

REPORT OF THE DIRECTORS

For the year ended 31 December 2008

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 2008.

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

1 Principal activities of the group

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

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

2 Group results

The consolidated result for the year is shown in the consolidated income statement on page 47.

Details of major business activities during the year; future developments, principal risks and uncertainties and prospects of the group and information which fulfils the requirements of the Business Review are contained in the Operating and Financial Review on pages 8 to 25 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 84 to 86.

3 Dividends

The directors propose the following net dividend for the year:

- > Interim dividend of 2.75p (DKK 0.2572) per share paid on 31 October 2008.
- > Final dividend of 3.68p (DKK 0.3052) per share payable on 5 June 2009.*

Shareholders on the Danish VP Services register will receive their dividends in Danish krone. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish krone, in which case they should apply in writing to the Registrars by no later than 29 April 2009.

(* Shareholders on the VP Services register will receive payment on 8 June, as 5 June is a public holiday in Denmark).

4 Significant business acquisitions, disposals and developments

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

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

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.

In April 2008, 49% of the shares in G4S Holdings (Macau) Limited were acquired, bringing G4S's holding in this company to 100%.

In April 2008, 70% of CSI SA was acquired in Greece (with a commitment to acquire the remaining 30% in 2009).

In April 2008, the business and assets of Warrior Alarms and Security Systems CC were acquired in South Africa.

In May 2008, G4S completed its acquisition of the shares of ArmorGroup International plc.

In May 2008, the company placed 127 million new ordinary shares with institutions at a price of 222 pence per placing share.

In May 2008, G4S completed its acquisition of De Facto I I 19 Limited, the holding company of the Global Solutions group.

In May 2008, Servicios de Seguridad Owl S.A. was acquired in Chile.

In June 2008, Touchcom, Inc. was acquired in the US.

REPORT OF THE DIRECTORS CONTINUED

For the year ended 31 December 2008

4 Significant business acquisitions, disposals and developments (continued)

In June 2008, the business and assets of Emirates International Security Services EST were acquired in the UAE.

In June 2008, G4S Sicherheitsdienstse GmbH and G4S Alarm Solution GmbH were disposed of in Germany.

In July 2008, Progard Securitas d.o.o. was acquired in Serbia.

In July 2008, G4S Telesurveillance SAS and G4S Technologie SAS were disposed of in France.

In July 2008, MJM Investigations Australia Pty Limited was acquired in Australia.

In August 2008, Ahead Security Services (Pty) Ltd and Ferdi Fonics (Pty) Ltd t/a Coastal Security were acquired in South Africa.

In August 2008, Filotto Falco Security (Pty) Limited was acquired in Botswana.

In October 2008, the business and assets of Coastal Security Services CC and Master Security Systems CC were acquired in Namibia.

In October 2008, Quantico Limited was acquired in Thailand.

In October 2008, Wackenhut Valores SA was disposed of in Guatemala.

In November 2008, the business and assets of Checkpoint Systems (Israel) Limited were acquired in Israel.

In November 2008, the business and assets of Armored Express Services, Inc. were acquired in Guam.

In December 2008, Secpoint Limited was acquired in Ghana.

In December 2008, a further 9.9% of Aktsiaselts G4S Baltics was acquired, bringing G4S's total holding in this company to 99.9%.

In December 2008, CL Systems (China) Limited was acquired in China.

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

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

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

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

5 Capital

The authorised and issued share capital of G4S plc at 31 December 2008 is set out on page 94 (note 37 to the consolidated financial statements). There were 1,408,298,639 shares in issue as at 31 March 2009.

Information concerning the company's shares held under option is set out on page 94 (note 37 to the consolidated financial statements).

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's Annual General Meeting. The resolutions are set out in the Notice of Meeting on pages 112 and 113 and further explanation is provided on pages 115 and 116.

The company does not hold any treasury shares as such. However the 5,832,653 shares held within the G4S Employee Benefit Trust ("the Trust") and referred to on page 95 (note 38 to the consolidated financial statement) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

REPORT OF THE DIRECTORS CONTINUED

For the year ended 31 December 2008

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 £3.5m (2007: £2.1m).

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 2008 the trade creditors of the company represented 26 days (2007: 23 days) of annual purchases.

At 31 December 2008 the consolidated trade creditors of the group represented 50 days (2007: 50 days) of annual purchases.

8 Employees

In 2008 the company signed an Ethical Employment Partnership with UNI, the global union, which sets out how the organisations will work together to raise employment standards in the group and the wider industry. This landmark agreement provides further evidence of the group's commitment to engaging and involving employees and their representatives in the business, and helps to ensure that the group maintains its position as a leading global employer. At a local level, group companies continue to use a range of mechanisms to ensure employees are involved in the business and their views are sought and considered as appropriate in the local culture and context, for example by using joint project teams or suggestions schemes to address specific business issues, or establishing employee forums and dialogue with local unions to discuss matters directly affecting employees.

The company remains committed to its Diversity & Inclusion policy and in 2008 the group appointed a Head of Talent & Diversity with responsibility for developing and implementing a cohesive approach to diversity and inclusion across its businesses around the world. This policy is designed to ensure that the group continues to develop fair employment practices and creates a diverse workforce which is truly representative of all sections of society. The group strives to create an environment in which differences can be acknowledged, respected, and valued so that all may realise their full potential and the talents and resources of the workforce are utilised fully to enable it to provide the best service to its customers globally. This ensures that the group supports and develops employees regardless of any disability, and the company is proud to maintain an excellent record as a fair and inclusive employer.

Further details of the group's approach to employee engagement, social dialogue and diversity are included on pages 24 and 25 of this report and in the group's separate Corporate Responsibility Report.

9 Political and charitable contributions

The group remains committed to the support of charities, the community, job creation and training. Charitable contributions by the group during the year amounted to £313,000 (2007: £311,000).

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 31 March 2009 in the ordinary capital of G4S plc:

Skagen Stichting Administratiekantoor	171,939,961 (12.2%)
Legal & General Group Plc	51,880,641 (3.68%)

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 company's Annual General Meeting.

REPORT OF THE DIRECTORS CONTINUED

For the year ended 31 December 2008

12 Directors

The directors, biographical details of whom are contained on page 27, held office throughout the year.

Sir Malcolm Williamson retired from the board on 30 May 2008.

The directors retiring by rotation are Trevor Dighton, Thorleif Krarup and Mark Seligman who, being eligible, offer themselves for re-election. The board believes that they possess experience and expertise relevant to the company's operations, that they continue to be effective, that they are committed to the success of the company and that they should be re-elected at the company's Annual General Meeting.

Of those directors proposed for re-election, Messrs Krarup and Seligman do not have contracts of service and Mr Dighton'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 on 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.234 of the Companies Act 2006 and have been in effect since 3 November 2006. A copy of the form of indemnity is available on the company's website. In addition, indemnities have been granted by the company in favour of certain of the directors of certain of the group's subsidiaries in Germany. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including their family's interests) in the share capital of G4S plc and of the directors' remuneration are set out on pages 36 to 43.

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.

Each of the directors who held office at the date of approval of this directors' report, further confirms that, to the best of his knowledge: the financial statements in this annual report have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the company and the group taken as whole; and this directors' report, including the Operating and Financial Review on pages 8 to 25, includes a fair review of the development and performance of the business and the position of the company and the group taken as a whole, together with a description of the principal risks and uncertainties that they face.

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
31 March 2009

The Manor
Manor Royal
Crawley
West Sussex RH10 9UN