

Report of the Directors

For the year ended 31 December 2007

The directors have pleasure in presenting their Annual Report together with the audited financial statements of G4S plc and the consolidated financial statements of that company and its subsidiaries, associated undertakings and joint ventures ("the group") for the year ended 31 December 2007.

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

1 Principal activities of the group

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

The principal activities of the group comprise the provision of security services (including manned security services, justice services and security systems) and the management and transportation of cash and valuables.

2 Group results

The consolidated result for the year is shown in the consolidated income statement on page 48.

Details of major business activities during the year, future developments, principal risks and uncertainties and prospects of the group and information which fulfills the requirements of the Business Review are contained in the Operating and Financial Review on pages 6 to 27 and are incorporated in this report by reference. The group's financial risk management objectives and policies in relation to its use of financial instruments, and its exposure to price, credit, liquidity and cash-flow risk, to the extent material, are set out in note 33 to the consolidated financial statements on pages 82 to 84.

3 Dividends

The directors propose the following net dividend for the year:

- > Interim dividend of 2.11p (DKK 0.2319) per share paid on 16 November 2007.
- > Final dividend of 2.85p (DKK 0.2786) per share payable on 6 June 2008.

Shareholders on the Danish VP register will receive their dividends in Danish Kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish Kroner, in which case they should apply in writing to the Registrars by no later than 30 April 2008.

4 Significant business acquisitions, disposals and developments

In January 2007, the disposal of G4S Geld-und Wertdienste GmbH was completed.

In February 2007, 50% of Security and Management Services (PVT) Limited in Pakistan was acquired.

In March 2007, 49% of al Majal Servicemaster was acquired in Saudi Arabia.

In March 2007, 50.1% of Fidelity Cash Management Services (Pty) Limited in South Africa was acquired.

In March 2007, 50% of Alfa-Segurança in Mozambique was acquired, bringing G4S's holding in this company to 100%.

In April 2007, the manned guarding business and related assets of Protección Patrimonial in Mexico were acquired.

In April 2007, Meldetechnik Vagyonvédelmi és Villamossági Kft was acquired in Hungary.

In May 2007, SSI, a group providing security services in Malawi, Mozambique, Madagascar, Zambia, Mali, Guinea and Ghana, was acquired.

In May 2007, Creco N.V. was acquired in Belgium.

In May 2007, 19.05% of Hashmira Company Limited, the Israeli security services company, was acquired, bringing G4S's holding in this company to 90.05%.

In July 2007, G4S Cash Services (France) SAS was disposed of.

In July 2007, General Private Services was acquired in Morocco.

In July 2007, 84.3% of Bell Communications Limited was acquired in Ireland, bringing G4S's holding in this company to 100%.

In July 2007, A.I Omada Limited, together with the manned security and fire suppression business and related assets of the Omada Fire and Security Group, were acquired in Ireland.

In August 2007, Ridderikhoff Group B.V. was acquired in the Netherlands.

In October 2007, RIG-PR Limited was acquired in the UK.

In October 2007, Colsecurity S.A. was acquired in Colombia.

In December 2007, Prosec Security and Communications Limited was acquired in Papua New Guinea.

In December 2007, an agreement to acquire De Facto 1119 Limited, the holding company of the Global Solutions group, was entered into. Completion remains subject to regulatory approvals.

In January 2008, Travel Logistics Limited was acquired in the UK.

Report of the Directors (continued)

For the year ended 31 December 2007

4 Significant business acquisitions, disposals and developments (continued)

In March 2008, the Rock Steady group of companies was acquired in the UK.

In March 2008, G4S announced an offer for the shares of ArmorGroup International plc.

In March 2008, 25% of Aktsiaselts G4S Baltics, the holding company of the G4S subsidiaries in Estonia, Latvia and Lithuania, was acquired, bringing G4S's holding in this company to 90%.

In March 2008, MJM Investigations, Inc. was acquired in the US.

In April 2008, RONCO Consulting Corporation was acquired in the US.

5 Capital

The authorised and issued share capital of G4S plc at 31 December 2007 is set out on page 91 (note 37 to the consolidated financial statements). There were 1,281,190,738 shares in issue as at 7 April 2008.

Information concerning the company's shares held under option is set out on pages 91 and 92 (note 37 to the consolidated financial statements).

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's annual general meeting. The resolutions are set out in the Notice of Meeting on page 107 and further explanation is provided on page 110.

The company does not hold any treasury shares as such. However the 5,209,320 shares held within the Group 4 Securicor Employee Benefit Trust ("The Trust") and referred to on page 92 (note 37 to the consolidated financial statement) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

6 Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the group is carried out continuously. Research and development written off to profit and loss during the year amounted to £2.1m (2006: £1.4m).

7 Payment of suppliers

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

At 31 December 2007 the trade creditors of the company represented 23 days (2006: 13 days) of annual purchases.

At 31 December 2007 the consolidated trade creditors of the group represented 50 days (2006: 40 days) of annual purchases.

8 Employees

Involving the group's employees in the success and future plans of the business is a key strand of its approach to retaining the best people. G4S supports ongoing consultation and communication with employees by helping spread best practice among local management teams, managing direct communications with key internal stakeholders and ensuring its overall policies and strategies support this commitment. Business units use the most effective processes and tools to establish practical and effective employee involvement within the local context and adopt a range of direct employee communication approaches alongside consultation with trade union and other employee representatives as appropriate.

Attracting and retaining talented individuals continues to be essential to the success of G4S, and the diversity of the group's workforce helps it meet its customers' expectations. The overall approach of the group to diversity and inclusion therefore ensures that G4S appoints, promotes and develops employees in accordance with their talents and aptitudes, regardless of any disability, and to encourage loyalty and retain employees' skills the group also aims to retain existing employees who become disabled wherever possible.

9 Political and charitable contributions

The group remains committed to the support of charities, the community, job creation and training. Charitable contributions by the group during the year amounted to £311,000 (2006: £94,000).

There were no political contributions requiring disclosure under the Companies Acts.

10 Substantial holdings

The directors have been notified of the following substantial shareholdings at 7 April 2008 in the ordinary capital of G4S plc:

Skagen Stichting Administratiekantoor	171,939,961 (13.42%)
INVESCO Limited	63,004,626 (4.92%)
Legal and General Group Plc	51,880,641 (4.05%)

11 Auditor

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

12 Directors

The directors, biographical details of whom are contained on pages 28 and 29, held office throughout the year.

The directors retiring by rotation are Grahame Gibson, Bo Lerenius and Sir Malcolm Williamson. Messrs Gibson and Lerenius, being eligible, offer themselves for re-election. The board believes that they possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company and that they should be re-elected at the Annual General Meeting. Sir Malcolm Williamson has decided not to seek re-election and will therefore retire on 29 May 2008 at the end of the Annual General Meeting.

Of those directors proposed for re-election, Mr Lerenius does not have a contract of service and Mr Gibson's contract of service has no unexpired term since it is not for a fixed term.

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

The company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third party indemnity provisions as defined by S.309 B of the Companies Act 1985 and have been in effect since 3 November 2006. A copy of the form of indemnity is available on the company's website. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including their families' interests) in the share capital of G4S plc and of the directors' remuneration are set out on pages 37 to 44.

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

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

By order of the board

Peter David
Secretary
7 April 2008

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