were authorised for issue, details of which are provided within note 17.

On 7 March 2008 the group signed committed bank facilities amounting to £350m. These facilities expire on 31 December 2008, although the group can exercise an option to extend the facilities to 30 June 2009.

45. Significant investments

The companies listed below are those which were part of the group at 31 December 2007 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole.

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

Security services	S
Cash services	C

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

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
Group 4 Security Services AG	S	Austria	100%
G4S Security Services SA/NV	S	Belgium	100%
G4S Cash Services (Belgium) SA/NV	C	Belgium	100%
G4S Cash Services (Canada) Limited	C	Canada	100%
G4S Security Services (Canada) Limited	S	Canada	100%
Wackenhut de Colombia SA	S+C	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Aviation Security (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Services (UK) Limited	C	England	100%
G4S International UK Limited	C	England	100%
G4S Justice Services Limited	S	England	100%
G4S Security Services (UK) Limited	S	England	100%
Group 4 Technology Limited	S	England	100%
Group 4 Total Security Limited	S	England	100%
Falck Eesti AS	S+C	Estonia	65%
G4S Security Services Oy	S	Finland	100%
Group 4 Securicor SAS	S	France	100%
G4S Sicherheitsdienste GmbH	S	Germany	100%
G4S Keszpenzlogisztikai Kft	S+C	Hungary	100%
G4S Security Services (India) Pvt. Limited [1, 4]	S	India	40%
G4S Cash Services (Ireland) Limited	C	Ireland	100%
G4S Security Services (Ireland) Limited	S	Ireland	100%
Hashmira Company Limited	S	Israel	91%
G4S Security Services (Kenya) Limited	S+C	Kenya	100%
G4S Security Services SA	S+C	Luxembourg	100%
Safeguards Securicor Sdn Bhd [2,4]	S+C	Malaysia	49%
Group 4 Securicor Cash Services BV	C	Netherlands	100%
Group 4 Securicor Beheer BV	S	Netherlands	100%
G4S Security Services AS	S+C	Norway	100%
G4S Security Systems AS	S	Norway	100%
al Majal Service Master [4]	S	Saudi Arabia	49%
Fidelity Cash Management Services (Pty) Limited	C	South Africa	50%
G4S Security Services (SA) (Pty) Limited	S	South Africa	80%
G4S Cash Services (Sverige) AB	C	Sweden	100%
G4S Security Services (Sverige) AB	S	Sweden	100%
G4S Youth Services LLC	S	USA	90%
The Wackenhut Corporation	S	USA	100%
Joint ventures (see note 21)			
Bridgend Custodial Services Limited [3]	S	England	59%
STC (Milton Keynes) Limited	S	England	50%
Wackenhut Services, Inc.	S	USA	100%
Associated undertakings (see note 22)			
Space Gateway Support LLC	S	USA	46%

1 G4S Security Services (India) Pvt. Limited has a year end of 31 March.

2 Safeguards Securicor Sdn Bhd has a year end of 30 June.

3 Bridgend Custodial Services Limited has a year end of 30 September.

4 By virtue of shareholder agreements, the group has the power to govern the financial and operating policies of G4S Security Services (India) Pvt. Limited, Safeguards Securicor Sdn Bhd and al Majal Service Master, so as to obtain the benefits from their activities. These are therefore consolidated as full subsidiaries.

PARENT COMPANY BALANCE SHEET

At 31 December 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Tangible assets	*(b)*	**4.3**	3.9
Investments	*(c)*	**2,214.9**	587.5
		2,219.2	591.4
Current assets			
Debtors	*(d)*	**1,418.1**	1,176.3
Cash at bank and in hand		**9.7**	7.7
		1,427.8	1,184.0
Creditors - amounts falling due within one year			
Bank overdraft (unsecured)		**(63.6)**	(61.1)
Borrowings (unsecured)	*(e)*	**(15.0)**	(25.0)
Other	*(f)*	**(2,141.2)**	(504.5)
		(2,219.8)	(590.6)
Net current (liabilities)/assets		**(792.0)**	593.4
Total assets less current liabilities		**1,427.2**	1,184.8
Creditors - amounts falling due after more than one year			
Borrowings (unsecured)	*(e)*	**(962.4)**	(786.2)
Other	*(f)*	**(4.8)**	(0.3)
		(967.2)	(786.5)
Provisions for liabilities and charges	*(i)*	**(2.7)**	(3.8)
Net assets		**457.3**	394.5
Capital and reserves			
Called up share capital	37	**320.2**	320.0
Share premium and reserves	*(j)*	**137.1**	74.5
Equity shareholders' funds	*(k)*	**457.3**	394.5

The parent company financial statements were approved by the board of directors and authorised for issue on 7 April 2008.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

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 1985. 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).

Exemptions

As permitted by section 230(3) of the Companies Act 1985, the company has not presented 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 FRS 8 *Related Party Disclosures* from disclosing related party transactions with other members of the group.

The consolidated financial statements of the group contain financial instrument disclosures and comply with FRS 29 *Financial Instruments: Disclosures*. Consequently the company has taken advantage of certain exemptions in FRS 29 from the requirement to present separate financial instrument disclosures for the company.

Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and any provision for impairment. Tangible fixed assets are depreciated on a straight-line basis over their expected economic life. Short leasehold property (under 50 years) is depreciated over the life of the lease. Equipment and vehicles are depreciated over periods up to a maximum of ten years.

Fixed asset investments

Fixed asset investments, which comprise investments in subsidiary undertakings, are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

Financial instruments

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

- **External debtors**

  Debtors do not carry interest and are stated initially at their fair value.

- **Cash and cash equivalents**

  Cash and cash equivalents 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 group are recorded at the value of proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount can be made.

(a) Significant accounting policies (continued)

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, 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, to the extent that these are not matched by foreign currency borrowings. The company manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, 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.

Leases

Assets held under finance leases are included as tangible fixed assets at their capital value and depreciated over the shorter of the lease term and their useful economic life. The capital element of future rentals is included within creditors and finance charges are allocated to accounting periods over the period of the lease.

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred.

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 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 company's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, save for changes resulting from any market-related performance conditions.

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

The company grants share options over its own shares to the employees of subsidiary companies. The company does not receive goods or services in exchange for these options. These are accounted for as a written call option on the entity's own shares and do not result in an accounting entry upon grant. When the share options are subsequently exercised the resulting entries are either to increase share capital and share premium for new shares issued or to record a reduction in the treasury shares owned by the employee benefit trust.

(a) Significant accounting policies (continued)

Dividends

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

Financial guarantees

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

Own shares held by employee benefit trust

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

(b) Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2007	3.0	2.4	5.4
Additions at cost	-	1.5	1.5
Disposals	-	(0.6)	(0.6)
At 31 December 2007	3.0	3.3	6.3
Depreciation			
At 1 January 2007	(0.8)	(0.7)	(1.5)
Charge for the year	(0.2)	(0.3)	(0.5)
At 31 December 2007	(1.0)	(1.0)	(2.0)
Net book value			
At 31 December 2007	**2.0**	**2.3**	**4.3**
At 31 December 2006	2.2	1.7	3.9

The net book value of land and buildings comprises short leasehold buildings (under 50 years).

(c) Fixed asset investments

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	**Total £m**
Shares at cost:	
At 1 January 2007	587.5
Additions	3,193.4
Disposals	(1,566.0)
At 31 December 2007	**2,214.9**

The increase in the carrying value of subsidiary undertakings in the year is mainly due to a reorganisation of the legal structure in respect of some of the company's subsidiaries in which transfers were reflected at market values. Full details of significant investments held by the parent company and the group are detailed in note 45 to the consolidated financial statements.

(d) Debtors

	2007 £m	2006 £m
Amounts owed by group undertakings	**1,369.2**	1,150.7
Other debtors	**29.0**	16.1
Prepayments and accrued income	**2.8**	0.9
Derivative financial instruments at fair value	**17.1**	8.6
Total debtors	**1,418.1**	1,176.3

Included within derivative financial instruments at fair value is £14.8m due after more than one year (2006: £1.4m). See note (g) for further details.

Included in other debtors is £8.3m (2006: £6.5m) with regard to deferred tax comprised as follows:

	2007 £m	2006 £m
Accelerated capital allowances	**(0.4)**	(0.3)
Employee benefits, including equity-settled transactions and special pension contributions	**4.0**	9.0
Changes in fair value of hedging derivatives	**4.7**	(2.2)
Total deferred tax	**8.3**	6.5

(d) Debtors (continued)

The reconciliation of deferred tax balances is as follows:

	Total £m
At 1 January 2007	6.5
Credited to profit and loss	(5.1)
Charged to equity in relation to changes in fair value of hedging derivatives	6.9
At 31 December 2007	**8.3**

(e) Borrowings (unsecured)

The unsecured borrowings are in the following currencies:

	2007 £m	2006 £m
Sterling	**150.0**	89.9
Euro	**325.4**	291.3
US dollar	**502.0**	430.0
Total unsecured borrowings	**977.4**	811.2

The payment profile of the unsecured borrowings is as follows:

	2007 £m	2006 £m
Repayable within one year	**15.0**	25.0
Repayable within two to five years	**672.0**	786.2
Repayable after five years	**290.4**	-
Total unsecured borrowings	**977.4**	811.2

Undrawn committed facilities mature as follows:

	2007 £m	2006 £m
Within one year	**15.0**	5.0
Within two to five years	**412.9**	212.5
Total undrawn committed facilities	**427.9**	217.5

Borrowings consist of £687.0m of floating rate bank loans (2006: £811.2m) and £290.4m of fixed rate loan notes (2006: £nil). Bank loans are stated at amortised cost. Loan notes are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date. The directors believe the fair value of the group's bank loans and loan notes, calculated from market prices, approximates to their book value.

Borrowing at floating rates exposes the company to cash flow interest rate risk. The management of this risk is detailed in note (h).

There were no financial liabilities upon which no interest is paid.

(f) Creditors

	2007 £m	2006 £m
Amounts falling due within one year:		
Trade creditors	**1.8**	0.5
Amounts owed to group undertakings	**2,101.8**	493.6
Other taxation and social security costs	**1.1**	1.2
Other creditors	**9.6**	4.2
Accruals and deferred income	**12.1**	4.0
Derivative financial instruments at fair value	**14.8**	1.0
Total creditors - amounts falling due within one year	**2,141.2**	504.5
Amounts falling due after more than one year:		
Derivative financial instruments at fair value	**4.8**	0.3

(g) Derivative financial instruments

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

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Forward foreign exchange contracts	**-**	6.3	**13.6**	0.9
Interest rate swaps designated as cash flow hedges	**2.8**	2.3	**6.0**	0.4
Interest rate swaps designated as fair value hedges	**14.3**	-	**-**	-
	17.1	8.6	**19.6**	1.3
Amounts falling due after more than one year	**(14.8)**	(1.4)	**(4.8)**	(0.3)
Amounts falling due within one year	**2.3**	7.2	**14.8**	1.0

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The mark to market valuation of the derivatives has fallen by £9.8m during the year.

The interest rate swaps which qualify as cash flow hedges have the following maturities:

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Within one year	**0.1**	0.5	**0.1**	-
In the second year	**1.0**	0.3	**0.9**	-
In the third year	**0.6**	1.1	**1.1**	-
In the fourth year	**0.7**	0.2	**2.2**	-
In the fifth year	**0.4**	0.2	**1.7**	0.4
Total carrying value of cash flow hedges	**2.8**	2.3	**6.0**	0.4

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2007 £m	Assets 2006 £m	**Liabilities 2007 £m**	Liabilities 2006 £m
Within one year	**1.7**	1.3	**1.3**	-
In the second year	**0.6**	0.5	**2.8**	0.1
In the third year	**0.3**	0.4	**1.4**	0.2
In the fourth year	**0.2**	0.1	**0.5**	0.1
In the fifth year	**-**	-	**-**	0.1
Total cash flows	**2.8**	2.3	**6.0**	0.5

(h) Financial risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company therefore hedges a substantial portion of the group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies. Translation adjustments arising on the translation of foreign currency loans are recognised in the profit and loss account.

The company enters into forward foreign exchange contracts so as to hedge group translation risk not hedged by way of loans. Gains and losses on such forward foreign exchange contracts are recognised in the profit and loss account. The notional value of outstanding forward foreign exchange contracts at 31 December 2007 was £373.2m (2006: £342.4m). All these contracts had matured by 29 February 2008, at which point they were replaced with new forward foreign exchange contracts.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note (e) exposes the company to cash flow interest rate risk, which the company manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum period of five years. At 31 December 2007 the nominal value of such contracts was £213.5m (in respect of US dollar) (2006: £196.7m) and £183.6m (in respect of euro) (2006: £141.5m), their weighted average interest rate was 4.9% (US dollar) (2006: 4.9%) and 3.8% (euro) (2006: 3.4%), and their weighted average period to maturity was three years. All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of 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.

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. For short-term transactions (under one year), the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agency. For long-term transactions, 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 2007 the largest two counterparty exposures related to Treasury transactions were £5.3m and £4.4m and held with institutions with long term Standard & Poor's credit ratings of AA and AA- respectively. These exposures represent 30% and 25% of the carrying values of derivative financial instruments at the balance sheet date.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an AA 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 2007	3.8
Utilisation of provisions	(1.1)
At 31 December 2007	**2.7**

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 2007	10.3	73.6	(9.4)	74.5
Retained profit	-	137.4	-	137.4
Changes in fair value of hedging derivatives	-	(24.1)	-	(24.1)
Shares issued	0.7	-	-	0.7
Dividends declared	-	(59.3)	-	(59.3)
Own shares purchased	-	-	(3.1)	(3.1)
Own shares awarded	-	(3.5)	3.5	-
Equity-settled transactions	-	4.1	-	4.1
Tax on equity movements	-	6.9	-	6.9
At 31 December 2007	**11.0**	**135.1**	**(9.0)**	**137.1**

(k) Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2007

	2007 £m	2006 £m
Retained profit/(loss) for the year	**137.4**	(6.4)
Changes in fair value of hedging derivatives	**(24.1)**	13.1
Shares issued	**0.9**	9.1
Dividends declared	**(59.3)**	(49.8)
Own shares purchased	**(3.1)**	(3.1)
Equity-settled transactions	**4.1**	5.0
Tax on equity movements	**6.9**	(2.2)
Net increase/(decrease) in shareholders' funds	**62.8**	(34.3)
Opening equity shareholders' funds	**394.5**	428.8
Closing equity shareholders' funds	**457.3**	394.5

(l) Operating lease commitments

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

	2007 £m	2006 £m
Within one year	**0.2**	0.1
In the second to fifth years inclusive	**0.5**	0.7
After more than five years	**0.8**	0.8
Total operating lease commitments	**1.5**	1.6

(m) Auditor's remuneration

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in its individual accounts because the company's consolidated financial statements are required to disclose such fees on a consolidated basis.

(n) Staff costs and employees

	2007 Number	2006 Number (Restated)
The average monthly number of employees of the company during the year was:	**178**	171

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

	2007 £m	2006 £m
Wages and salaries	**23.1**	22.0
Social security costs	**2.0**	1.9
Pension costs	**1.1**	1.3
Total staff costs	**26.2**	25.2

(o) 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. The majority of the shares under option are attributable to employees of the company, however the company bears the full cost of share-based payment charges applicable to subsidiary undertakings. Therefore all disclosures relevant to the company are presented within note 42 to the consolidated financial statements.

(p) Contingent liabilities

To help secure cost effective finance facilities for its subsidiaries, the company issues guarantees to some of its finance providers. At 31 December 2007 guarantees totalling £377.4m (2006: £315.4m) 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 2007 totalled £18.2m (2006: £18.8m).

GROUP FINANCIAL RECORD

£m		Presented under IFRS			Presented under the then UK GAAP
	2007	2006	2005	2004	2003
Revenue	**4,490.4**	4,036.8	4,045.7	3,093.6	2,569.5
Profit before interest, taxation, amortisation of acquisition-related intangible assets and exceptional items	**312.1**	274.4	255.0	165.5	118.4
Profit/(loss) after taxation	**160.6**	109.9	90.7	(65.4)	(3.2)
Profit/(loss) attributable to shareholders	**147.2**	96.5	80.8	(72.3)	(9.7)
Non-current assets	**2,148.3**	1,946.2	1,966.7	1,876.0	693.6
Net assets	**1,123.0**	971.5	969.9	909.9	323.6
Net debt	**804.9**	672.8	657.3	586.4	382.4
Net debt/equity (%)	**72**	69	68	64	118
Return on net assets (%) (profit/(loss) after taxation/net assets)	**14**	11	9	(7)	(1)
Adjusted earnings per ordinary share (pence)	**13.4p**	12.1p	11.2p	9.5p	8.0p
Dividends for the year per ordinary share (pence)	**4.96p**	4.21p	3.54p	1.85p	0.46p
Average headcount (number)	**507,480**	440,128	395,771	306,313	230,472

The five year record comprises only the results of the security businesses of the former Group 4 Falck A/S up to the acquisition of Securicor plc on 19 July 2004. After that date, the record reflects the results of the combined businesses.

The figures presented for 2003 are in accordance with the then UK GAAP. The main adjustments that would be required to make them consistent with the 2007 financial statements which have been prepared under IFRS relate to:

(a) the non-amortisation of goodwill

(b) the recognition of separable or contractual intangible assets on a business combination

(c) the recognition of the funding balances for each retirement benefit scheme

(d) the recognition of a charge to income in respect of share options granted

(e) the accounting treatment of joint ventures under the proportionate consolidation method rather than the gross equity method of accounting

(f) the recognition of all derivative financial instruments at fair value

(g) the recognition of all taxable temporary timing differences between the accounting base and tax base of assets and liabilities

(h) dividends being provided for in the year in which they are declared

(i) the reclassification of certain contracts as finance leases rather than operating leases

(j) the reclassification of securities held by the group's captive insurance companies as a component of net debt

2008 FINANCIAL STATEMENTS

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).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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 1985. 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 Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement which 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF G4S PLC

We have audited the group and parent company financial statements (the 'financial statements') of G4S plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page ●.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;

- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;

- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
31 March 2009

8 Salisbury Square
EC4Y 8BB

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008 £m**	2007 £m
Continuing operations			
Revenue	5, 6	**5,942.9**	4,483.5
Profit from operations before amortisation of acquisition-related intangible assets and share of profit from associates		**413.0**	308.4
Share of profit from associates		**3.4**	3.0
Profit from operations before amortisation of acquisition-related intangible assets (PBITA)	6	**416.4**	311.4
Amortisation of acquisition-related intangible assets		**(67.8)**	(41.6)
Profit from operations before interest and taxation (PBIT)	6, 8	**348.6**	269.8
Finance income	12	**104.9**	92.6
Finance costs	13	**(189.3)**	(146.3)
Profit before taxation (PBT)		**264.2**	216.1
Taxation:			
- Before amortisation of acquisition-related intangible assets		**(89.3)**	(70.9)
- On amortisation of acquisition-related intangible assets		**19.1**	14.9
	14	**(70.2)**	(56.0)
Profit after taxation		**194.0**	160.1
(Loss)/profit from discontinued operations	7	**(29.1)**	0.5
Profit for the year		**164.9**	160.6
Attributable to:			
Equity holders of the parent		**151.2**	147.2
Minority interests		**13.7**	13.4
Profit for the year		**164.9**	160.6
Earnings per share attributable to equity shareholders of the parent	16		
For profit from continuing operations:			
Basic		**13.3p**	11.5p
Diluted		**13.3p**	11.5p
For profit from continuing and discontinued operations:			
Basic		**11.1p**	11.5p
Diluted		**11.1p**	11.5p

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill	19	**2,060.4**	1,331.3
Other acquisition-related intangible assets	19	**392.2**	224.2
Other intangible assets	19	**61.0**	31.3
Property, plant and equipment	20	**528.6**	403.2
Investment in associates	22	**7.4**	10.2
Trade and other receivables	25	**198.0**	69.4
Deferred tax assets	36	**155.0**	84.5
		3,402.6	2,154.1
Current assets			
Inventories	23	**85.5**	58.2
Investments	24	**92.7**	73.2
Trade and other receivables	25	**1,362.8**	887.1
Cash and cash equivalents	28	**562.1**	382.1
Assets classified as held for sale	27	**71.0**	130.9
		2,174.1	1,531.5
Total assets	6	**5,576.7**	3,685.6
LIABILITIES			
Current liabilities			
Bank overdrafts	28,29	**(195.1)**	(110.7)
Bank loans	29	**(87.9)**	(80.6)
Obligations under finance leases	30	**(22.1)**	(16.2)
Trade and other payables	31	**(1,216.1)**	(852.1)
Current tax liabilities		**(16.2)**	(18.4)
Retirement benefit obligations	34	**(48.9)**	(47.3)
Provisions	35	**(33.9)**	(23.6)
Liabilities associated with assets classified as held for sale	27	**(74.1)**	(78.3)
		(1,694.3)	(1,227.2)
Non-current liabilities			
Bank loans	29	**(877.8)**	(729.1)
Loan notes	29	**(901.9)**	(290.4)
Obligations under finance leases	30	**(63.6)**	(46.0)
Trade and other payables	31	**(63.5)**	(38.7)
Retirement benefit obligations	34	**(278.6)**	(120.1)
Provisions	35	**(91.3)**	(38.2)
Deferred tax liabilities	36	**(135.0)**	(75.9)
		(2,411.7)	(1,338.4)
Total liabilities	6	**(4,106.0)**	(2,565.6)
Net assets		**1,470.7**	1,120.0
EQUITY			
Share capital	37	**352.1**	320.2
Share premium and reserves	38	**1,074.9**	766.9
Equity attributable to equity holders of the parent		**1,427.0**	1,087.1
Minority interests		**43.7**	32.9
Total equity		**1,470.7**	1,120.0

The consolidated financial statements were approved by the board of directors and authorised for issue on 31 March 2009.

They were signed on its behalf by:

Nick Buckles	**Trevor Dighton**
Director	Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Profit before taxation		**264.2**	216.1
(Loss)/profit before taxation from discontinued operations		**(29.1)**	0.4
Adjustments for:			
Finance income		**(104.9)**	(92.6)
Finance costs		**189.3**	146.3
Finance costs attributable to discontinued operations		**1.4**	3.3
Depreciation of property, plant and equipment		**105.0**	91.1
Amortisation of acquisition-related intangible assets		**67.8**	41.6
Amortisation of other intangible assets		**11.1**	8.5
Loss/(profit) on disposal of property, plant and equipment and intangible assets other than acquisition-related		**2.1**	(14.4)
Loss/(profit) on disposal of discontinued operations		**15.8**	(12.0)
Share of profit from associates		**(3.4)**	(3.0)
Equity-settled transactions		**5.0**	4.1
Operating cash flow before movements in working capital		**524.3**	389.4
Increase in inventories		**(7.4)**	(9.6)
Increase in receivables		**(40.3)**	(69.7)
Increase in payables		**29.3**	84.1
Decrease in provisions		**(50.9)**	(36.7)
Cash generated by operations		**455.0**	357.5
Tax paid		**(82.0)**	(66.2)
Net cash flow from operating activities		**373.0**	291.3
Investing activities			
Interest received		**17.2**	24.9
Cash flow from associates		**12.2**	1.0
Purchases of property, plant and equipment and intangible assets other than acquisition-related		**(174.5)**	(134.5)
Proceeds on disposal of property, plant and equipment and intangible assets other than acquisition-related		**13.2**	25.5
Acquisition of subsidiaries		**(419.4)**	(151.6)
Net cash balances acquired		**19.7**	11.6
Disposal of subsidiaries		**31.1**	7.9
Sale/(purchase) of investments		**5.6**	(0.3)
Own shares purchased		**(8.8)**	(3.1)
Net cash used in investing activities		**(503.7)**	(218.6)
Financing activities			
Share issues		**276.8**	0.9
Dividends paid to minority interests		**(11.9)**	(3.8)
Loan to minority interests		**-**	(13.3)
Dividends paid to equity shareholders of the parent		**(75.0)**	(59.3)
Proceeds on issue of loan notes		**327.0**	280.6
Repayment of revolving credit facilities with proceeds from issue of loan notes		**(327.0)**	(280.6)
Other net movement in borrowings		**173.7**	140.4
Interest paid		**(97.2)**	(79.9)
Net cash flow from hedging financial instruments		**(65.9)**	(4.3)
Repayment of obligations under finance leases		**(13.5)**	(4.6)
Net cash flow from financing activities		**187.0**	(23.9)
Net increase in cash, cash equivalents and bank overdrafts	*39*	**56.3**	48.8
Cash, cash equivalents and bank overdrafts at the beginning of the year		**270.7**	210.0
Effect of foreign exchange rate fluctuations on cash held		**33.7**	11.9
Cash, cash equivalents and bank overdrafts at the end of the year	*28*	**360.7**	270.7

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

	2008	2007
	£m	£m
Exchange differences on translation of foreign operations	**182.0**	37.4
Change in fair value of net investment hedging financial instruments	**(81.1)**	(19.0)
Change in fair value of cash flow hedging financial instruments	**36.4**	(7.0)
Actuarial (losses)/gains on defined retirement benefit schemes	**(196.9)**	64.7
Tax on items taken directly to equity	**50.3**	(14.0)
Net (expense)/income recognised directly in equity	**(9.3)**	62.1
Profit for the year	**164.9**	160.6
Net recognised income	**155.6**	222.7
Attributable to:		
Equity holders of the parent	**141.9**	209.3
Minority interests	**13.7**	13.4
Net recognised income	**155.6**	222.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

2. Statement of compliance

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

3. Significant accounting policies

(a) Basis of preparation

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

The comparative income statement for the year ended 31 December 2007 has been re-presented for operations qualifying as discontinued during the current year. Revenue from continuing operations has been reduced by £6.9m and PBT has been reduced by £0.7m compared to the figures published previously. Further details of discontinued operations are presented within note 7. In addition, the comparative balance sheet as at 31 December 2007 has been restated to reflect the completion during 2008 of the initial accounting in respect of acquisitions made during 2007. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £1.1m, with an equivalent decrease in the reported value of goodwill. The impact of these adjustments on the net assets acquired is presented in note 17.

(b) Basis of consolidation

Subsidiaries

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

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

3 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

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

Joint ventures

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

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

Associates

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

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

Transactions eliminated on consolidation

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

(c) Foreign currencies

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

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

In order to hedge its translation exposure to certain foreign currencies in which more than 1% of the group's consolidated net operating assets are denominated, the group utilises derivative financial instruments (see note 3(d) for details of the group's accounting policies in respect of such instruments).

(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, 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, to the extent that these are not matched by foreign currency borrowings. The group manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, 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 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.

3 Significant accounting policies (continued)

(e) Intangible assets

Goodwill

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

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

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.

3 Significant accounting policies (continued)

Other intangible assets - software

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

(f) Property, plant and equipment

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

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

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

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

(g) Financial instruments

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

Trade receivables

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

PFI assets

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

Current asset investments

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Trade payables

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

Equity instruments

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

(h) Inventories

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

(i) Impairment

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

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

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

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

(j) Repurchase of share capital

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

3 Significant accounting policies (continued)

(k) Employee benefits

Retirement benefit costs

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

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

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

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

Long-term service benefits

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

Share-based payments

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

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

(l) Provisions

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

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

(m) Revenue recognition

Revenue

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

3 Significant accounting policies (continued)

(m) Revenue recognition (continued)

Construction contracts

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

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

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

Government grants

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

Interest

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

Dividends

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

(n) Borrowing costs

All borrowing costs are recognised in the income statement.

(o) Profit from operations

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

(p) Income taxes

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

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.

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

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

(r) Segment reporting

A segment is a significant component of the group which is subject to risks and rewards distinguishable from those of other segments either by the nature of the services provided (business segment) or by the economic environment in which it transacts business (geographical segment).

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

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

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

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

(t) Dividends

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

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

At the balance sheet date, the following were in issue but not yet effective:

- IFRS 8 *Operating Segments* will apply to the group from 1 January 2009. This standard supersedes IAS 14 *Segment Reporting* and will require the group to adopt the "management approach" to reporting on the financial performance of its operating segments. This standard introduces some additional disclosures but will not result in a significant change to the group's existing segmental analysis, which is closely aligned to management reporting;

- IFRIC 14 *IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* is effective for annual periods beginning on or after 1 January 2009. This interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements as any minimum funding requirements in excess of eventual actual liabilities are recoverable by the group in the form of either refunds or reduced future contributions paid to the schemes;

- IAS 1 (revised) *Presentation of financial statements* will apply to the group from 1 January 2009. This revised standard introduces the concept of "total comprehensive income", being all changes in equity other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income can be presented either within a single statement or in two statements, the first of which is the income statement. The group will continue to present an income statement, but the presentation of the statement of other comprehensive income will differ from the current presentation of the statement of recognised income and expense; and

- IFRS 2 (amendment) *Share based payment* will apply to the group from 1 January 2009. This amendment clarifies the definition of vesting conditions in respect to share-based payments, but will have no impact on the group's presentation of its current share-based payment schemes.

At 31 December 2008, a number of statements, revisions, amendments and interpretations had been published by the IASB but not yet endorsed by the EU. The directors anticipate that the only one of these which, if endorsed, would have a material impact on the financial statements of the group is IFRS 3 (revised) *"Business combinations".*

4. Accounting estimates, judgements and assumptions

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

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

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

Valuation of acquired businesses

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

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

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

Valuation of retirement benefit obligations

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

5. Revenue

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

	Notes	**2008 £m**	2007 £m
Continuing operations			
Sale of goods		**190.2**	105.3
Rendering of services		**5,633.3**	4,281.8
Revenue from construction contracts		**119.4**	96.4
Revenue from continuing operations as presented in the consolidated income statement	*6*	**5,942.9**	4,483.5
Discontinued operations			
Sale of goods		**-**	9.3
Rendering of services		**208.9**	266.1
Revenue from construction contracts		**8.0**	16.4
Revenue from discontinued operations	*6, 7*	**216.9**	291.8
Other operating income			
Interest income		**18.4**	15.1
Net gain in fair value of loan note derivative financial instruments and hedged items		**-**	0.2
Expected return on defined retirement benefit scheme assets		**86.5**	77.3
Total other operating income		**104.9**	92.6

6. Business and geographical segments

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

The current management structure of the group is a combination of product area and geography, within which the larger businesses generally report by product area. The group's primary segmentation is therefore by business segment and its secondary segmentation is by geography.

Segment information is presented below:

Segment revenue

Revenue by business segment	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m
Secure Solutions						
UK and Ireland	929.9	-	929.9	593.0	-	593.0
Continental Europe	1,389.6	204.2	1,593.8	1,078.3	258.6	1,336.9
Europe	2,319.5	204.2	2,523.7	1,671.3	258.6	1,929.9
North America	1,222.3	-	1,222.3	1,043.8	-	1,043.8
Middle East and Gulf States	315.6	-	315.6	177.9	-	177.9
Latin America and the Caribbean	223.9	7.0	230.9	158.0	1.7	159.7
Africa	248.6	-	248.6	183.9	-	183.9
Asia Pacific	412.0	0.1	412.1	268.9	3.3	272.2
New Markets	1,200.1	7.1	1,207.2	788.7	5.0	793.7
Total Secure Solutions	4,741.9	211.3	4,953.2	3,503.8	263.6	3,767.4
Cash Solutions						
Europe	859.1	0.2	859.3	706.3	17.2	723.5
North America	87.0	-	87.0	78.0	-	78.0
New Markets	254.9	5.4	260.3	195.4	11.0	206.4
Total Cash Solutions	1,201.0	5.6	1,206.6	979.7	28.2	1,007.9
Total revenue	5,942.9	216.9	6,159.8	4,483.5	291.8	4,775.3

Revenue by geographical market	Total 2008 £m	Total 2007 £m
UK and Ireland	1,397.7	1,007.5
Continental Europe	1,985.3	1,645.9
Europe	3,383.0	2,653.4
North America	1,309.3	1,121.8
Middle East and Gulf States	353.9	202.5
Latin America and the Caribbean	272.6	203.3
Africa	343.6	257.2
Asia Pacific	497.4	337.1
New Markets	1,467.5	1,000.1
Total revenue	6,159.8	4,775.3

6 Business and geographical segments (continued)

Segment revenue (continued)

Revenue from internal and external customers by business segment	Total gross segment revenue 2008 £m	Inter-segment revenue 2008 £m	External revenue 2008 £m	Total gross segment revenue 2007 £m	Inter-segment revenue 2007 £m	External revenue 2007 £m
Secure Solutions	**4,960.3**	**(7.1)**	**4,953.2**	3,773.7	(6.3)	3,767.4
Cash Solutions	**1,207.1**	**(0.5)**	**1,206.6**	1,008.5	(0.6)	1,007.9
Total revenue	**6,167.4**	**(7.6)**	**6,159.8**	4,782.2	(6.9)	4,775.3

Inter-segment sales are charged at prevailing market prices.

Segment result

PBITA by business segment	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m
Secure Solutions						
UK and Ireland	**76.8**	**(0.5)**	**76.3**	48.4	-	48.4
Continental Europe	**74.9**	**(8.6)**	**66.3**	61.5	(4.3)	57.2
Europe	**151.7**	**(9.1)**	**142.6**	109.9	(4.3)	105.6
North America	**70.6**	**(1.6)**	**69.0**	61.5	-	61.5
Middle East and Gulf States	**26.4**	**-**	**26.4**	14.2	-	14.2
Latin America and the Caribbean	**14.8**	**(0.8)**	**14.0**	10.3	(0.5)	9.8
Africa	**22.4**	**-**	**22.4**	16.0	-	16.0
Asia Pacific	**32.6**	**(0.2)**	**32.4**	22.9	(1.4)	21.5
New Markets	**96.2**	**(1.0)**	**95.2**	63.4	(1.9)	61.5
Total Secure Solutions	**318.5**	**(11.7)**	**306.8**	234.8	(6.2)	228.6
Cash Solutions						
Europe	**94.0**	**(0.1)**	**93.9**	77.4	(2.2)	75.2
North America	**0.8**	**-**	**0.8**	0.6	-	0.6
New Markets	**38.6**	**(0.1)**	**38.5**	29.0	0.1	29.1
Total Cash Solutions	**133.4**	**(0.2)**	**133.2**	107.0	(2.1)	104.9
Total PBITA before head office costs	**451.9**	**(11.9)**	**440.0**	341.8	(8.3)	333.5
Head office costs	**(35.5)**	**-**	**(35.5)**	(30.4)	-	(30.4)
Total PBITA	**416.4**	**(11.9)**	**404.5**	311.4	(8.3)	303.1
PBITA by geographical market						
Europe	**245.7**	**(9.2)**	**236.5**	187.3	(6.5)	180.8
North America	**71.4**	**(1.6)**	**69.8**	62.1	-	62.1
New Markets	**134.8**	**(1.1)**	**133.7**	92.4	(1.8)	90.6
Total PBITA before head office costs	**451.9**	**(11.9)**	**440.0**	341.8	(8.3)	333.5
Head office costs	**(35.5)**	**-**	**(35.5)**	(30.4)	-	(30.4)
Total PBITA	**416.4**	**(11.9)**	**404.5**	311.4	(8.3)	303.1

6 Business and geographical segments (continued)

Segment result (continued)

Result by business segment	**Continuing operations 2008 £m**	**Discontinued operations 2008 £m**	**Total 2008 £m**	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m
Total PBITA	**416.4**	**(11.9)**	**404.5**	311.4	(8.3)	303.1
Amortisation of acquisition-related intangible assets	**(67.8)**	**-**	**(67.8)**	(41.6)	-	(41.6)
Total PBIT	**348.6**	**(11.9)**	**336.7**	269.8	(8.3)	261.5
Secure Solutions	**272.9**	**(11.7)**	**261.2**	215.4	(6.2)	209.2
Cash Solutions	**111.2**	**(0.2)**	**111.0**	84.8	(2.1)	82.7
Head office costs	**(35.5)**	**-**	**(35.5)**	(30.4)	-	(30.4)
Total PBIT	**348.6**	**(11.9)**	**336.7**	269.8	(8.3)	261.5

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

Segment assets and liabilities

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

Total assets	**2008 £m**	2007 £m
By business segment		
Secure Solutions	**3,962.7**	2,144.3
Cash Solutions	**639.3**	954.8
Head office	**180.5**	103.5
Inter-segment trading balances	**(86.6)**	(64.1)
Total segment operating assets	**4,695.9**	3,138.5
By geographical segment		
UK and Ireland	**1,541.3**	938.1
Continental Europe	**1,162.7**	923.9
Europe	**2,704.0**	1,862.0
North America	**953.1**	615.5
Middle East and Gulf States	**171.7**	105.1
Latin America and the Caribbean	**165.8**	104.7
Africa	**247.2**	190.3
Asia Pacific	**320.9**	213.2
New Markets	**905.6**	613.3
Head office	**219.6**	103.4
Inter-segment trading balances	**(86.4)**	(55.7)
Total segment operating assets	**4,695.9**	3,138.5
Non-operating assets	**880.8**	547.1
Total assets	**5,576.7**	3,685.6

6 Business and geographical segments (continued)

Segment assets and liabilities (continued)

Total liabilities	**2008 £m**	2007 £m
By business segment		
Secure Solutions	**(1,025.3)**	(730.2)
Cash Solutions	**(356.9)**	(233.6)
Head office	**(109.3)**	(119.2)
Inter-segment trading balances	**86.6**	64.1
Total segment operating liabilities	**(1,404.9)**	(1,018.9)
Non-operating liabilities	**(2,701.1)**	(1,546.7)
Total liabilities	**(4,106.0)**	(2,565.6)

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

Included within operating and non-operating assets are £64.5m (2007: £123.2m) and £6.5 m (2007: £7.6) respectively relating to assets classified as held for sale. Included within operating and non-operating liabilities are £58.4m (2007: £66.3m) and £15.7m (2007: £12.0m) respectively relating to liabilities associated with assets classified as held for sale. Disposal groups are analysed in note 27.

Other information by geographical location

By business segment	**Impairment losses recognised in income 2008 £m**	**Depreciation and amortisation 2008 £m**	**Capital additions 2008 £m**	Impairment losses recognised in income 2007 £m	Depreciation and amortisation 2007 £m	Capital additions 2007 £m
Secure Solutions	**29.4**	**113.0**	**723.3**	-	72.5	204.8
Cash Solutions	**-**	**70.9**	**109.6**	-	68.1	194.1
Head office	**-**	**-**	**2.5**	-	0.6	2.9
Total	**29.4**	**183.9**	**835.4**	-	141.2	401.8

By geographical segment	**Capital additions 2008 £m**	Capital additions 2007 £m
UK and Ireland	**506.3**	84.8
Continental Europe	**97.2**	124.7
Europe	**603.5**	209.5
North America	**72.1**	13.2
Middle East and Gulf States	**69.4**	27.4
Latin America and the Caribbean	**22.3**	13.6
Africa	**31.3**	108.1
Asia Pacific	**34.3**	25.1
New Markets	**157.3**	176.2
Head office	**2.5**	2.9
Total	**835.4**	401.8

7. Discontinued operations

Operations qualifying as discontinued in the current year comprise primarily the security services businesses in France, which include principally Group 4 Securicor SAS, disposed of on 28 February 2009; and the security services businesses in Germany, which include principally G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH, Berlin, disposed on 15 May 2008.

Additionally, operations qualifying as discontinued in the prior year comprise primarily: G4S Cash Services (France) SAS, disposed of on 2 July 2007; the secure solutions businesses in France, which include principally Group 4 Securicor SAS; and the secure solutions businesses in Germany, which principally include G4S Sicherheitsdienste GmbH and G4S Sicherheitssysteme GmbH, Berlin.

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

	2008 **£m**	2007 £m
Revenue	**216.9**	291.8
Expenses	**(228.8)**	(300.1)
Operating loss before interest and taxation (PBIT)	**(11.9)**	(8.3)
Net finance costs	**(1.4)**	(3.3)
Attributable tax credit	**-**	0.1
Total operating loss for the year	**(13.3)**	(11.5)
Profit on disposal of discontinued operations (note 18)	**12.0**	9.1
Goodwill impairment	**(29.4)**	-
Adjustment in respect of disposals in the prior year	**1.6**	2.9
Net loss attributable to discontinued operations	**(29.1)**	0.5

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

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

The 2007 adjustment in respect of disposals in the prior year comprises £0.4m relating to the disposal of the German cash solutions business of G4S Geld-und Wertdienste GmbH, and £2.5m relating to the finalisation of the disposal of Cognisa Transportation, Inc.

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

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

	2008 **£m**	2007 £m
Net cash flows from operating activities	**(21.1)**	12.5
Net cash flows from investing activities	**1.1**	(1.4)
Net cash flows from financing activities	**3.0**	2.7
	(17.0)	13.8

8. Profit from operations before interest and taxation (PBIT)

The income statement can be analysed as follows:

Continuing operations	2008 £m	2007 £m
Revenue	**5,942.9**	4,483.5
Cost of sales	**(4,627.9)**	(3,479.2)
Gross profit	**1,315.0**	1,004.3
Administration expenses	**(969.8)**	(737.5)
Share of profit from associates	**3.4**	3.0
PBIT	**348.6**	269.8

Included within administration expenses is £67.8m (2007: £41.6m) of amortisation of acquisition-related intangible assets.

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

9. Profit from operations

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

	2008 £m	2007 £m
Cost of sales		
Cost of inventories recognised as an expense	**83.1**	92.4
Write-down of inventories to net realisable value	**0.2**	0.6
Administration expenses		
Amortisation of acquisition-related intangible assets	**67.8**	41.6
Amortisation of other intangible assets	**11.1**	8.5
Goodwill Impairment	**29.4**	-
Depreciation of property, plant and equipment	**105.0**	91.1
Loss/(profit) on disposal of property, plant and equipment and intangible assets other than acquisition-related	**2.1**	(14.4)
Impairment of trade receivables	**4.5**	5.4
Litigation settlements	**0.5**	0.7
Research and development expenditure	**3.5**	2.1
Operating lease rentals payable	**124.3**	96.7
Operating sub-lease rentals receivable	**(6.2)**	(3.0)
Cost of equity-settled transactions	**5.0**	4.1
Government grants received as a contribution towards wage costs	**(1.5)**	(2.2)
Net foreign translation adjustments	**2.4**	(0.2)

10. Auditors' remuneration

	2008 £m	2007 £m
Fees payable to the company's auditor for the audit of the company's annual report and accounts	**1.0**	1.0
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	**3.2**	2.6
Other services pursuant to legislation	**0.1**	0.2
Taxation services	**0.3**	0.3
Corporate finance services	**0.4**	0.4
Fees payable to other auditors for the audit of the company's subsidiaries pursuant to legislation	**0.3**	0.5

The Corporate Governance Statement on pages ● to ● 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:

	2008 Number	2007 Number
By business segment		
Secure Solutions	**520,766**	466,035
Cash Solutions	**40,811**	41,255
Not allocated, including shared administration and head office	**299**	190
Total average number of employees	**561,876**	507,480
By geographical segment		
Europe	**129,224**	115,951
North America	**51,918**	53,414
New Markets	**380,619**	337,925
Not allocated, including shared administration and head office	**115**	190
Total average number of employees	**561,876**	507,480

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

	2008 £m	2007 £m
Wages and salaries	**3,536.9**	2,772.2
Social security costs	**467.2**	410.2
Employee benefits	**113.3**	75.3
Total staff costs	**4,117.4**	3,257.7

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 ● to ●.

12. Finance income

	2008 £m	2007 £m
Interest income on cash, cash equivalents and investments	**17.8**	12.4
Other interest income	**0.6**	2.7
Expected return on defined retirement benefit scheme assets	**86.5**	77.3
Gain arising from change in fair value of derivative financial instruments hedging loan notes	**-**	14.3
Loss arising from fair value adjustment to the hedged loan note items	**-**	(14.1)
Total finance income	**104.9**	92.6

13. Finance costs

	2008 £m	2007 £m
Interest on bank overdrafts and loans	**63.5**	53.0
Interest on loan notes	**31.6**	13.5
Interest on obligations under finance leases	**3.9**	3.3
Other interest charges	**6.3**	4.2
Gain arising from change in fair value of derivative financial instruments hedging loan notes	**(78.0)**	-
Loss arising from fair value adjustment to the hedged loan note items	**79.2**	-
Total group borrowing costs	**106.5**	74.0
Finance costs on defined retirement benefit obligations	**82.8**	72.3
Total finance costs	**189.3**	146.3

Included within interest on bank overdrafts and loans is a debit of £1.5m (2007: credit of £2.1m) relating to cash flow hedges that were transferred from equity during the year.

14. Taxation

	Continuing operations 2008 £m	**Discontinued operations 2008 £m**	**Total 2008 £m**	Continuing operations 2007 £m	Discontinued operations 2007 £m	Total 2007 £m
Current taxation expense/(credit)						
UK corporation tax	**10.5**	**-**	**10.5**	2.6	-	2.6
Overseas tax	**72.9**	**(0.2)**	**72.7**	64.3	(0.1)	64.2
Adjustments in respect of prior years:						
UK corporation tax	**(3.8)**	**-**	**(3.8)**	(7.1)	-	(7.1)
Overseas tax	**(4.0)**	**-**	**(4.0)**	-	-	-
Total current taxation expense/(credit)	**75.6**	**(0.2)**	**75.4**	59.8	(0.1)	59.7
Deferred taxation (credit)/expense (see note 36)						
Current year	**(12.1)**	**0.2**	**(11.9)**	(7.4)	-	(7.4)
Adjustments in respect of prior years	**6.7**	**-**	**6.7**	3.6	-	3.6
Total deferred taxation (credit)/expense	**(5.4)**	**0.2**	**(5.2)**	(3.8)	-	(3.8)
Total income tax expense/(credit) for the year	**70.2**	**-**	**70.2**	56.0	(0.1)	55.9

UK corporation tax is calculated at 28.5% (2007: 30.0%) of the estimated assessable profits for the period. Taxation is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

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

	2008 £m	2007 £m
Profit before taxation		
Continuing operations	**264.2**	216.1
Discontinued operations	**(29.1)**	0.4
Total profit before taxation	**235.1**	216.5
Tax at UK corporation tax rate of 28.5% (2007: 30.0%)	**67.0**	65.0
Expenses that are not deductible in determining taxable profit	**10.1**	2.2
Tax losses not recognised in the current year	**3.1**	1.5
Different tax rates of subsidiaries operating in non-UK jurisdictions	**(8.9)**	(9.3)
Adjustments for previous years	**(1.1)**	(3.5)
Total income tax charge	**70.2**	55.9
Effective tax rate	**29.9%**	25.8%

In addition to the income tax expense charged to the income statement, a tax credit of £50.3m (2007: tax charge of £14.0m) has been recognised in equity.

15. Dividends

	Pence per share	DKK per share	**2008 £m**	2007 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2006	2.52	0.2766	**-**	32.0
Interim dividend for the six months ended 30 June 2007	2.11	0.2319	**-**	27.3
Final dividend for the year ended 31 December 2007	2.85	0.2786	**36.4**	-
Interim dividend for the six months ended 30 June 2008	2.75	0.2572	**38.6**	-
			75.0	**59.3**
Proposed final dividend for the year ended 31 December 2008	3.68	0.3052	**51.8**	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 5 June 2009 to shareholders who are on the UK register on 1 May 2009 and on 8 June 2009 to shareholders who are on the Danish register on 1 May 2009 due to a Danish public holiday. The exchange rate used to translate it into Danish krone is that at 9 March 2009.

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

	2008 £m	2007 £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**151.2**	147.2
Effect of dilutive potential ordinary shares (net of tax)	**0.2**	0.2
Profit for the purposes of diluted earnings per share	**151.4**	147.4
Number of shares (m)		
Weighted average number of ordinary shares	**1,357.7**	1,275.2
Effect of dilutive potential ordinary shares	**1.3**	1.5
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	**1,359.0**	1,276.7
Earnings per share from continuing and discontinued operations (pence)		
Basic	**11.1p**	11.5p
Diluted	**11.1p**	11.5p
From continuing operations		
Earnings		
Profit for the year attributable to equity holders of the parent	**151.2**	147.2
Adjustment to exclude loss/(profit) for the year from discontinued operations (net of tax) (note 7)	**29.1**	(0.5)
Profit from continuing operations	**180.3**	146.7
Effect of dilutive potential ordinary shares (net of tax)	**0.2**	0.2
Profit from continuing operations for the purpose of diluted earnings per share	**180.5**	146.9
Earnings per share from continuing operations (pence)		
Basic	**13.3p**	11.5p
Diluted	**13.3p**	11.5p
From discontinued operations		
Loss per share from discontinued operations (pence)		
Basic	**(2.2)p**	-
Diluted	**(2.2)p**	-
From adjusted earnings		
Earnings		
Profit from continuing operations	**180.3**	146.7
Adjustment to exclude net retirement benefit finance income (net of tax)	**(2.7)**	(3.6)
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	**48.7**	26.7
Adjusted profit for the year attributable to equity holders of the parent	**226.3**	169.8
Weighted average number of ordinary shares (m)	**1,357.7**	1,275.2
Adjusted earnings per share (pence)	**16.7p**	13.3p

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

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

17. Acquisitions

Current year acquisitions

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

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

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

	Europe £m	North America £m	New Markets £m	**Total group £m**
Provisional fair value of net (liabilities)/assets acquired of subsidiary	(81.0)	21.3	15.0	**(44.7)**
Acquisition of minority interests	0.3	-	5.7	**6.0**
Total provisional fair value of net (liabilities)/assets acquired	(80.7)	21.3	20.7	**(38.7)**
Goodwill	304.4	34.0	70.1	**408.5**
Total purchase consideration	223.7	55.3	90.8	**369.8**

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

	Book value £m	Fair value adjustments £m	**Fair value £m**
Intangible assets	5.8	198.1	**203.9**
Property, plant and equipment	45.6	(16.3)	**29.3**
Investment in associates	1.4	-	**1.4**
Inventories	5.5	(0.8)	**4.7**
Trade and other receivables	140.0	(4.2)	**135.8**
Deferred tax assets	8.9	6.4	**15.3**
Cash and cash equivalents	58.4	1.5	**59.9**
Trade and other payables	(112.4)	(22.2)	**(134.6)**
Current tax liabilities	(2.7)	(1.0)	**(3.7)**
Obligations under finance leases	(13.5)	-	**(13.5)**
Provisions	2.9	(30.8)	**(27.9)**
Borrowings	(256.7)	-	**(256.7)**
Deferred tax liabilities	(1.3)	(57.3)	**(58.6)**
Net (liabilities)/assets acquired of subsidiary undertakings	(118.1)	73.4	**(44.7)**
Acquisition of minority interests	5.3	0.7	**6.0**
Goodwill			**408.5**
Total purchase consideration			**369.8**
Satisfied by:			
Cash			**339.0**
Transaction costs			**19.2**
Contingent consideration			**11.6**
Total purchase consideration			**369.8**

Adjustments made to identifiable assets and liabilities on acquisition are to reflect their fair value. These include the recognition of customer-related intangible assets amounting to £180.5m .The fair values of net assets acquired are provisional and represent estimates following a preliminary valuation exercise. These estimates may be adjusted to reflect any development in the issues to which they relate.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £19.1m arising on the acquisition of minority interests.

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

Contribution from acquired businesses	Revenue £m	PBITA £m	Profit £m
GSL	316.9	30.0	11.0
ArmorGroup	111.2	6.0	2.4
Touchcom	4.8	(0.2)	(0.4)
RONCO	34.5	5.0	2.6
MJM	14.8	0.9	0.3
Rock Steady	10.5	1.0	0.3
Travel Logistics	7.7	1.3	0.7
Progard Serbia	8.2	1.2	0.6
Others	10.0	1.4	0.5
Total contribution from acquired businesses	518.6	46.6	18.0

If all the acquisitions had occurred on 1 January 2008 the results of the group for the period would have been as follows:

Group's results if all acquisitions had occurred on 1 January 2008	Revenue £m	PBITA £m	Profit £m
Group results for the period	5,942.9	416.4	164.9
Impact of backdating acquisitions to 1 January 2008			
GSL	158.5	15.0	5.6
ArmorGroup	55.6	3.0	1.2
Touchcom	3.4	(0.1)	(0.3)
RONCO	17.3	2.5	1.3
MJM	4.9	0.3	0.1
Rock Steady	3.5	0.3	0.1
Travel Logistics	1.5	0.3	0.2
Progard Serbia	8.2	1.2	0.6
Others	7.0	0.7	0.3
Group result for the period if all acquisitions had occurred on 1 January 2008	6,203.6	439.6	174.0

Acquisition of GSL

The separately identifiable assets and liabilities of GSL as at the acquisition date are presented in the table below.

	Book value £m	Fair value adjustments £m	**Fair value £m**
Intangible assets	1.9	146.7	**148.6**
Investment in associates	1.4	-	**1.4**
Property, plant and equipment	18.8	(5.5)	**13.3**
Inventories	0.6	-	**0.6**
Trade and other receivables	75.7	(0.5)	**75.2**
Deferred tax assets	4.8	(0.3)	**4.5**
Cash and cash equivalents	54.7	-	**54.7**
Trade and other payables	(84.0)	(5.4)	**(89.4)**
Current tax liabilities	(1.2)	-	**(1.2)**
Obligations under finance leases	(12.6)	-	**(12.6)**
Provisions	3.2	3.9	**7.1**
Borrowings	(238.8)	-	**(238.8)**
Deferred tax liabilities	(1.9)	(41.5)	**(43.4)**
Net assets acquired of subsidiary undertakings	(177.4)	97.4	**(80.0)**
Goodwill			**256.1**
Total purchase consideration			**176.1**
Satisfied by:			
Cash			**167.7**
Transaction costs			**8.4**
Total purchase consideration			**176.1**

17 Acquisitions (continued)

Prior year acquisitions

The group undertook a number of acquisitions in 2007, none of which were individually material. Principal acquisitions in subsidiary undertakings included the purchase of controlling interests in: Fidelity Cash Management Services (Pty) Ltd, in South Africa; al Majal Service Master LLC, a facilities management business in Saudi Arabia; and in RIG – PR Ltd, a specialist police recruitment agency in the United Kingdom. In addition, the group increased its interests in Israel and Mozambique, and recognised put options that increased the group's interest in the Baltic states.

At 31 December 2007, the fair value adjustments made against net assets acquired were provisional. The initial accounting in respect of acquisitions made during 2007 has since been finalised. The net assets acquired and goodwill arising in respect of all acquisitions made in the year are as follows:

	Book value £m	Fair value adjustments £m	**Fair value £m**
Acquisition-related intangible assets	-	41.5	**41.5**
Other intangible assets	1.0	(0.7)	**0.3**
Property, plant and equipment	26.3	(1.4)	**24.9**
Inventories	4.2	0.5	**4.7**
Trade and other receivables	50.6	(1.9)	**48.7**
Deferred tax assets	0.1	0.3	**0.4**
Cash and cash equivalents	11.6	0.8	**12.4**
Trade and other payables	(48.0)	(6.0)	**(54.0)**
Current tax liabilities	(1.6)	(1.5)	**(3.1)**
Provisions	(7.7)	(7.4)	**(15.1)**
Borrowings	(23.3)	(0.4)	**(23.7)**
Deferred tax liabilities	-	(10.6)	**(10.6)**
Minority interests	(10.7)	4.5	**(6.2)**
Net assets acquired of subsidiary undertakings	2.5	17.7	**20.2**
Acquisition of minority interests	17.8	6.1	**23.9**
Goodwill			**178.1**
Total purchase consideration			**222.2**
Satisfied by:			
Cash			**150.0**
Transaction costs			**5.6**
Contingent consideration			**66.6**
Total purchase consideration			**222.2**

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 £45.1m. On completion of the fair value exercise during 2008, adjustments made to the provisional calculation amounted to £1.1m, with an equivalent decrease in the reported value of goodwill. The comparative balance sheet at 31 December 2007 has been restated accordingly.

The goodwill arising on acquisitions can be ascribed to the existence of a skilled, active workforce and the opportunities to obtain new contracts and develop the business. Neither of these meet the criteria for recognition as intangible assets separable from goodwill. Goodwill arising on acquisition includes £47.5m arising on the acquisition of minority interests.

In the year of acquisition, in aggregate, the acquired businesses contributed £171.2m to revenues, £10.0m to PBITA and £(0.3)m to profit for the part year they were under the group's ownership. If all acquisitions had occurred on 1 January 2007, group revenue would have been £4,572.2m, PBITA would have been £321.0m and profit for the year would have been £162.4m.

Post balance sheet acquisitions

A number of acquisitions were effected after the balance sheet date, but before the financial statements were authorised for issue, none of which were individually material. In aggregate, the acquisitions, primarily within Europe, Asia Pacific and Africa, were satisfied by total consideration of £26.5m.

It is considered impractical to disclose any further information in relation to acquisitions effected after the balance sheet date because the preliminary assessment of the fair value of assets and liabilities acquired is in progress.

18. Disposal of subsidiaries

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

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

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

On 2 July 2007, the group disposed of G4S Cash Services (France) SAS.

The net assets of operations disposed of were as follows:

	2008 £m	2007 £m
Goodwill	**20.8**	-
Property, plant and equipment and intangible assets other than acquisition-related	**4.3**	12.9
Current assets	**13.0**	6.6
Liabilities	**(19.0)**	(8.3)
Net assets of operations disposed	**19.1**	11.2
Profit on disposal	**12.0**	9.1
Total consideration	**31.1**	20.3
Satisfied by:		
Cash	**31.1**	20.3

In the prior year, £12.4 was paid relating to the disposal of the German cash services business G4S Geld-und Wertdienste GmbH.

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

19. Intangible assets

2008	Goodwill	Acquisition-related intangible assets			Other intangible assets		Total
		Trademarks	Customer related	Technology	Development expenditure	Software	
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2008	1,357.0	16.2	322.2	10.7	7.0	60.5	1,773.6
Acquisition of businesses	408.5	16.3	180.5	5.2	-	1.9	612.4
Additions	-	-	2.0	-	3.9	19.2	25.1
Disposals	-	-	(0.1)	-	-	(1.8)	(1.9)
Translation adjustments	328.8	1.0	50.8	3.5	1.5	23.9	409.5
At 31 December 2008	2,094.3	33.5	555.4	19.4	12.4	103.7	2,818.7
Amortisation and accumulated impairment losses							
At 1 January 2008	(25.7)	(11.0)	(106.7)	(7.2)	(0.8)	(35.4)	(186.8)
Amortisation charge	-	(4.0)	(61.2)	(2.6)	(1.7)	(9.4)	(78.9)
Disposals	-	-	-	-	-	1.1	1.1
Translation adjustments	(8.2)	(1.4)	(18.9)	(3.1)	(0.4)	(8.5)	(40.5)
At 31 December 2008	(33.9)	(16.4)	(186.8)	(12.9)	(2.9)	(52.2)	(305.1)
Carrying amount							
At 1 January 2008	1,331.3	5.2	215.5	3.5	6.2	25.1	1586.8
At 31 December 2008	**2,060.4**	**17.1**	**368.6**	**6.5**	**9.5**	**51.5**	**2,513.6**

2007							
Cost							
At 1 January 2007	1,218.0	16.4	274.8	10.9	4.8	47.1	1,572.0
Acquisition of businesses	178.1	-	41.5	-	0.2	0.1	219.9
Additions	-	-	-	-	2.3	15.1	17.4
Disposals	-	-	-	-	(0.1)	(0.3)	(0.4)
Disposal of businesses	-	-	-	-	-	(1.3)	(1.3)
Reclassified as held for sale	(85.1)	(0.7)	-	-	(0.3)	(3.2)	(89.3)
Translation adjustments	46.0	0.5	5.9	(0.2)	0.1	3.0	55.3
At 31 December 2007	1,357.0	16.2	322.2	10.7	7.0	60.5	1,773.6
Amortisation and accumulated impairment losses							
At 1 January 2007	(42.4)	(7.9)	(68.4)	(5.2)	(0.3)	(29.4)	(153.6)
Amortisation charge	-	(3.3)	(36.2)	(2.1)	(0.7)	(7.8)	(50.1)
Disposals	-	-	-	-	0.1	0.2	0.3
Disposal of businesses	-	-	-	-	-	1.0	1.0
Reclassified as held for sale	27.8	0.4	-	-	0.2	2.6	31.0
Translation adjustments	(11.1)	(0.2)	(2.1)	0.1	(0.1)	(2.0)	(15.4)
At 31 December 2007	(25.7)	(11.0)	(106.7)	(7.2)	(0.8)	(35.4)	(186.8)
Carrying amount							
At 1 January 2007	1,175.6	8.5	206.4	5.7	4.5	17.7	1,418.4
At 31 December 2007	1,331.3	5.2	215.5	3.5	6.2	25.1	1,586.8

19 Intangible assets (continued)

Included within software is internally generated software with a gross carrying value of £6.7m (2007: £4.7m), and accumulated amortisation of £0.9m (2007: £2.2m), giving a net book value of £5.8m (2007: £2.5m). During the year, additions amounted to £3.9m (2007: £1.2m) and the amortisation charge associated to these assets was £0.9m (2007: £0.8m).

Customer-related intangibles comprise the contractual relationship with customers and the customer relationships which meet the criteria for identification as intangible assets in accordance with IFRS. Customer contracts and relationships recognised upon the acquisition of Securicor plc on 19 July 2004 are considered significant to the group. The carrying amount at 31 December 2008 was £138.6m (2007: £152.3m), and the amortisation period remaining in respect of these assets is five and a half years.

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

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

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

Where the planned growth rate in year three exceeds the forecast underlying economic growth rate, the excess is reduced progressively in the projections for years four and five. Growth rates across the group's CGUs range from 0% to 20%, and the into-perpetuity growth rates for the significant CGUs are disclosed in the table below. Future cash flows are discounted at a pre-tax, weighted average cost of capital which for the group is 11.4% (2007: 11.3%), and the discount rates for the significant CGUs are disclosed in the table below. Pre-tax cash flows discounted using pre-tax discount rates broadly approximate to post-tax cash flows discounted at post-tax rates. The group rate is adjusted where appropriate to reflect the different financial risks in each country in which the CGUs operate. Risk-adjusted discount rates applicable to group entities range from 7.7% in Singapore to 71.7% in Madagascar.

In applying the group's model, no impairment has been identified and recognised in any of the group's CGUs for the year ended 31 December 2008 or for the year ended 31 December 2007. Management believe that there is currently no reasonably possible change in the underlying factors used in the impairment model which would lead to a material impairment of goodwill.

The following CGUs have significant carrying amounts of goodwill:

	Discount rate 2008	Discount rate 2007	**Growth rate* 2008**	Growth rate* 2007	**Goodwill 2008 £m**	Goodwill 2007 £m
US secure solutions (manned security)	**10.1%**	11.0%	**5.0%**	3.0%	**388.9**	246.6
GSL	**11.4%**	-	**5.3%**	-	**256.1**	-
UK cash solutions	**11.4%**	11.3%	**5.3%**	4.4%	**244.5**	226.1
Netherlands security solutions	**10.5%**	9.9%	**3.9%**	3.0%	**136.6**	103.8
UK secure solutions (manned security)	**11.4%**	11.3%	**5.3%**	4.4%	**122.8**	65.7
UK secure solutions (justice services)	**11.4%**	11.3%	**5.3%**	4.4%	**95.3**	105.8
Baltics secure solutions and cash solutions	**14.3%**	15.8%	**3.9%**	5.5%	**76.1**	55.8
Other (all allocated)					**740.1**	527.5
Total goodwill					**2,060.4**	1,331.3

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

The key assumptions used in the discounted cash flow calculations relate to the discount rates and underlying economic growth rates for each CGU. With all other variables being equal, a 1% increase in the group discount rate from 11.4% to 12.4% with equivalent increases to the discount rates in all countries would result in a goodwill impairment to the group of £15m, however no impairment would be required to any of the significant CGUs. A significant increase of 3% in the group discount rate from 11.4% to 14.4%, and an equivalent increase in all countries, would result in a group impairment of £125m including impairments of £65m to GSL and £26m to Netherlands secure solutions.

A decrease in the underlying growth rate in all countries of 1% would result in a group impairment of £10m, with no impairment required for any of the significant CGUs. A decrease of 3% in growth rate would result in a group impairment of £93m including impairments to GSL of £40m and to Netherlands secure solutions of £17m. 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

2008	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2008	158.5	630.5	789.0
Acquisition of businesses	7.4	21.9	29.3
Additions	36.4	132.2	168.6
Disposals	(2.3)	(65.4)	(67.7)
Translation adjustments	29.8	142.2	172.0
At 31 December 2008	229.8	861.4	1,091.2
Depreciation and accumulated impairment losses			
At 1 January 2008	(35.6)	(350.2)	(385.8)
Depreciation charge	(10.6)	(94.4)	(105.0)
Disposals	1.3	53.4	54.7
Translation adjustments	(14.3)	(112.2)	(126.5)
At 31 December 2008	(59.2)	(503.4)	(562.6)
Carrying amount			
At 1 January 2008	122.9	280.3	403.2
At 31 December 2008	**170.6**	**358.0**	**528.6**

2007			
Cost			
At 1 January 2007	137.8	540.4	678.2
Acquisition of businesses	4.0	20.9	24.9
Additions	34.5	105.1	139.6
Disposals	(12.4)	(35.9)	(48.3)
Disposal of businesses	(12.4)	(11.9)	(24.3)
Reclassified as held for sale	(0.6)	(21.6)	(22.2)
Translation adjustments	7.6	33.5	41.1
At 31 December 2007	158.5	630.5	789.0
Depreciation and accumulated impairment losses			
At 1 January 2007	(30.5)	(292.8)	(323.3)
Depreciation charge	(12.1)	(79.0)	(91.1)
Disposals	6.9	19.1	26.0
Disposal of businesses	3.5	8.2	11.7
Reclassified as held for sale	0.3	16.8	17.1
Translation adjustments	(3.7)	(22.5)	(26.2)
At 31 December 2007	(35.6)	(350.2)	(385.8)
Carrying amount			
At 1 January 2007	107.3	247.6	354.9
At 31 December 2007	122.9	280.3	403.2

20 Property, plant and equipment (continued)

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

	2008 £m	2007 £m
Net book value	**59.5**	50.8
Accumulated depreciation	**68.2**	47.9
Depreciation charge for the year	**16.6**	14.0

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:

	2008 £m	2007 £m
Net book value	**39.2**	32.5
Accumulated depreciation	**74.1**	49.0
Depreciation charge for the year	**9.4**	7.5

The net book value of land and buildings comprises:

	2008 £m	2007 £m
Freeholds	**57.2**	52.2
Long leaseholds (50 years and over)	**9.8**	17.0
Short leaseholds (under 50 years)	**103.6**	53.7

At 31 December 2008 the group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £3.3m (2007: £2.1m).

21. Investment in joint ventures

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

The group's 100% interest in the equity of Wackenhut Services, Inc ("WSI") previously classified as a joint venture, is now accounted for as a subsidiary as the group now exercises sufficient influence over WSI's operations for it to be so classified as a subsidiary. WSI is governed through a proxy agreement under which the group is excluded from access to certain information relating to its business.

21 Investment in joint ventures (continued)

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

Results	2008 £m	2007 £m
Income	**30.8**	320.6
Expenses	**(27.4)**	(307.1)
Profit after tax	**3.4**	13.5

Balance sheet	2008 £m	2007 £m
Assets		
Non-current assets	**4.0**	54.5
Current assets	**47.8**	92.6
	51.8	147.1
Liabilities		
Current liabilities	**(11.3)**	(56.3)
Non-current liabilities	**(18.1)**	(52.5)
	(29.4)	(108.8)
Net assets	**22.4**	38.3

22. Investment in associates

The group's share of associates' profit and net assets and the reconciliation to the net investment are as follows:

	2008 £m	2007 £m
Total assets	**11.6**	14.2
Total liabilities	**(4.2)**	(4.0)
Net investment in associates	**7.4**	10.2
Revenue	**76.3**	75.8
Profit for the year	**3.4**	3.0

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

23. Inventories

	2008 £m	2007 £m
Raw materials	**23.4**	12.7
Work in progress	**11.5**	7.4
Finished goods including consumables	**50.6**	38.1
Total inventories	**85.5**	58.2

24. Investments

Investments comprise primarily listed securities of £70.2m (2007: £61.6m) held by the group's wholly-owned captive insurance subsidiaries stated at their fair values based on quoted market prices. Use of these investments is restricted to the settlement of claims against the group's captive insurance subsidiaries.

25. Trade and other receivables

	2008 £m	2007 £m
Within current assets		
Trade debtors	**1,220.2**	789.7
Allowance for doubtful debts	**(59.4)**	(36.4)
Amounts owed by associated undertakings	**4.4**	3.3
Other debtors	**88.3**	65.3
Prepayments and accrued income	**89.1**	51.6
Amounts due from construction contract customers (see note 26)	**10.6**	11.3
Derivative financial instruments at fair value (see note 32)	**9.6**	2.3
Total trade and other receivables included within current assets	**1,362.8**	887.1
Within non-current assets		
Derivative financial instruments at fair value (see note 32)	**143.6**	15.1
Other debtors	**11.1**	13.9
Amounts receivable under PFI contracts	**43.3**	40.4
Total trade and other receivables included within non-current assets	**198.0**	69.4

Credit risk on trade receivables

There is limited concentration of credit risk with respect to trade receivables, as the group's customers are both large in number and dispersed geographically in over 110 countries.

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

The movement in the allowance for doubtful debts is as follows:

	2008 £m	2007 £m
At 1 January	**(36.4)**	(25.7)
Amounts written off during the year	**3.8**	5.4
Increase in allowance	**(26.8)**	(16.1)
At 31 December	**(59.4)**	(36.4)

Included within trade receivables are trade debtors with a carrying amount of £384m (2007: £290m) which are past due at the reporting date for which no provision has been made as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The group does not hold any collateral over these balances. The proportion of trade debtors at 31 December 2008 that were overdue for payment was 36% (2007: 39%). The group-wide average age of all trade debtors at year end was 68 days (2007: 58 days).

The directors believe the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value.

Amounts receivable under PFI contracts

Amounts receivable under PFI contracts comprise the group's proportion of amounts receivable in respect of the Private Finance Initiative (PFI) projects undertaken by the group's joint ventures. During the year the group acquired a share of Bloemfontein Correctional Contracts (Pty) Ltd within the acquisition of GSL Global Ltd. The Group's interests under PFI contracts primarily consist of the design, construction, financing and management of HM Prison and Young Offenders Institution Parc in Bridgend, South Wales, for the Home Office; and the Oakhill Secure Training Centre for young people in Milton Keynes for the Youth Justices Board. The Bridgend contract commenced in January 1996 and expires in December 2022. The Milton Keynes contract commenced in June 2003 and expires in June 2028. Both contracts can be terminated by the customer either in the event of a severe failure to comply with the contract or voluntarily with six months notice and the payment of appropriate compensation. The specified assets remain the property of the customers. The group's joint ventures have the right to provide services using the specified assets during the life of the contracts. There is currently no obligation to acquire or build further assets and any such obligation would be agreed with the customers as variations to the contracts. The pricing basis is inflation-indexed.

Amounts receivable under PFI contracts are pledged as security against borrowings of the group.

26. Construction contracts

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

	2008 £m	2007 £m
Amounts due from contract customers included in trade and other receivables	**10.6**	11.3
Amounts due to contract customers included in trade and other payables	**(2.6)**	(1.7)
Net balances relating to construction contracts	**8.0**	9.6
Contract costs incurred plus recognised profits less recognised losses to date	**23.6**	32.2
Less: Progress billings	**(15.6)**	(22.6)
Net balances relating to construction contracts	**8.0**	9.6

At 31 December 2008, advances received from customers for contract work amounted to £6.0m (2007: £2.8m). There were no retentions held by customers for contract work at either balance sheet date. All trade and other receivables arising from construction contracts are due for settlement within one year.

The directors believe the fair value of amounts due from and to contract customers, being the present value of future cash flows, approximates to their book value.

27. Disposal groups classified as held for sale

Disposal groups classified as held for sale as at 31 December 2008 comprise primarily the assets and liabilities associated with the manned guarding business in France, which includes principally Group 4 Securicor SAS.

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

	2008 £m	2007 £m
ASSETS		
Goodwill and acquisition-related intangible assets	**15.1**	57.6
Property, plant and equipment and intangible assets other than acquisition-related	**4.2**	5.8
Interest in associates	**(0.8)**	3.3
Trade and other receivables	**45.2**	56.6
Deferred tax asset	**2.3**	-
Cash and cash equivalents	**5.0**	7.6
Total assets classified as held for sale	**71.0**	130.9
LIABILITIES		
Bank overdrafts	**(11.3)**	(8.3)
Bank loans	**(1.0)**	(0.6)
Trade and other payables	**(58.1)**	(62.3)
Current tax liabilities	**(2.6)**	(2.0)
Retirement benefit obligations	**(0.8)**	(1.1)
Provisions	**(0.3)**	(4.0)
Total liabilities associated with assets classified as held for sale	**(74.1)**	(78.3)
Net (liabilities)/assets of disposal group	**(3.1)**	52.6

28. Cash, cash equivalents and bank overdrafts

A reconciliation of cash and cash equivalents reported within the consolidated cash flow statement to amounts reported within the balance sheet is presented below:

	2008 £m	2007 £m
Cash and cash equivalents	**562.1**	382.1
Bank overdrafts	**(195.1)**	(110.7)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	**(6.3)**	(0.7)
Total cash, cash equivalents and bank overdrafts	**360.7**	270.7

Cash and cash equivalents comprise principally short-term money market deposits, current account balances and cash held in ATM machines and at 31 December 2008 bore interest at a weighted average rate of 1.2% (2007: 3.3%). 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 in excess of 90 group companies at 31 December 2008. It is anticipated that the number of participants in the group will continue to grow. At 31 December 2008 £128.4m (2007: £82.9m) of the cash balances and the equivalent amount of the overdraft balances were effectively offset for interest purposes within the cash pool.

Cash and cash equivalents of £33.7m (2007: £28.1m) 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

	2008 £m	2007 £m
Bank overdrafts	**195.1**	110.7
Bank loans	**965.7**	809.7
Loan notes	**901.9**	290.4
Total bank overdrafts, bank loans and loan notes	**2,062.7**	1,210.8
The borrowings are repayable as follows:		
On demand or within one year	**283.0**	191.3
In the second year	**10.0**	10.7
In the third to fifth years inclusive	**900.8**	702.1
After five years	**868.9**	306.7
Total bank overdrafts, bank loans and loan notes	**2,062.7**	1,210.8
Less: Amount due for settlement within 12 months (shown under current liabilities):		
-Bank overdrafts	**(195.1)**	(110.7)
-Bank loans	**(87.9)**	(80.6)
	(283.0)	(191.3)
Amount due for settlement after 12 months	**1,779.7**	1,019.5

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	64.0	55.0	36.2	39.9	195.1
Bank loans	236.6	351.5	313.6	64.0	965.7
Loan notes	69.0	-	832.9	-	901.9
At 31 December 2008	**369.6**	**406.5**	**1,182.7**	**103.9**	**2,062.7**
Bank overdrafts	64.8	12.4	2.6	30.9	110.7
Bank loans	184.9	329.2	242.2	53.4	809.7
Loan notes	-	-	290.4	-	290.4
At 31 December 2007	**249.7**	**341.6**	**535.2**	**84.3**	**1,210.8**

Of the borrowings in currencies other than sterling, £1,272m (2007: £821m) is designated as net investment hedging instruments.

The weighted average interest rates on bank overdrafts, bank loans and loan notes at 31 December 2008 were as follows:

	2008 %	2007 %
Bank overdrafts	**2.2**	6.0
Bank loans	**4.6**	5.7
Loan notes	**6.4**	5.9

The group's committed bank borrowings comprise two multicurrency revolving credit facilities totalling £1,087m with a maturity date of June 2012 and a revolving credit facility of £45m maturing March 2010, and the group's uncommitted facilities amount to £578.0m (2007: £410.9m). At 31 December 2008, undrawn committed available facilities amounted to £350.4m (2006: £427.9m). Interest on all committed bank borrowing facilities is at prevailing Libor or Euribor rates, dependent upon the period of drawdown, plus an agreed margin, and re-priced within one year or less.

Borrowing at floating rates exposes the group to cash flow interest rate risk. The management of this risk is discussed in note 33.

The group issued fixed rate loan notes in the US Private Placement market totalling US$550m (£382.5m) on 1 March 2007. The notes mature in March 2014 ($100m), March 2017 ($200m), March 2019 ($145m) and March 2022 ($105m).

The group issued further fixed rate loan notes in the US Private Placement market totalling US$513.5m (£357.1m) and £69m on 15 July 2008. The notes mature in July 2013 ($65m), July 2015 ($150m), July 2016 (£25m), July 2018 ($224m) and (£44m), and July 2020 ($74.5m).

The committed bank facilities and the loan notes are subject to one financial covenant (net debt to EBITDA ratio) and non-compliance with the covenant may lead to an acceleration of maturity. The group complied with the financial covenant throughout the year to 31 December 2008 and the year to 31 December 2007. The group has not defaulted on, or breached the terms of, any material loans during the year.

Bank overdrafts, bank loans and the loan notes issued in July 2008 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 (£184.3m) of the loan notes issued in July 2008 have a fair value market gain of £60.9m. The fair value of the remaining notes approximates to their book value.

30. Obligations under finance leases

	Minimum lease payments 2008 £m	Minimum lease payments 2007 £m	**Present Value of minimum lease payments 2008 £m**	Present value of minimum lease payments 2007 £m
Amounts payable under finance leases:				
Within one year	**24.0**	18.7	**22.1**	16.2
In the second to fifth years inclusive	**55.9**	40.3	**49.3**	35.6
After five years	**16.3**	11.2	**14.3**	10.4
	96.2	70.2	**85.7**	62.2
Less: Future finance charges on finance leases	**(10.5)**	(8.0)		
Present value of lease obligations	**85.7**	62.2		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(22.1)**	(16.2)
Amount due for settlement after 12 months			**63.6**	46.0

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The weighted average lease term is eight years. For the year ended 31 December 2008, the weighted average effective borrowing rate was 7.2% (2007: 5.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

31. Trade and other payables

	2008 £m	2007 £m
Within current liabilities:		
Trade creditors	**197.0**	141.1
Amounts due to construction contract customers (see note 26)	**2.6**	1.7
Amounts owed to associated undertakings	**0.5**	0.7
Other taxation and social security costs	**182.6**	129.1
Other creditors	**519.5**	411.4
Accruals and deferred income	**294.7**	153.0
Derivative financial instruments at fair value (see note 32)	**19.2**	15.1
Total trade and other payables included within current liabilities	**1,216.1**	852.1
Within non-current liabilities:		
Derivative financial instruments at fair value (see note 32)	**39.1**	6.7
Other creditors	**24.4**	32.0
Total trade and other payables included within non-current liabilities	**63.5**	38.7

Trade and other payables comprise principally amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2007: 46 days). The directors believe the fair value of trade and other payables, being the present value of future cash flows, approximates to their book value.

32. Derivative financial instruments

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

	Assets 2008 £m	Assets 2007 £m	Liabilities 2008 £m	Liabilities 2007 £m
Forward foreign exchange contracts	**-**	-	**28.6**	13.6
Cross currency swaps designated as cash flow hedges	**60.9**	-	**-**	-
Interest rate swaps designated as cash flow hedges	**-**	3.1	**28.6**	8.2
Interest rate swaps designated as fair value hedges	**92.3**	14.3	**-**	-
Commodity swaps	-	-	**1.1**	-
	153.2	17.4	**58.3**	21.8
Less: Non-current portion	**(143.6)**	(15.1)	**(39.1)**	(6.7)
Current portion	**9.6**	2.3	**19.2**	15.1

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The source of the market prices is Bloomberg and in addition the third party relationship counterparty banks. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument which are discounted back to the balance sheet date. This value is compared to the original transaction value giving a fair value of the instrument at the balance sheet date.

The mark to market valuation of the derivatives has risen by £99.3m during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The interest rate, cross currency and commodity swaps which qualify as cash flow hedges have the following maturities:

	Assets 2008 £m	Assets 2007 £m	**Liabilities 2008 £m**	Liabilities 2007 £m
Within one year	**-**	0.1	**3.2**	0.1
In the second year	**-**	1.0	**4.0**	0.9
In the third year	**-**	0.6	**7.8**	1.1
In the fourth year	**-**	0.7	**10.0**	2.2
In the fifth year or greater	**60.9**	0.7	**4.7**	3.9
Total carrying value of cash flow hedges	**60.9**	3.1	**29.7**	8.2

32 Derivative financial instruments (continued)

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2008 £m	Assets 2007 £m	**Liabilities 2008 £m**	Liabilities 2007 £m
Within one year	**2.3**	1.7	**11.1**	1.6
In the second year	**1.6**	0.6	**10.7**	3.1
In the third year	**1.6**	0.4	**4.9**	1.7
In the fourth year	**1.6**	0.2	**2.1**	0.9
In the fifth year or greater	**54.5**	0.2	**1.4**	0.9
Total cash flows	**61.6**	3.1	**30.2**	8.2

33. Financial risk

Capital management

The group's capital management objective is to ensure that the businesses within it can continue and develop as going concerns whilst returns to stakeholders are maximised. The group believes that these returns are maximised when the group's Weighted Average Cost of Capital (WACC) is minimised and that this is the case when the group broadly has the characteristics of an investment grade BBB rated entity. The group therefore aims generally to maintain its net debt expressed as a multiple of cash generated from operations broadly within a range corresponding to those of BBB rated entities. On 9 March 2009 the group obtained a BBB credit rating from Standard & Poor's.

The group has a range of return on capital targets in respect of potential acquisitions, depending upon their size. Most proposals for "bolt-on" acquisitions must demonstrate a post-tax return of at least 12% on the capital investment within three years. Medium-sized acquisitions are required to return a minimum of 10% within this 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 2008 was 8.2%.

The group monitors the financial performance of acquired businesses during the years following acquisition against the return targets. In addition, the group monitors the Return on Net Assets (RONA) of all its businesses on a monthly basis. The group regards RONA as a measure of operational performance and therefore calculates it as EBITA divided by net assets excluding goodwill, tax, dividends payable and retirement benefit obligations.

The group has no current intention to commence a share buy-back plan. The group operates a programme to purchase its own shares on the market on a regular basis so as to provide a pool of shares from which to satisfy share awards to employees as the awards vest.

The group is not subject to externally-imposed capital requirements and there were no changes in the group's approach to capital management during the year.

Liquidity risk

The group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the group's bank overdrafts, bank loans and loan notes see note 29.

The percentage of available, but undrawn committed facilities during the course of the year was as follows:

31 December 2007	38%
31 March 2008	29%

30 June 2008	24%
30 September 2008	16%
31 December 2008	19%

The availability of undrawn committed facilities during 2008 has been impacted by the deterioration in the value of sterling against the US dollar and euro, being currencies win which a significant proportion of drawn facilities is denominated. To reduce re-financing risk, group treasury obtains finance with a range of maturities and hence minimises the impact of a single material source of finance terminating on a single date.

The group's committed facilities have the following maturity dates:

March 2010	£45m
June 2012	£1,087m
July 2013	£45m

33 Financial risk (continued)

March 2014	£70m
July 2015	£104m
July 2016	£25m
March 2017	£139m
July 2018	£200m
March 2019	£101m
July 2020	£52m
March 2022	£73m

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

The group will continue to seek to diversify its sources of finance and reduce further the proportion of bank supplied finance.

Market risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. Transaction risk is limited since, wherever possible, each business operates and conducts its financing activities in local currency. However, the group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The group hedges a substantial proportion of its exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

Translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges.

The group enters into forward foreign exchange contracts so as to hedge a high proportion of the translation risk not hedged by way of loans. The group hedges those foreign currencies in which more than 1% of the group's consolidated net operating assets are denominated, provided there is a sufficiently liquid and large enough foreign exchange market in which to hedge the currency. Other currencies below the 1% threshold will also be considered where the cost of hedging is acceptable. Gains and losses on such forward foreign exchange contracts are recognised in equity. The notional value of outstanding forward foreign exchange contracts at 31 December 2008 was £304.8m (2007: £373.2m). All these contracts had matured by 28 February 2009. All the foreign exchange hedging instruments are designated and fully effective as net investment hedges and movements in their fair value have been deferred in equity.

At 31 December 2008, the group's US dollar, euro, Canadian dollar and Danish krone net assets were approximately 89%, 97%, 86% and 70% respectively hedged by foreign currency loans and foreign exchange forward contracts (2007: US dollar 98%, euro 90%, Canadian dollar 93% and Danish krone 83%).

The financial instruments used to hedge the foreign currency translation exposure had a fair value loss of £28.6m at 31 December 2008. Assuming a 1% depreciation of sterling against each of the hedged currencies, the fair value loss on these instruments would increase by a further £3.4m. This additional fair value loss would be posted to equity.

Following maturity of the forward foreign exchange contracts in February, the contracts were not renewed. The group is currently assessing its options with regards to hedging this portion of translation risk.

Cross currency swaps with a nominal value of £134.2m were arranged to hedge the foreign currency risk on US$265m of the second US Private Placement notes issued in July 2008, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note 29 exposes the group to cash flow interest rate risk, which the group manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum of five years. At 31 December 2008 the nominal value of such contracts was £246.9m (in respect of US dollar) (2007: £213.5m) and £271.7m (in respect of euro) (2007: £183.6m), their weighted average interest rate was 5.0% (US dollar) (2007: 4.9%) and 3.8% (euro) (2007: 3.8 %), 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 flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of the first issue in March 2007, the group was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is Libor + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item.

The interest on the US Private Placement notes issued in July 2008 was kept at fixed rate.

The core group borrowings are held in US dollar, euro and sterling. Although the impact of rising interest rates is partly shielded by fixed rate loans and interest rate swaps which fix a portion of the exposure, some interest rate risk remains. Assuming a 1% increase in interest rates across the yield curve in each of these currencies and keeping the 31 December 2008 debt position constant throughout 2008, an additional interest charge of £8.1m would be expected in the 2009 financial year.

Financial risk (continued)

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 frequently used to fix synthetically part of the exposure and reduce the associated cost volatility. Commodity swaps hedging 24 million litres of projected 2009 diesel consumption were in place at 31 December 2008.

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 closely monitored. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of A+/A1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the group's relationship banks, all of which have a strong investment grade rating. At 31 December 2008 the largest two counterparty exposures related to treasury transactions were £61.8m and £36.3m and both held with institutions with long term Standard & Poor's credit ratings of A+. These exposures represent 40% and 24% of the carrying values of derivative financial instruments, with a fair value gain at the balance sheet date. Both of these banks had significant loans outstanding to G4S plc at 31 December 2008.

The group operates a multi-currency notional pooling cash management system with a wholly owned subsidiary of a AA rated bank. At year end credit balances of £131.0m were pooled with debit balances of £128.4m, resulting in a net pool balance of £2.6m. There is legal right of set off under the pooling agreement.

At an operating level the minimum investment grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no, or a non-investment grade, rating can be approved as counterparties for a period of up to 12 months. Due to the group's global geographical footprint and exposure to multiple industries, there is minimal concentration risk.

34. Retirement benefit obligations

The group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the income statement totalled £95.6m (2007: £57.9m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In the UK, following the closure of the defined benefit schemes to new entrants, the main scheme for new employees is a contracted-in defined contribution scheme.

Wackenhut Services, Inc ("WSI") is the administrator of several defined benefit schemes. WSI is responsible for making periodic cost-reimbursable deposits to the various defined benefit schemes as determined by independent actuaries. In each instance, the US Department of Energy ("DOE") acknowledged within the contract entered between the DOE and WSI its responsibility for all unfunded pension and benefit liabilities. Therefore, these schemes are accounted for as defined contribution schemes.

In the Netherlands, most employees are members of industry-wide defined benefit schemes which are not valued on an IAS 19 basis as it is not possible to identify separately the group's share of the schemes' assets and liabilities. As a result the schemes are accounted for as defined contribution schemes. Contributions made to the schemes and charged to the income statement in 2008 totalled £7.3m (2007: £4.7m).The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2009 in respect of the ongoing accrual of benefits is approximately £7.5m assuming consistent exchange rates.

Defined benefit arrangements

The group operates a number of defined benefit retirement arrangements where the benefits are based on employees' length of service. In most cases these are calculated on the basis of final pensionable pay, other than for the smallest of the three schemes in the UK and one scheme in the Netherlands where they are based on career average pay. Liabilities under these arrangements are stated at the discounted value of benefits accrued to date, based upon actuarial advice.

Under unfunded arrangements, the group does not hold the related assets separate from the group. The amount charged to the income statement in respect of these arrangements in 2008 totalled £2.3m (2007: £1.8m). Under funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds. The pension costs are assessed on the advice of qualified independent actuaries using the projected unit credit method. The group operates several funded defined retirement benefit schemes. Whilst the group's primary schemes are in the UK, it also operates other material schemes in the Netherlands, Ireland, Canada and Israel. During 2007, two defined benefit schemes (one in the Netherlands and one in Israel) were reclassified, for disclosure purposes, into the material funded defined retirement benefit schemes category.

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

	2008 £m	2007 £m
UK	**256.2**	121.6
Rest of World	**30.0**	13.9
Net liability on material funded defined retirement benefit schemes	**286.2**	135.5
Unfunded and other funded defined retirement benefit obligations	**41.3**	31.9
	327.5	167.4
Less: Amounts included within current liabilities	**(48.9)**	(47.3)
Included within non-current liabilities	**278.6**	120.1

The defined benefit schemes in the UK account for 90% of the net balance sheet liability on material funded defined retirement benefit schemes. They comprise three arrangements: the pension scheme demerged from the former Group 4 Falck A/S with total membership of approximately 8,000, the Securicor scheme, responsibility for which the group assumed on 20 July 2004 with the acquisition of Securicor plc, with total membership of approximately 20,000 and the GSL scheme, responsibility for which the group assumed on 12 May 2008 with the acquisition of GSL, with total membership of approximately 2,000. Regular actuarial assessments of the schemes are carried out, the latest being at 31 March 2007 in respect of the Group 4 scheme, 5 April 2006 in respect of the Securicor scheme and 5 April 2005 in respect of the GSL scheme. Pension obligations stated in the balance sheet take account of future service and earnings increases, have been updated to 31 December 2008 and use the valuation methodologies specified in IAS 19 *Employee Benefits*.

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 2008		
Discount rate	6.3%	5.8%
Expected return on scheme assets (as at 1 January 2008)	6.9%	6.2%
Expected rate of salary increases	4.9%	2.9%
Future pension increases	3.1%	2.0%
Inflation	3.1%	2.0%

33. Retirement benefit obligations (continued)

Defined benefit arrangements (continued)

Key assumptions used at 31 December 2007		
Discount rate	5.8%	5.5%
Expected return on scheme assets (as at 1 January 2007)	6.7%	6.2%
Expected rate of salary increases	5.2%	3.3%
Future pension increases	3.4%	2.1%
Inflation	3.4%	2.2%

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

- Current and future pensioners 125% of PMA92 (YOB) Medium Cohort Male
- Current and future pensioners 115% of PFA92 (YOB) Medium Cohort Female

The amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	UK £m	**Rest of World £m**	**Total £m**
Amounts recognised in income 2008			
Current service cost	(11.8)	(3.6)	(15.4)
Finance cost on defined retirement benefit obligations	(77.8)	(5.0)	(82.8)
Expected return on defined retirement benefit scheme	82.2	4.3	86.5
Total amounts recognised in income	(7.4)	(4.3)	(11.7)
Amounts recognised in income 2007			
Current service cost	(11.5)	(4.1)	(15.6)
Finance cost on defined retirement benefit obligations	(68.4)	(3.9)	(72.3)
Expected return on defined retirement benefit scheme	73.9	3.4	77.3
Total amounts recognised in income	(6.0)	(4.6)	(10.6)

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

	2008 £m	2007 £m
Cost of sales	**(11.1)**	(11.3)
Administration expenses	**(4.3)**	(4.3)
Finance income	**86.5**	77.3
Finance costs	**(82.8)**	(72.3)
Total	**(11.7)**	(10.6)

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

	2008 £m	2007 £m
At 1 January	**(7.8)**	(72.5)
Actuarial (losses)./gains recognised in the year	**(196.9)**	64.7
At 31 December	**(204.7)**	(7.8)

The amounts included in the balance sheet arising from the group's obligations in respect of its defined benefit schemes are as follows:

	UK £m	Rest of World £m	Total £m
2008			
Present value of defined benefit obligations	1,296.3	110.8	1,407.1
Fair value of scheme assets	(1,040.1)	(80.8)	(1,120.9)
Deficit in scheme recognised in the balance sheet	256.2	30.0	286.2
2007			
Present value of defined benefit obligations	1,291.3	84.6	1,375.9
Fair value of scheme assets	(1,169.7)	(70.7)	(1,240.4)
Deficit in scheme recognised in the balance sheet	121.6	13.9	135.5
2006			
Present value of defined benefit obligations	1,328.8	61.1	1,389.9
Fair value of scheme assets	(1,118.1)	(45.4)	(1,163.5)
Deficit in scheme recognised in the balance sheet	210.7	15.7	226.4
2005			
Present value of defined benefit obligations	1,199.3	61.1	1,260.4
Fair value of scheme assets	(1,004.5)	(39.3)	(1,043.8)
Deficit in scheme recognised in the balance sheet	194.8	21.8	216.6
2004			
Present value of defined benefit obligations	1,038.6	87.0	1,125.6
Fair value of scheme assets	(845.8)	(59.6)	(905.4)
Deficit in scheme recognised in the balance sheet	192.8	27.4	220.2

34 Retirement benefit obligations (continued)

Defined benefit arrangements (continued)

Movements in the present value of defined benefit obligations in the current year and the fair value of scheme assets during the year were as follows:

2008	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2008	1,291.3	84.6	1,375.9
Service cost	11.8	3.6	15.4
Interest cost	77.8	5.0	82.8
Contributions from scheme members	4.6	2.5	7.1
Actuarial gains	(129.2))	(5.6)	(134.8)
Benefits paid	(45.9)	(1.5)	(47.4)
Acquisitions of subsidiary undertakings	85.9	-	85.9
Translation adjustments	-	22.2	22.2
At 31 December 2008	**1,296.3**	**110.8**	**1,407.1**

Assets			
At 1 January 2008	1,169.7	70.7	1,240.4
Expected return on scheme assets	82.2	4.3	86.5
Actuarial losses	(315.1)	(16.6)	(331.7)
Actual returns on schedule assets	(232.9)	(12.3)	(245.2)
Contributions from the sponsoring companies	47.5	5.1	52.6
Contributions from scheme members	4.6	2.5	7.1
Benefits paid	(45.9)	(1.5)	(47.4)
Acquisition of subsidiary undertakings	97.1	-	97.1
Translation adjustments	-	16.3	16.3
At 31 December 2008	**1,040.1**	**80.8**	**1,120.9**

34 Retirement benefit obligations (continued)

2007	UK £m	Rest of World £m	Total £m
Obligations			
At 1 January 2007	1,328.8	61.1	1,389.9
Service cost	11.5	4.1	15.6
Interest cost	68.4	3.9	72.3
Contributions from scheme members	3.3	1.9	5.2
Actuarial gains	(77.5)	(8.4)	(85.9)
Benefits paid	(44.5)	(1.3)	(45.8)
Other	1.3	15.9	17.2
Translation adjustments	-	7.4	7.4
At 31 December 2007	**1,291.3**	**84.6**	**1,375.9**
Assets			
At 1 January 2007	1,118.1	45.4	1,163.5
Expected return on scheme assets	73.9	3.4	77.3
Actuarial losses	(16.6)	(4.6)	(21.2)
Actual return on scheme assets	57.3	(1.2)	56.1
Contributions from the sponsoring companies	34.2	3.8	38.0
Contributions from scheme members	3.3	1.9	5.2
Benefits paid	(44.5)	(1.3)	(45.8)
Other	1.3	15.7	17.0
Translation adjustments	-	6.4	6.4
At 31 December 2007	**1,169.7**	**70.7**	**1,240.4**

The contribution from sponsoring companies in 2008 included £26.9m (2007: £26.1m) of additional contributions in respect of the deficit in the schemes and a one-off £5.4m special payment in respect of the acquired GSL scheme. The other movements in the rest of the world in 2007 represent the reclassification as material of two funded plans.

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

Analysis of scheme assets	UK	Rest of World	Total
2008			
Equity instruments	57%	39%	56%
Debt instruments	28%	27%	28%
Property	1%	4%	1%
Other assets	14%	30%	15%
	100%	100%	100%
2007			
Equity instruments	68%	50%	67%
Debt instruments	30%	21%	30%
Property	-	4%	-
Other assets	2%	25%	3%
	100%	100%	100%

None of the pension scheme assets are held in the entity's own financial instruments or in any assets held or used by the entity.

34 Retirement benefit obligations (continued)

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
2008 (return expected in 2009)	6.3%	5.9%	6.3%
2007 (return expected in 2008)	6.9%	6.2%	6.9%
2006 (return expected in 2007)	6.7%	6.2%	6.7%

The expected rates of return on individual categories of scheme assets are determined with respect to bonds by reference to relevant indices, and with respect to other assets by reference to relevant indices of the historical return and economic forecasts of future returns relative to inflation in respect of assets of a similar nature. The overall expected rate of return is the weighted average of the rates on the individual asset categories.

The history of experience adjustments is as follows:

2008	**UK**	**Rest of World**	**Total**
Experience adjustments on scheme liabilities			
Amount (£m)	0.1	0.5	0.6
Percentage of scheme liabilities (%)	-	1	-
Experience adjustments on scheme assets			
Amount (£m)	(315.1)	(16.6)	(331.7)
Percentage of scheme assets (%)	(30)	(21)	(30)
2007			
Experience adjustments on scheme liabilities			
Amount (£m)	5.5	(3.1)	2.4
Percentage of scheme liabilities (%)	-	(4)	-
Experience adjustments on scheme assets			
Amount (£m)	(16.6)	(4.6)	(21.2)
Percentage of scheme assets (%)	(1)	(7)	(2)
2006			
Experience adjustments on scheme liabilities			
Amount (£m)	29.0	0.1	29.1
Percentage of scheme liabilities (%)	2	-	2
Experience adjustments on scheme assets			
Amount (£m)	45.4	2.6	48.0
Percentage of scheme assets (%)	4	6	4
2005			
Experience adjustments on scheme liabilities			
Amount (£m)	(17.5)	1.1	(16.4)
Percentage of scheme liabilities (%)	(1)	2	(1)
Experience adjustments on scheme assets			
Amount (£m)	99.0	2.4	101.4
Percentage of scheme assets (%)	10	6	10
2004			
Experience adjustments on scheme liabilities			
Amount (£m)	(2.7)	-	(2.7)
Percentage of scheme liabilities (%)	(1)	-	(1)
Experience adjustments on scheme assets			
Amount (£m)	30.2	3.7	33.9
Percentage of scheme assets (%)	4	6	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The estimated amounts of contributions expected to be paid to the schemes during the financial year commencing 1 January 2009 in respect of the ongoing accrual of benefits is approximately £20m and it is anticipated that these will remain at a similar level in the medium term subject to changes in financial conditions. Additional contributions of at least £28m will also be made in 2009 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 6.3%, in respect of the UK schemes at 31 December 2008 (5.8% at 31 December 2007). 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 £25m.

Liability calculations are also impacted heavily by the mortality projections included in the actuarial assumptions. The weighted average life expectancy of a male member of the UK schemes currently aged 65 has been assumed as 20.3 years. The weighted average life expectancy at 65 of a male currently aged 52 has been assumed as 21.1 years. The directors consider, on actuarial advice, these assumptions to be appropriate to the profile of the membership of the schemes. The effect of a one year change in this UK life expectancy assumption is to alter reported liabilities (before associated deferred tax) by approximately £42m.

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 £14m.

35. Provisions

	Employee benefits £m	Restructuring £m	Claims reserves £m	Onerous contracts £m	Total £m
At 1 January 2008	11.0	7.5	30.3	13.0	61.8
Additional provision in the year	8.0	3.4	20.6	1.1	33.1
On acquisition of subsidiary	0.8	1.3	2.3	34.7	39.1
Utilisation of provision	(7.6)	(10.8)	(18.2)	(7.5)	(44.1)
Unused amounts reversed	-	0.4	(1.0)	-	(0.6)
Reversals on disposal of a subsidiary	-	-	0.1	-	0.1
Translation adjustments	8.6	3.3	11.1	12.8	35.8
At 31 December 2008	**20.8**	**5.1**	**45.2**	**54.1**	**125.2**

Included in current liabilities	33.9
Included in non-current liabilities	91.3
	125.2

Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards and termination indemnity schemes.

Restructuring

Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. Settlement of restructuring provisions is highly probable. The timing is uncertain but is generally likely to be short term.

Claims reserves

The claims reserves are held by the wholly-owned captive insurance subsidiaries in Guernsey, Luxembourg and the US which underwrite part of the group's cash solutions, general liability, workers' compensation and auto liability policies. The provisions are subject to regular actuarial review and are adjusted as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing is uncertain, dependent upon the outcome of ongoing processes to determine both liability and quantum in respect of a wide range of claims or possible claims.

Onerous contracts

The onerous contract provision mainly comprises the provision against future liabilities for loss-making contracts, for all properties sub-let at a shortfall and for long-term idle, leased properties. The provision is based on the value of future net cash outflows. Whilst the likelihood of settlement of these obligations is considered probable, there is uncertainty over their value and duration.

36. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting periods:

	Retirement benefit obligations £m	Intangible assets £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2007	73.2	(61.2)	6.8	15.2	34.0
(Charge)/credit to the income statement	(14.6)	14.9	(1.7)	5.2	3.8
Acquisition of subsidiaries	-	(10.6)	-	0.4	(10.2)
(Credit)/charge to equity	(22.2)	-	-	6.9	(15.3)
Translation adjustments	0.7	(3.7)	-	(0.7)	(3.7)
At 31 December 2007	**37.1**	**(60.6)**	**5.1**	**27.0**	**8.6**
At 1 January 2008	37.1	(60.6)	5.1	27.0	8.6
(Charge)/credit to the income statement	(7.5)	19.1	1.9	(8.3)	5.2
Acquisition of subsidiaries	(4.7)	(56.2)	-	17.6	(43.3)
(Charge)/credit to equity	56.7	-	-	(6.4)	50.3
Translation adjustments	-	(15.5)	0.6	14.1	0.8
At 31 December 2008	**81.6**	**(113.2)**	**7.6**	**44.0**	**20.0**

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

	2008 £m	2007 £m
Deferred tax liabilities	**(135.0)**	(75.9)
Deferred tax assets	**155.0**	84.5
Total deferred tax position	**20.0**	**8.6**

At the balance sheet date, the group has unutilised tax losses of approximately £526.8m (2007: £126.5m) potentially available for offset against future profits. A deferred tax asset of £7.6m (2007: £5.1m) has been recognised in respect of approximately £22.9m (2007: £19.3m) of gross losses. No deferred tax asset has been recognised in respect of the remaining £503.9m (2007: £107.2m) of gross losses due to the unpredictability of future profit streams in the relevant jurisdictions and the fact that a significant proportion of such losses remains unaudited by the relevant tax authorities. Included in unrecognised tax losses are gross losses of £1.6m, £3.2m, £3.2m, £2.0m, £2.0m and £2.7m which will expire in 2009, 2010, 2011, 2012, 2013 and 2014 respectively. Other losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of non-UK subsidiaries for which deferred tax liabilities have not been recognised is £2,727m (2007: £2,504m). No liability has been recognised in respect of these gross differences on the basis that the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

At the balance sheet date, the group has total unprovided contingent tax liabilities of approximately £4.0m (2007: £39.0m) relating to unresolved tax issues in various jurisdictions. No provision has been made for these amounts on the basis that the group considers that the likelihood of the liabilities crystallising is improbable. It is not possible to estimate the timing or outcome of these issues.

37. Share capital

G4S plc	At 31 December 2008 Authorised £	At 31 December 2008 Issued and fully paid £	At 31 December 2007 Authorised £	At 31 December 2007 Issued and fully paid £
Ordinary shares of 25p each (2007: 25p each)	**500,000,000**	**352,074,66**	500,000,000	320,177,68

	Number	Nominal value £m
Ordinary shares in issue		
At 1 January 2007	1,279,816,918	320.0
Shares issued on exercise of options:		
Executive Scheme	667,500	0.2
Sharesave Scheme	226,320	-
At 1 January 2008	1,280,710,738	320.2
New shares issued	127,000,000	31.8
Shares issued on exercise of options:		
Executive Scheme	587,901	0.1
At 31 December 2008	**1,408,298,639**	**352.1**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Options over G4S plc shares outstanding at 31 December 2008, rolled over at 19 July 2004 from options previously held over Securicor plc shares, were as follows:

(a) Executive share option scheme

Number of options outstanding	Number of ordinary shares under option	Exercise price per share (pence)	Exercise date
8	400,000	164p	2009
8	270,000	133.75p	2009-2010
8	195,000	153p	2009-2010
4	1,345,000	108p	2009-2011
1	85,000	130p	2009-2012
1	25,000	85p	2009-2013
1	50,000	91p	2009-2013

The proceeds from shares allotted under this scheme during the year amounted to £693,631 (2007: £783,769).

(b) Sharesave scheme

All remaining shares under this scheme were exercised or have lapsed during 2007. As a result no proceeds from shares allotted under this scheme were received during the year (2007: proceeds received £144,485).

All of the above options are inclusive of those held by directors as set out in the Directors' Remuneration Report on page ●.

5,832,653 shares are held by an employee benefit trust as detailed in note 38.

38. Share premium and reserves

	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 2007	10.3	186.0	4.8	(2.8)	426.3	(9.4)	615.2
Net recognised income/(expense) attributable to equity shareholders of the parent	-	189.7	(19.2)	38.8	-	-	209.3
Shares issued	0.7	-	-	-	-	-	0.7
Dividends declared	-	(59.3)	-	-	-	-	(59.3)
Own shares purchased	-	-	-	-	-	(3.1)	(3.1)
Own shares awarded	-	(3.5)	-	-	-	3.5	-
Equity-settled transactions	-	4.1	-	-	-	-	4.1
At 31 December 2007	11.0	317.0	(14.4)	36.0	426.3	(9.0)	766.9
At 1 January 2008	11.0	317.0	(14.4)	36.0	426.3	(9.0)	766.9
Net recognised income/(expense) attributable to equity shareholders of the parent	-	11.0	(32.7)	163.6	-	-	141.9
Shares issued	244.9	-	-	-	-	-	244.9
Dividends declared	-	(75.0)	-	-	-	-	(75.0)
Own shares purchased	-	-	-	-	-	(8.8)	(8.8)
Own shares awarded	-	(6.0)	-	-	-	6.0	-
Equity-settled transactions	-	5.0	-	-	-	-	5.0
At 31 December 2008	**255.9**	**252.0**	**(47.1)**	**199.6**	**426.3**	**(11.8)**	**1,074.9**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow instruments related to the hedged transactions that have not yet occurred (net of tax).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in foreign operations (net of tax).

Merger reserve

The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the group in 2004.

Reserve for own shares

An employee benefit trust established by the group held 5,832,653 shares at 31 December 2008 (2007: 5,209,320 shares), to satisfy the vesting of awards under the performance share plan and performance-related and synergy bonus schemes. During the year 4,012,050 shares were purchased by the trust, whilst 3,388,717 shares were used to satisfy the vesting of awards under the schemes. At 31 December 2008, the cost of shares held by the trust was £11,715,675 (2007: £8,953,071), whilst the market value of these shares was £11,956,939 (2007: £12,749,808). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

39. Analysis of net debt

A reconciliation of net debt to amounts in the consolidated balance sheet is presented below:

	2008 £m	2007 £m
Cash and cash equivalents	**562.1**	382.1
Investments	**92.7**	73.2
Net cash and overdrafts included within disposal groups classified as held for sale	**(6.3)**	(0.7)
Net debt (excluding cash and overdrafts) included within disposal groups classified as held for sale	**(1.0)**	(0.8)
Bank overdrafts	**(195.1)**	(110.7)
Bank loans	**(965.7)**	(809.7)
Loan notes	**(901.9)**	(290.4)
Fair value of loan note derivative financial instruments	**153.2**	14.3
Obligations under finance leases	**(85.7)**	(62.2)
Total net debt	**(1,347.7)**	(804.9)

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

	2008	2007 £m
Increase in cash, cash equivalents and bank overdrafts per consolidated cash flow statement	**56.3**	48.8
(Sale)/purchase of investments	**(5.6)**	0.3
Increase in debt and lease financing	**(160.2)**	(135.8)
Change in net debt resulting from cash flows	**(109.5)**	(86.7)
Borrowings acquired with subsidiaries	**(230.0)**	(22.9)
Net additions to finance leases	**(17.1)**	(10.3)
Movement in net debt in the year	**(356.6)**	(119.9)
Translation adjustments	**(186.2)**	(12.2)
Net debt at the beginning of the year	**(804.9)**	(672.8)
Net debt at the end of the year	**(1,347.7)**	(804.9)

40. Contingent liabilities

Contingent liabilities exist in respect of agreements entered into in the normal course of business, none of which are individually or collectively significant.

Details of unprovided contingent tax liabilities are presented in note 36.

41. Operating lease arrangements

The group as lessee

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2008 £m	2007 £m
Within one year	**141.8**	95.6
In the second to fifth years inclusive	**306.7**	185.8
After five years	**200.6**	148.2
Total operating lease commitments	**649.1**	429.6

The group leases a number of its office properties, vehicles and other operating equipment under operating leases. Property leases are negotiated over an average term of eight and a half years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals in line with prevailing market conditions. Some but not all lease agreements have an option to renew the lease at the end of the lease term. Leased vehicles and other operating equipment are negotiated over an average lease term of three and a half years.

Certain leased properties have been sub-let by the group. Sub-leases are negotiated on terms consistent with those of the associated property. The total future minimum sub-lease payments expected to be received by the group from sub-let properties amount to £37.2m (2007: £16.4m).

42. Share-based payments

The group has two types of equity-settled, share-based payment scheme in place: (1) share options previously held by employees over Securicor plc shares and rolled over to G4S plc shares with the acquisition of that business on 19 July 2004, and (2) conditional allocations of G4S plc shares.

Share options

Share options rolled over from Securicor plc fall under either the Executive Share Option Scheme (ESOS) or the Sharesave Scheme. 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. Options under the Inland Revenue-approved Sharesave scheme were granted at a discount of 20% to market value, vest after three years following the date of grant and remain exercisable for a period of six months following vesting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Details of the share options outstanding during the year are as follows:

	Number of shares under option 2008	**Weighted average exercise price (pence) 2008**	Number of shares under option 2007	Weighted average exercise price (pence) 2007
Outstanding at 1 January	**2,957,901**	**123.02**	3,912,990	117.73
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(587,901)**	**117.98**	(893,820)	103.89
Expired during the year	**-**	**-**	(61,269)	64.00
Outstanding at 31 December	**2,370,000**	**124.28**	2,957,901	123.02
Exercisable at 31 December	**2,370,000**	**124.28**	2,957,901	123.02

The weighted average share price at the date of exercise for share options exercised during the year was 232.94p (2007: 197.85p). All options outstanding at 31 December 2008 were vested.

No share option expense has been recognised in the income statement during the year as all share options had previously vested (2007: all vested).

42 Share-based payments (continued)

Shares allocated conditionally

Shares allocated conditionally fall under either the group's performance-related bonus scheme or the group's Performance Share Plan (PSP). Shares allocated conditionally under the performance-related bonus scheme vest three years following the date of grant provided certain non-market performance conditions are met. Those allocated under the PSP vest after three years, to the extent that (a) certain non-market performance conditions are met as to two thirds of the allocation (one half for awards made prior to 2007) and (b) certain market performance conditions are met as to the remaining third of the allocation (half for awards made prior to 2007).

The number of shares allocated conditionally is as follows:

	Performance –related bonus scheme 2008 Number	**PSP 2008 Number**	**Total 2008 Number**	Performance -related bonus scheme 2007 Number	PSP 2007 Number	Total 2007 Number
Outstanding at 1 January	**1,981,777**	**11,460,069**	**13,441,846**	1,915,270	11,154,403	13,069,673
Allocated during the year	**554,229**	**4,757,230**	**5,311,459**	377,725	4,359,350	4,737,075
Transferred during the year	**(278,241)**	**(3,091,962)**	**(3,370,203)**	(311,218)	(1,953,755)	(2,264,973)
Forfeited during the year	**-**	**(228,180)**	**(228,180)**	-	(952,469)	(952,469)
Expired during the year	**-**	**(1,035,343)**	**(1,035,343)**	-	(1,147,460)	(1,147,460)
Outstanding at 31 December	**2,257,765**	**11,861,814**	**14,119,579**	1,981,777	11,460,069	13,441,846

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2008 was 17 months (2007: 16 months). The weighted average share price at the date of allocation of shares allocated conditionally during the year was 216.50p (2007: 216.83p) and the contractual life of all conditional allocations was three years.

Under the PSP, the vesting of two thirds of the shares allocated conditionally (one half for awards made prior to 2007) 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 £5.0m were recognised in the income statement in the year (2007: £4.1m) 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 2008 £m	Joint ventures 2007 £m	**Associates 2008 £m**	Associates 2007 £m
Transactions				
Revenue	**29.7**	13.8	-	-
Balances				
Amounts due to related parties				
Creditors	**0.4**	-	-	1.5
Amounts due from related parties				
Debtors	**-**	0.7	-	-
Loans	**3.9**	2.3	-	-

Revenue includes fees of £15.3m (2007: £10.4m) charged to Bridgend Custodial Services Ltd and fees of £5.7m (2007: £3.4m) charged to STC (Milton Keynes) Ltd. Amounts owed by the group are to its associated undertaking Space Gateway Support LLC. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the year for bad and doubtful debts in respect of amounts owed by related parties. Details of principal joint ventures and associated undertakings are shown in notes 21 and 22 respectively.

43 Related party transactions (continued)

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 it's acquisition by G4S plc. The significant transactions with these entities are:

	2008 Services / sales to £m
White Horse Education Partnership Limited	**1.1**
Integrated Accommodation Services plc	**40.2**
Fazakerley Prison Services Limited	**19.2**
Onley Prison Services Limited	**7.8**
ECD Cookham Wood Limited	**7.3**
ECD Onley Limited	**7.2**
Stratus Integrated Services Limited	**4.8**
UK Court Services (Manchester) Limited	**1.2**
East London Lift Company Limited	**0.6**
Health Improvement Partnership (Wolverhampton City & Walsall) Ltd	**0.4**
Brent, Harrow & Hillingdon LIFT Company Ltd	**0.3**
Bexley, Bromley & Greenwich LIFT Company Ltd	**0.4**
	90.5

Transactions with post-employment benefit schemes

Details of transactions with the group's post-employment benefit schemes are provided in note 34. Unpaid contributions owed to schemes amounted to £1.2m at 31 December 2008 (2007: £1.4m).

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 ● to ●.

	2008 £	2007 £
Short-term employee benefits	**5,236,982**	4,869,365
Post-employment benefits	**490,996**	343,443
Other long-term benefits	**31,055**	28,896
Share-based payment	**2,735,153**	2,344,412
Total	**8,494,186**	7,586,116

44. Events after the balance sheet date

A number of acquisitions were effected after the balance sheet date, but before the financial statements were authorised for issue, details of which are provided within note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Significant investments

The companies listed below are those which were part of the group at 31 December 2008 and which, in the opinion of the directors, significantly affected the group's results and net assets during the year. The directors consider that those companies not listed are not significant in relation to the group as a whole.

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

Secure solutions	S
Cash solutions	C

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

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
GSL Australia (Pty) Limited	S	Australia	100%
GSL Custodial Services (Pty) Limited	S	Australia	100%
G4S Security Services AG	S	Austria	100%
G4S Security Services SA/NV	S	Belgium	100%
G4S Cash Services (Belgium) SA/NV	C	Belgium	100%
G4S Cash Services (Canada) Limited	C	Canada	100%
G4S Security Services (Canada) Limited	S	Canada	100%
Wackenhut de Colombia SA	S+C	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Utility Services (UK) Limited (formerly AccuRead Limited)	S	England	100%
G4S Aviation Services (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Services (UK) Limited	C	England	100%
G4S International UK Limited	C	England	100%
G4S Care and Justice Services (UK) Limited	S	England	100%
G4S Secure Solutions (UK) Limited	S	England	100%
Group 4 Technology Limited	S	England	100%
Group 4 Total Security Limited	S	England	100%
G4S Integrated Services (UK) Limited (formerly GSL UK Limited)	S	England	100%
G4S Eesti AS	S+C	Estonia	100%
G4S Security Services Oy	S	Finland	100%
Group 4 Securicor SAS	S	France	100%
G4S Keszpenzlogisztikai Kft	S+C	Hungary	100%
G4S Security Services (India) Pvt. Limited [1, 4]	S	India	40%
G4S Cash Services (Ireland) Limited	C	Ireland	100%
G4S Security Services (Ireland) Limited	S	Ireland	100%
Hashmira Company Limited	S	Israel	91%
G4S Security Services (Kenya) Limited	S+C	Kenya	100%
G4S Security Services SA	S+C	Luxembourg	100%
Safeguards Securicor Sdn Bhd [2,4]	S+C	Malaysia	49%
Group 4 Securicor Cash Services BV	C	Netherlands	100%
Group 4 Securicor Beheer BV	S	Netherlands	100%
G4S Security Services AS	S+C	Norway	100%
G4S Security Systems AS	S	Norway	100%
al Majal Service Master Co. Limited [4]	S	Saudi Arabia	49%
G4S Cash Services (SA) (Pty) Limited	C	South Africa	50%
G4S Security Services (SA) (Pty) Limited	S	South Africa	74%
G4S Cash Services (Sverige) AB	C	Sweden	100%
G4S Security Services (Sverige) AB	S	Sweden	100%
ArmorGroup North America, Inc.	S	USA	100%
G4S Youth Services LLC	S	USA	100%
RONCO Consulting Corporation	S	USA	100%
The Wackenhut Corporation	S	USA	100%
Wackenhut Services, Inc.	S	USA	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Product segment	Country of incorporation	Ultimate ownership
Joint ventures (see note 21)			
Bridgend Custodial Services Limited [3]	S	England	59%
STC (Milton Keynes) Limited	S	England	50%
GSL Correctional Services (Bloemfontein) Pty Limited	S	South Africa	20%
Associated undertakings (see note 22)			
Space Gateway Support LLC	S	USA	46%

1 G4S Security Services (India) Pvt. Limited has a year end of 31 March.

2 Safeguards Securicor Sdn Bhd has a year end of 30 June.

3 Bridgend Custodial Services Limited has a year end of 30 September.

4 By virtue of shareholder agreements, the group has the power to govern the financial and operating policies of G4S Security Services (India) Pvt. Limited, Safeguards Securicor Sdn Bhd and al Majal Service Master, so as to obtain the benefits from their activities. These are therefore consolidated as full subsidiaries.

PARENT COMPANY BALANCE SHEET

At 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	*(b)*	**8.2**	4.3
Investments	*(c)*	**2,613.1**	2,214.9
		2,621.3	2,219.2
Current assets			
Debtors	*(d)*	**3,240.8**	1,418.1
Cash at bank and in hand		**9.3**	9.7
		3,250.1	1,427.8
Creditors - amounts falling due within one year			
Bank overdraft (unsecured)		**(122.2)**	(63.6)
Borrowings (unsecured)	*(e)*	**-**	(15.0)
Other	*(f)*	**(3,463.6)**	(2,141.2)
		(3,585.8)	(2,219.8)
Net current liabilities		**(335.7)**	(792.0)
Total assets less current liabilities		**2,285.6**	1,427.2
Creditors - amounts falling due after more than one year			
Borrowings (unsecured)	*(e)*	**(1,547.9)**	(962.4)
Other	*(f)*	**(15.9)**	(4.8)
		(1,563.8)	(967.2)
Provisions for liabilities and charges	*(i)*	**(2.0)**	(2.7)
Net assets		**719.8**	457.3
Capital and reserves			
Called up share capital	37	**352.1**	320.2
Share premium and reserves	*(j)*	**367.7**	137.1
Equity shareholders' funds	*(k)*	**719.8**	457.3

The parent company financial statements were approved by the board of directors and authorised for issue on 31 March 2009.

They were signed on its behalf by:

Nick Buckles
Director

Trevor Dighton
Director

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 1985. 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).

Exemptions

As permitted by section 230(3) of the Companies Act 1985, the company has not presented 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 FRS 8 *Related Party Disclosures* from disclosing related party transactions with other members of the group.

The consolidated financial statements of the group contain financial instrument disclosures and comply with FRS 29 *Financial Instruments: Disclosures*. Consequently the company has taken advantage of certain exemptions in FRS 29 from the requirement to present separate financial instrument disclosures for the company.

Tangible fixed assets

Tangible fixed assets are stated at cost net of accumulated depreciation and any provision for impairment. Tangible fixed assets are depreciated on a straight-line basis over their expected economic life. Short leasehold property (under 50 years) is depreciated over the life of the lease. Equipment and vehicles are depreciated over periods up to a maximum of ten years.

Fixed asset investments

Fixed asset investments, which comprise investments in subsidiary undertakings, are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

Financial instruments

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

- **External debtors**

  Debtors do not carry interest and are stated initially at their fair value. The company provides for bad debts based upon an analysis of those that are past due in accordance with local conditions and past default experience.

- **Cash at bank and in hand**

  Cash at bank and in hand and bank overdrafts comprise cash balances and call deposits.

- **Interest-bearing borrowings**

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

- **External creditors**

  Creditors are not interest-bearing and are stated initially at their fair value.

- **Amounts owed to/from subsidiary undertakings**

  Amounts owed to/from subsidiary undertakings bear interest at prevailing market rates.

- **Equity instruments**

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

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount can be made.

(a) Significant accounting policies (continued)

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, 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, to the extent that these are not matched by foreign currency borrowings. The company manages these risks through a range of derivative financial instruments, including interest rate swaps, fixed rate agreements, 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.

Leases

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account as incurred.

Foreign currencies

The financial statements of the company are presented in sterling, its functional currency. Transactions in currencies other than sterling are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Pensions

The company participates in multi-employer pension schemes in the UK, which provide benefits based on final pensionable pay. The company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis. In accordance with FRS 17 *Retirement Benefits*, the company treats the schemes as if they were defined contribution schemes and recognises charges as and when contributions are due to the scheme. Details of the schemes are included in note 34 to the consolidated financial statements.

Share-based payments

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

The fair value of share-based payments granted in the form of options is measured by the use of the Black-Scholes valuation technique, adjusted for future dividend receipts and for any market-related performance conditions. When share options are exercised the resulting entries are to increase share capital and share premium for the new shares issued.

(a) Significant accounting policies (continued)

Dividends

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

Financial guarantees

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

Own shares held by employee benefit trust

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

(b) Tangible fixed assets

	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2008	3.0	3.3	6.3
Additions at cost	-	5.1	5.1
Disposals	(0.5)	(0.1)	(0.6)
At 31 December 2008	2.5	8.3	10.8
Depreciation			
At 1 January 2008	(1.0)	(1.0)	(2.0)
Charge for the year	(0.2)	(0.5)	(0.7)
Disposals	0.1	-	0.1
At 31 December 2008	(1.1)	(1.5)	(2.6)
Net book value			
At 31 December 2008	**1.4**	**6.8**	**8.2**
At 31 December 2007	2.0	2.3	4.3

The net book value of land and buildings comprises short leasehold buildings (under 50 years).

(c) Fixed asset investments

The following are included in the net book value of fixed asset investments:

Subsidiary undertakings	**Total £m**
Shares at cost:	
At 1 January 2008	2,214.9
Additions	398.2
At 31 December 2008	**2,613.1**

(d) Debtors

	2008 £m	2007 £m
Amounts owed by group undertakings	**3,001.3**	1,369.2
Other debtors	**55.2**	29.0
Prepayments and accrued income	**1.4**	2.8
Derivative financial instruments at fair value	**182.9**	17.1
Total debtors	**3,240.8**	1,418.1

Included within derivative financial instruments at fair value is £143.6m due after more than one year (2007: £14.8m). See note (g) for further details.

Included in other debtors is £nil (2007: £8.3m) with regard to deferred tax comprised as follows:

	2008 £m	2007 £m
Accelerated capital allowances	**-**	(0.4)
Employee benefits, including equity-settled transactions and special pension contributions	**-**	4.0
Changes in fair value of hedging derivatives	**-**	4.7
Total deferred tax	**-**	8.3

See note (f) for the reconciliation of deferred tax balances.

At the balance sheet date, the company has unutilised tax losses of £339m, potentially available against future profits. No deferred tax asset has been recognised as past performance indicates that suitable taxable profits may not arise in the foreseeable future.

(e) Borrowings (unsecured)

The unsecured borrowings are in the following currencies:

	2008 £m	2007 £m
Sterling	**94.0**	150.0
Euro	**349.0**	325.4
US dollar	**1,104.9**	502.0
Total unsecured borrowings	**1,547.9**	977.4

The payment profile of the unsecured borrowings is as follows:

	2008 £m	2007 £m
Repayable within one year	**-**	15.0
Repayable within two to five years	**696.4**	672.0
Repayable after five years	**851.5**	290.4
Total unsecured borrowings	**1,547.9**	977.4

Undrawn committed facilities mature as follows:

	2008 £m	2007 £m
Within one year	**-**	15.0
Within two to five years	**350.4**	412.9
Total undrawn committed facilities	**350.4**	427.9

Borrowings consist of £646.0m of floating rate bank loans (2007: £687.0m) and £901.9m of fixed rate loan notes (2007: £290.4m). Bank overdrafts, bank loans and loan notes issued in July 2008 are stated at amortised cost. The loan notes issued in March 2007 are stated at amortised cost recalculated at an effective interest rate current at the balance sheet date as they are part of a fair value hedge relationship. The directors believe the fair value of the company's bank overdrafts, bank loans and the loan notes issued in March 2007, calculated from market prices, approximates to their book value. US$265m (£184.3m) of the loan notes issued in July 2008 have a fair value market gain of £60.9m, the fair value of the remaining notes approximates to their book value.

Borrowing at floating rates exposes the company to cash flow interest rate risk. The management of this risk is detailed in note (h).

There were no financial liabilities upon which no interest is paid.

(f) Creditors

	2008 £m	2007 £m
Amounts falling due within one year:		
Trade creditors	**1.1**	1.8
Amounts owed to group undertakings	**3,383.8**	2,101.8
Other taxation and social security costs	**1.8**	1.1
Other creditors	**12.7**	9.6
Accruals and deferred income	**25.6**	12.1
Derivative financial instruments at fair value	**38.6**	14.8
Total creditors - amounts falling due within one year	**3,463.6**	2,141.2
Amounts falling due after more than one year:		
Derivative financial instruments at fair value	**15.9**	4.8

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

Included in other creditors is £7.8m (2007: £nil) with regard to deferred tax comprised as follows:

	2008 £m	2007 £m
Accelerated capital allowances	**0.9**	-
Employee benefits	**(2.9)**	-
Changes in fair value of hedging derivatives	**9.8**	-
Total deferred tax	**7.8**	-

The reconciliation of deferred tax balances is as follows:

	Total £m
At 1 January 2008	(8.3)
Charged to profit and loss	1.3
Charged to equity in relation to changes in fair value of hedging derivatives	14.8
At 31 December 2008	**7.8**

(g) Derivative financial instruments

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

	Assets 2008 £m	Assets 2007 £m	**Liabilities 2008 £m**	Liabilities 2007 £m
Forward foreign exchange contracts	**28.6**	-	**28.6**	13.6
Cross currency swaps designated as cash flow hedges	**60.9**	-	**-**	-
Interest rate swaps designated as cash flow hedges	**-**	2.8	**24.8**	6.0
Interest rate swaps designated as fair value hedges	**92.3**	14.3	**-**	-
Commodity swaps	**1.1**	-	**1.1**	-
	182.9	17.1	**54.5**	19.6
Amounts falling due after more than one year	**(143.6)**	(14.8)	**(15.9)**	(4.8)
Amounts falling due within one year	**39.3**	2.3	**38.6**	14.8

Derivative financial instruments are stated at fair value, based upon market prices where available or otherwise on discounted cash flow valuations. The mark to market valuation of the derivatives has increased by £130.9m during the year.

The interest rate, cross currency and commodity swaps which qualify as cash flow hedges have the following maturities:

	Assets 2008 £m	Assets 2007 £m	**Liabilities 2008 £m**	Liabilities 2007 £m
Within one year	**1.1**	0.1	**3.2**	0.1
In the second year	**-**	1.0	**4.0**	0.9
In the third year	**-**	0.6	**7.8**	1.1
In the fourth year	**-**	0.7	**10.0**	2.2
In the fifth year	**60.9**	0.4	**0.9**	1.7
Total carrying value of cash flow hedges	**62.0**	2.8	**25.9**	6.0

Projected settlement of cash flows (including accrued interest) associated with derivatives that are cash flow hedges:

	Assets 2008 £m	Assets 2007 £m	**Liabilities 2008 £m**	Liabilities 2007 £m
Within one year	**3.4**	1.7	**10.6**	1.3
In the second year	**1.6**	0.6	**10.1**	2.8
In the third year	**1.6**	0.3	**4.3**	1.4
In the fourth year	**1.6**	0.2	**1.4**	0.5
In the fifth year	**54.6**	-	**-**	-
Total cash flows	**62.8**	2.8	**26.4**	6.0

(h) Financial risk

Currency risk and forward foreign exchange contracts

The group conducts business in many currencies. The group presents its consolidated financial statements in sterling and it is in consequence subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company therefore hedges a substantial portion of the group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies. Translation adjustments arising on the translation of foreign currency loans are recognised in the profit and loss account.

The company enters into forward foreign exchange contracts so as to hedge group translation risk not hedged by way of loans. Gains and losses on such forward foreign exchange contracts are recognised in the profit and loss account. The notional value of outstanding forward foreign exchange contracts at 31 December 2008 was £304.8m (2007: £373.2m). All these contracts had matured by 28 February 2009.

Following maturity of the forward foreign exchange contracts in February, the contracts were not renewed. The company is currently assessing its options with regards to hedging this portion of translation risk.

Cross currency swaps with a nominal value of £134.2m were arranged to hedge the foreign currency risk on US$265m of the US Private Placement notes issued in July 2008, effectively fixing the sterling value on this portion of debt at an exchange rate of 1.9750.

Interest rate risk and interest rate swaps

Borrowing at floating rates as described in note (e) exposes the company to cash flow interest rate risk, which the company manages within policy limits approved by the directors. Interest rate swaps and, to a limited extent, forward rate agreements are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods up to a maximum period of five years. At 31 December 2008 the nominal value of such contracts was £246.9m (in respect of US dollar) (2007: £213.5m) and £271.7m (in respect of euro) (2007: £183.6m), their weighted average interest rate was 5.0% (US dollar) (2007: 4.9%) and 3.8% (euro) (2007: 3.8%), 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 flow hedges and movements in their fair value have been deferred in equity.

The US Private Placement market is predominantly a fixed rate market, with investors looking for a fixed rate return over the life of the loan notes. At the time of the first issue of notes in March 2007, the company was comfortable with the proportion of floating rate exposure not hedged by interest rate swaps and therefore rather than take on a higher proportion of fixed rate debt arranged fixed to floating swaps effectively converting the fixed coupon on the Private Placement to a floating rate. Following the swaps the resulting average coupon on the US Private Placement is Libor + 60bps. These swaps have been documented as fair value hedges of the US Private Placement fixed interest loan notes, with the movements in their fair value posted to profit and loss at the same time as the movement in the fair value of the hedged item. The interest on the US Private Placement notes issued in July 2008 was kept at fixed rate.

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. 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 2008 the largest two counterparty exposures related to Treasury transactions were £61.8m and £36.3m and both held with institutions with long term Standard & Poor's credit ratings of A+. These exposures represent 40% and 24% of the carrying values of derivative financial instruments at the balance sheet date. Both of these banks had significant loans outstanding to the company at 31 December 2008.

The company participates in the group's multi-currency notional pooling cash management system with a wholly owned subsidiary of an AA rated bank. There is legal right of set off under the pooling agreement.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(i) Provisions for liabilities and charges

	Onerous contracts £m
At 1 January 2008	2.7
Utilisation of provisions	(0.7)
At 31 December 2008	**2.0**

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 2008	11.0	135.1	(9.0)	137.1
Retained profit	-	26.4	-	26.4
Changes in fair value of hedging derivatives	-	52.9	-	52.9
Shares issued	244.9	-	-	244.9
Dividends declared	-	(75.0)	-	(75.0)
Own shares purchased	-	-	(8.8)	(8.8)
Own shares awarded	-	(6.0)	6.0	-
Equity-settled transactions	-	5.0	-	5.0
Tax on equity movements	-	(14.8)	-	(14.8)
At 31 December 2008	**255.9**	**123.6**	**(11.8)**	**367.7**

(k) Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2008

	2008 £m	2007 £m
Retained profit for the year	**26.4**	137.4
Changes in fair value of hedging derivatives	**52.9**	(24.1)
Shares issued	**276.8**	0.9
Dividends declared	**(75.0)**	(59.3)
Own shares purchased	**(8.8)**	(3.1)
Equity-settled transactions	**5.0**	4.1
Tax on equity movements	**(14.8)**	6.9
Net increase in shareholders' funds	**262.5**	62.8
Opening equity shareholders' funds	**457.3**	394.5
Closing equity shareholders' funds	**719.8**	457.3

(l) Operating lease commitments

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

	2008 £m	2007 £m
Within one year	**0.1**	0.2
In the second to fifth years inclusive	**0.4**	0.5
After more than five years	**0.8**	0.8
Total operating lease commitments	**1.3**	1.5

(m) Auditor's remuneration

Fees paid to KPMG Audit Plc and its associates for non-audit services to the company itself are not disclosed in its individual accounts because the company's consolidated financial statements are required to disclose such fees on a consolidated basis.

(n) Staff costs and employees

	2008 Number	2007 Number
The average monthly number of employees of the company during the year was:	**190**	178

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

	2008 £m	2007 £m
Wages and salaries	**25.6**	23.1
Social security costs	**2.4**	2.0
Pension costs	**1.7**	1.1
Total staff costs	**29.7**	26.2

(o) 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. Disclosures relevant to the company are presented within note 42 to the consolidated financial statements.

(p) Contingent liabilities

To help secure cost effective finance facilities for its subsidiaries, the company issues guarantees to some of its finance providers. At 31 December 2008 guarantees totalling £649.5m (2007: £377.4m) 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 2008 totalled £25.8m (2007: £18.2m).

GROUP FINANCIAL RECORD

£m	**2008**	2007	2006	2005	2004
Revenue	**5,942.9**	4,483.5	4,036.8	4,045.7	3,093.6
Profit before interest, taxation, amortisation of acquisition-related intangible assets and exceptional items	**416.4**	311.4	274.4	255.0	165.5
Profit/(loss) after taxation	**164.9**	160.6	109.9	90.7	(65.4)
Profit/(loss) attributable to shareholders	**151.2**	147.2	96.5	80.8	(72.3)
Non-current assets	**3,388.0**	2,154.1	1,946.2	1,966.7	1,876.0
Net assets	**1,470.7**	1,120.0	971.5	969.9	909.9
Net debt	**1,347.7**	804.9	672.8	657.3	586.4
Net debt/equity (%)	**92**	72	69	68	64
Return on net assets (%) (profit/(loss) after taxation/net assets)	**11**	14	11	9	(7)
Adjusted earnings per ordinary share (pence)	**16.7p**	13.3p	12.1p	11.2p	9.5p
Dividends for the year per ordinary share (pence)	**6.43p**	4.96p	4.21p	3.54p	1.85p
Average headcount (number)	**561,876**	507,480	440,128	395,771	306,313

The five year record comprises only the results of the security businesses of the former Group 4 Falck A/S up to the acquisition of Securicor plc on 19 July 2004. After that date, the record reflects the results of the combined businesses.

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