

**G4S Technology Limited**

**Directors' report and financial  
statements**

**Registered number 2382338**

**31 December 2010**

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## Directors' report

The directors submit their report and financial statements of G4S Technology Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2010

### Principal activities

The principal activity of the Group continues to be the development, assembly, marketing, installation, service and maintenance of risk control and employee management systems

### Business review

The results for the year are shown on page 8

### Key performance indicators

#### Financial performance

£000	2010	2009
Turnover	52,995	49,002
Gross profit	25,687	23,703
Gross profit %	48.5%	48.4%
Profit before tax	3,543	1,386
Profit before tax %	6.7%	2.8%

Profit after taxation amounted to £4,427,000 (2009 £1,344,000)

#### (1) Turnover growth

Turnover has increased by 8.1% during the year

#### (2) Gross profit margin

A gross profit of £25,687,000 was recorded (2009 £23,703,000) with a gross profit margin of 48.5% (2009 48.4%)

#### (3) Operating profit margin

Operating profit increased to £3,803,000 (2009 £1,536,000) and operating profit margin increased to 7.2% (2009 3.1%). The main contributing factor for this increase was better than expected sales in the USA and a reduction in exchange rate losses incurred, from £946,000 in 2009 to £137,000 in 2010

## **Directors' report** *(continued)*

### **Risk and uncertainties**

The Group's customer base has remained geographically diverse, encompassing industry, academia and government buildings. As a consequence, the business has not been reliant on one key customer or group of customers.

The influence of suppliers remained unchanged throughout the year. The Group is not dependent on any single supplier for the products and services needed for the continuance of the business.

The most significant commercial risk facing the Group continues to be the difficult global economic conditions, added to which is the impact that the unrest in the Middle East may have on fuel costs and related commodities as we progress through the year. However, the Group remains reasonably resilient to any downturn, given the nature of the market sector, our diverse customer base and our financial strength. Management therefore continues to ensure that the business model is as robust and efficient as possible in order to mitigate any further deterioration in trading conditions that might arise.

### **Research and development**

The Group continues to undertake a significant element of research and development, as it strives to keep its products at the forefront of technological development.

During 2010, the Group carried out research and development on risk control and employee management systems. The amount spent during the year was £4,311,000 (2009 £5,334,000). In the year £2,138,000 (2009 £1,407,000) of previously capitalised research and development spend has been amortised.

### **Outlook**

Following a better year than expected, attributable to increased sales in the USA, the directors remain cautious that the Group will see any real signs of renewed organic growth in the UK and European market in 2011. However, stimulus funded demand from the government sector in the USA continues to provide opportunities for Group growth in 2011.

The Group also seeks to further consolidate its market position in 2011 through ongoing new product developments, continued improvements to marketing activities and the continued emphasis on efficiency gains and cost savings.

### **Branches**

The Group has branch offices in Argentina and Dubai.

### **Market value of land and buildings**

In the opinion of the directors there is no significant difference between the book and market value of land and buildings.

## **Directors' report** *(continued)*

### **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 a formal code or standard on payment practice.

At 31 December 2010 the trade creditors of G4S Technology, the Company represented 31.5 days (2009 32.7 days) of annual purchases.

At 31 December 2010 the consolidated trade creditors of the Group represented 31.5 days (2009 32.9 days) of annual purchases.

### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employment policy**

The Group pursues a policy designed to avoid any form of employment discrimination.

### **Employee consultation**

The Group places considerable value on the involvement of its employees and keeps them informed on major issues affecting the Group. This is achieved through the activities of the European Works Council, through meetings with employee representatives where appropriate and by means of various written communications including Group and Company newsletters and magazines.

### **Dividend**

The directors do not recommend the payment of a dividend (2009 £Nil).

### **Political and charitable contributions**

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2009 £Nil).

### **Directors**

The directors of the Company who have served during the year were:

NK Whitelock (Chairman)  
JR Clarkson  
G Thorington-Jones

## Directors' report *(continued)*

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

### Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

On behalf of the Board



**NK Whitelock**  
*Director*

G4S Technology Limited  
Challenge House  
International Drive  
Tewkesbury  
Gloucestershire  
GL20 8UQ

18 March 2011

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



## KPMG Audit Plc

100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

### **Independent auditor's report to the members of G4S Technology Limited**

We have audited the financial statements of G4S Technology Limited for the year ended 31 December 2010 set out on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent Auditor's Report to the Members of G4S Technology Limited** *(continued)*

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**AC Campbell-Orde (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
100 Temple Street  
Bristol  
BS1 6AG

25 March 2011

**Consolidated Profit and Loss Account**  
*for the year ended 31 December 2010*

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Turnover</b>	2	<b>52,995</b>	49,002
Cost of sales		<b>(27,308)</b>	(25,299)
<b>Gross profit</b>		<b>25,687</b>	23,703
Distribution costs		<b>(7,220)</b>	(7,416)
Administrative expenses		<b>(14,664)</b>	(14,751)
<b>Operating profit</b>	2-4	<b>3,803</b>	1,536
Interest receivable and similar income	5	<b>21</b>	3
Interest payable and similar charges	6	<b>(281)</b>	(153)
<b>Profit on ordinary activities before taxation</b>	2-6	<b>3,543</b>	1,386
Taxation on profit on ordinary activities	7	<b>884</b>	(42)
<b>Profit for the financial year</b>	17	<b>4,427</b>	1,344

There is no difference between the profit before taxation and the retained profit for the year as shown in the profit and loss account, and their historical equivalents

All items in the profit and loss arise from continuing operations

The accompanying notes on pages 13 to 29 form an integral part of these financial statements

**Consolidated Statement of Total Recognised Gains and Losses**  
*for the year ended 31 December 2010*

	<i>Notes</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Profit for the financial year</b>	<i>17</i>	<b>4,427</b>	<b>1,344</b>
Currency translation differences	<i>17</i>	<b>206</b>	<b>(98)</b>
<b>Total recognised gains and losses</b>		<b>4,633</b>	<b>1,246</b>

The accompanying notes on pages 13 to 29 form an integral part of these financial statements

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 December 2010*

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Retained profit for the financial year</b>	<b>4,427</b>	<b>1,344</b>	<b>2,982</b>	<b>1,005</b>
Currency translation differences	206	(98)	-	-
Capital contribution	73	-	73	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net addition in shareholders' funds</b>	<b>4,706</b>	<b>1,246</b>	<b>3,055</b>	<b>1,005</b>
Opening shareholders' funds	30,837	29,591	27,238	26,233
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>35,543</b>	<b>30,837</b>	<b>30,293</b>	<b>27,238</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 13 to 29 form an integral part of these financial statements

**Consolidated Balance Sheet**  
*at 31 December 2010*

	<i>Notes</i>	<b>2010</b> £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	<i>8</i>	<b>14,808</b>	14,083
Tangible fixed assets	<i>9</i>	<b>6,120</b>	6,394
		<hr/> <b>20,928</b> <hr/>	<hr/> 20,477 <hr/>
<b>Current assets</b>			
Stocks	<i>11</i>	<b>12,998</b>	12,305
Debtors	<i>12</i>	<b>20,828</b>	18,347
Cash at bank and in hand		<b>5,757</b>	592
		<hr/> <b>39,583</b> <hr/>	<hr/> 31,244 <hr/>
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	<b>(24,534)</b>	(20,320)
<b>Net current assets</b>		<hr/> <b>15,049</b> <hr/>	<hr/> 10,924 <hr/>
<b>Total assets less current liabilities</b>		<b>35,977</b>	31,401
<b>Creditors' amounts falling due in more than one year</b>	<i>14</i>	<b>(434)</b>	(564)
<b>Net assets</b>		<hr/> <b>35,543</b> <hr/>	<hr/> 30,837 <hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>16</i>	<b>1,983</b>	1,983
Profit and loss account	<i>17</i>	<b>32,337</b>	27,704
Capital contribution reserve	<i>17</i>	<b>73</b>	-
Capital redemption reserve	<i>17</i>	<b>1,150</b>	1,150
<b>Shareholders' funds</b>		<hr/> <b>35,543</b> <hr/>	<hr/> 30,837 <hr/>

The accompanying notes on pages 13 to 29 form an integral part of these financial statements

These financial statements were approved by the board of directors on 18 March 2011 and were signed on its behalf by



**NK Whitelock**  
 Director

**Company Balance Sheet**  
*as at 31 December 2010*

	<i>Notes</i>	2010 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	<i>8</i>	16,116	15,515
Tangible fixed assets	<i>9</i>	5,198	5,501
Investments	<i>10</i>	4,160	4,160
		<u>25,474</u>	<u>25,176</u>
<b>Current assets</b>			
Stocks	<i>11</i>	10,842	10,322
Debtors	<i>12</i>	17,914	18,809
Cash at bank and in hand		5,040	152
		<u>33,796</u>	<u>29,283</u>
<b>Creditors</b> amounts falling due within one year	<i>13</i>	<u>(28,543)</u>	<u>(26,657)</u>
<b>Net current assets</b>		<u>5,253</u>	<u>2,626</u>
<b>Total assets less current liabilities</b>		<u>30,727</u>	<u>27,802</u>
<b>Creditors</b> amounts falling due in more than one year	<i>14</i>	<u>(434)</u>	<u>(564)</u>
<b>Net assets</b>		<u>30,293</u>	<u>27,238</u>
<b>Capital and reserves</b>			
Called up share capital	<i>16</i>	1,983	1,983
Profit and loss account	<i>17</i>	27,087	24,105
Capital contribution reserve	<i>17</i>	73	-
Capital redemption reserve	<i>17</i>	1,150	1,150
<b>Shareholders' funds</b>		<u>30,293</u>	<u>27,238</u>

The accompanying notes on pages 13 to 29 form an integral part of these financial statements

These financial statements were approved by the board of directors on 18 March 2011 and were signed on its behalf by



**NK Whitelock**  
 Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The trade and net assets of a subsidiary undertaking were transferred to the Company at their book value which was less than their fair value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of the acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. Schedule 1 of the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2009 (SI 2009 No 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets and goodwill. The effect of this departure is to increase the amount of goodwill by £8,899,000 and to decrease the value of investments by £8,899,000 in the Company's balance sheet. The group financial statements are not affected by this transfer.

#### *Going concern*

The directors have considered the financial position of the Company and have concluded that the Company will continue to meet its liabilities as they fall due for the foreseeable future and hence the accounts are prepared on a going concern basis.

#### *Cash flow statement*

At 31 December 2010 the Company was a wholly owned subsidiary of G4S plc, a company incorporated in the United Kingdom, which prepared consolidated financial statements including a group cash flow statement. In accordance with FRS 1 (revised) no cash flow statement is therefore included in these accounts.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under S408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Turnover*

Turnover represents the value of installation and maintenance services rendered and the sale of goods, excluding intra-group transactions and sales related taxes

Turnover on installations is recognised either on completion in respect of product sales or in accordance with the stage of completion in respect of long term contract Turnover from maintenance services is recognised over the life of the service agreement

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

#### *Pensions*

The G4S plc group operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group

The Group is a member of that pension scheme but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the parent's profit and loss account represents the contributions payable to the scheme in respect of the accounting period

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19



## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets and depreciation*

Fixed tangible assets are stated at historical cost, less related accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Depreciation is provided to write-off the cost less estimated residual value of fixed tangible assets by the straight line method over the period of their useful economic lives, as follows:

Short leasehold property	-	life of lease
Plant and equipment	-	10-33% per annum

#### *Finance leases*

Where assets are acquired under finance lease agreements, the fair value of such assets is included in tangible assets. Depreciation is provided over the shorter of the lease term and the rates specified above. The capital element of the future obligation to the lessor is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease.

#### *Operating leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Stocks*

Stocks including short term contracts are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the stocks to their present location and condition, including an appropriate proportion of overheads.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. Exchange differences arising on trading transactions are translated into sterling on an average exchange rate basis. Exchange differences arising from the translation of the results and net assets of overseas subsidiaries are dealt with through reserves. The cost of the parent company investment in shares in the overseas subsidiaries, Amag Technology, Inc, Hisec International A/S and Hisec International SA is stated at the rate of exchange in forex at the date the investment was made.

#### *Fixed asset investments*

Fixed asset investments in subsidiary undertakings are stated at historical cost less an appropriate impairment provision to reflect any diminution in the value of the investment.

#### *Goodwill and negative goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, being twenty years for goodwill relating to the trade of Hisec International A/S and Girovend Limited (formerly Hallico 1371 Ltd).

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**Research and development expenditure**

Development expenditure represents expenditure incurred in establishing new services and products of the Company. Capitalised development expenditure is amortised over the period during which the expenditure is reasonably 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, provided for any impairment in value.

Expenditure relating to defined development projects is capitalised when the commercial value of the project can be reasonably regarded as assured.

**Classification of financial instruments issued by the Company**

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company. All other financial instruments issued by the company are classified as liabilities.

**Share based payments**

G4S plc issues equity-settled share based payments to certain employees of G4S Technology Limited. The fair value of share-based payments is determined at the date of the grant and expensed with a corresponding measure in equity on a straight-line basis over the vesting period, based on the estimate of the shares that will eventually vest, in accordance with the UITF 44 'Group and Treasury Share Transactions' 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.

**2 Turnover**

Geographical destination	2010 £000	2009 £000
United Kingdom	22,272	22,032
Rest of Europe	7,358	8,321
North America	20,615	15,505
Asia/Pacific	815	1,224
Latin America and Caribbean	581	661
Africa	207	242
Middle East and Gulf	1,147	1,017
	<hr/>	<hr/>
	<b>52,995</b>	<b>49,002</b>
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**3 Employees**

	<b>2010</b>	<b>Group</b>
	<b>£000</b>	<b>2009</b>
		<b>£000</b>
Staff costs		
Wages and salaries	<b>17,812</b>	16,956
Social security costs	<b>1,548</b>	1,514
Share based payments (see note 19)	<b>73</b>	-
Other pension costs (note 18)	<b>840</b>	758
	<b>20,273</b>	19,228
	<b>2010</b>	<b>Group</b>
	<b>No</b>	<b>2009</b>
		<b>No</b>
Average number of employees		
Direct	<b>167</b>	178
Indirect and administration	<b>265</b>	270
	<b>432</b>	448

The directors of G4S Technology Limited received the following remuneration in respect of their services to the Company:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Directors emoluments	<b>487</b>	393
Company contributions to money purchase pension schemes	<b>51</b>	50
	<b>Number</b>	<b>Number</b>
Number of directors accruing benefits under defined benefit pension scheme	<b>3</b>	3

The aggregate emoluments of the highest paid director were £225,000 (2009 £149,000) Contributions totalling £22,000 have been made to a pension scheme on his behalf in the year (2009 £24,000)

**Notes (continued)**

#### 4 Operating profit

	2010 £000	2009 £000
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
- owned	1,695	1,345
- held under finance leases	121	121
Operating lease rentals		
- land and buildings	1,286	1,313
- vehicles		-
- other	895	962
Loss on disposal of fixed assets	-	101
Amortisation of capitalised development expenditure	2,138	1,407
Amortisation of goodwill	445	445
Net foreign exchange loss	137	946
Auditors' remuneration		
Audit of these financial statements	61	61

Amounts receivable by the group auditors and their associates in respect of services to the Group and its associates, other than the audit of the Group's financial statements, have not been disclosed as the information required is instead to be disclosed on a consolidated basis in the consolidated financial statements of the Group's parent, G4S Plc

#### 5 Interest receivable and similar income

	2010 £000	2009 £000
Group undertakings	-	2
Banks and others	21	1
	21	3

#### 6 Interest payable and similar charges

	2010 £000	2009 £000
Group undertakings	230	96
Banks and others	5	4
Payable under finance lease arrangements	46	53
	281	153

**Notes** *(continued)*

**7 Taxation**

	<b>Group</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
<b>UK corporation tax:</b>		
Current tax on income for the year	2,051	997
Adjustment in respect of previous years	<b>(2,965)</b>	(409)
	<hr/>	<hr/>
	<b>(914)</b>	588
<b>Deferred tax:</b>		
Origination and reversal of timing differences (note 15)	30	(546)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<b>(884)</b>	42
	<hr/> <hr/>	<hr/> <hr/>

*Factors affecting the tax credit/(charge) for the current year*

The current tax credit/(charge) for the year is lower *(2009 higher)* than the standard rate of corporation tax in the UK 28% *(2009 28%)*. The differences are explained below

	<b>Group</b>	
	<b>2010</b>	2009
	<b>£000</b>	£000
Profit on ordinary activities before tax	3,543	1,386
	<hr/>	<hr/>
Current tax at 28% <i>(2009 28%)</i>	992	388
<i>Effects of</i>		
Expenses not deductible for tax purposes (including goodwill amortisation)	400	74
Accelerated capital allowances and other timing differences	659	535
Adjustments in respect of previous years	<b>(2,965)</b>	(409)
	<hr/>	<hr/>
<b>Total current tax credit/(charge) (see above)</b>	<b>(914)</b>	588
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**8 Intangible assets**

<b>Group</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Cost</i>			
At 1 January 2010	8,899	9,867	18,766
Additions	-	3,308	3,308
	<hr/>	<hr/>	<hr/>
At 31 December 2010	8,899	13,175	22,074
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated amortisation</i>			
At 1 January 2010	2,001	2,682	4,683
Charge for the year	445	2,138	2,583
	<hr/>	<hr/>	<hr/>
At 31 December 2010	2,446	4,820	7,266
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 December 2010	6,453	8,355	14,808
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2009	6,898	7,185	14,083
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Goodwill relates to the acquisitions of H1 Sec International A/S and G2 Integrated Solutions Limited and is being amortised over its deemed useful economic life of twenty years

Development costs relate to defined projects where the commercial value of the project can be reasonably regarded as assured, and are being amortised over the deemed commercial life of the project of five years

**Notes** *(continued)*

**8 Intangible assets** *(continued)*

<b>Company</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Cost</i>			
At 1 January 2010	8,899	9,867	18,766
Additions	-	3,308	3,308
	<hr/>	<hr/>	<hr/>
At 31 December 2010	8,899	13,175	22,074
	<hr/>	<hr/>	<hr/>
<i>Accumulated amortisation</i>			
At 1 January 2010	569	2,682	3,251
Charge for the year	569	2,138	2,707
	<hr/>	<hr/>	<hr/>
At 31 December 2010	1,138	4,820	5,958
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2010	<b>7,761</b>	<b>8,355</b>	<b>16,116</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2009	8,330	7,185	15,515
	<hr/>	<hr/>	<hr/>

Development costs relate to defined projects where the commercial value of the project can be reasonably regarded as assured, and are being amortised over the deemed commercial life of the project of five years

The goodwill arose on the transfer of trade and net assets of subsidiary undertakings to the company. See basis of preparation in note 1 for further details

**Notes** *(continued)*

**9 Tangible fixed assets**

<b>Group</b>	<b>Short leasehold property £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<i>Cost</i>			
At 1 January 2010	4,105	10,924	15,029
Additions	327	1,221	1,548
Disposals	(55)	(1,528)	(1,583)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	4,377	10,617	14,994
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2010	1,893	6,742	8,635
Charge for the year	430	1,386	1,816
Disposals	(54)	(1,523)	(1,577)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	2,269	6,605	8,874
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2010	<b>2,108</b>	<b>4,012</b>	<b>6,120</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2009	2,212	4,182	6,394
	<hr/>	<hr/>	<hr/>

Included in the total net book value of short leasehold property is £520,000 (2009 £641,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £121,000 (2009 £121,000)



**Notes** *(continued)*

**9 Tangible fixed assets** *(continued)*

<b>Company</b>	<b>Short leasehold property £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<i>Cost</i>			
At 1 January 2010	3,355	9,135	12,490
Additions	219	1,018	1,237
Disposals	(37)	(1,394)	(1,431)
At 31 December 2010	<u>3,537</u>	<u>8,759</u>	<u>12,296</u>
<i>Accumulated depreciation</i>			
At 1 January 2010	1,549	5,440	6,989
Charge for the year	349	1,191	1,540
Disposals	(37)	(1,394)	(1,431)
At 31 December 2010	<u>1,861</u>	<u>5,237</u>	<u>7,098</u>
<i>Net book value</i>			
At 31 December 2010	<u>1,676</u>	<u>3,522</u>	<u>5,198</u>
At 31 December 2009	<u>1,806</u>	<u>3,695</u>	<u>5,501</u>

Included in the total net book value of short leasehold property is £520,000 (2009 £641,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £121,000 (2009 £121,000)

**Notes** (continued)

**10 Investments**

Company	Shares in group undertakings £000
<b>Cost and net book value at 31 December 2010</b>	<b>4,160</b>

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the aggregate amounts at which they are stated in the accounts

At 31 December 2010, the Company owned the entire ordinary share capital of the following companies

Undertaking	Country of incorporation	Principal activity	Percentage of shares held
Hi Sec International A/S	Denmark	Security Systems	100%
AMAG Technology Limited	England	Security Systems	100%
Hi Sec International SA	France	Security Systems	100%
G4S Technology SA	Panama	Security Systems	100%
AMAG Technology, Inc	U S A	Security Systems	100%
Securtas Technology plc	England	Dormant	100%
Girovend Limited	England	Dormant	100%

**11 Stocks**

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Work in progress	4,526	3,145	4,526	3,145
Materials and finished goods	8,472	9,160	6,316	7,177
	<u>12,998</u>	<u>12,305</u>	<u>10,842</u>	<u>10,322</u>

There is no material difference between the balance sheet amounts of stocks and their replacement cost

**Notes (continued)**

**12 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	8,812	8,498	4,884	5,745
Amounts owed by group undertakings	10,813	8,634	12,097	12,121
Other debtors	60	50	21	34
Deferred tax assets (note 15)	451	481	337	351
Prepayments and accrued income	692	684	575	558
	<b>20,828</b>	<b>18,347</b>	<b>17,914</b>	<b>18,809</b>

**13 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade creditors	2,806	2,855	1,959	2,391
Amounts owed to group undertakings	3,191	1,932	9,888	9,611
Loan owed to group undertaking	8,241	4,856	8,241	4,856
Obligations under finance leases	132	122	132	122
Taxation and social security	855	784	858	712
Other creditors	605	694	395	509
Corporation tax	2,052	2,332	1,352	2,315
Accruals and deferred income	6,652	6,745	5,718	6,141
	<b>24,534</b>	<b>20,320</b>	<b>28,543</b>	<b>26,657</b>

**Notes (continued)**

**14 Creditors: amounts falling due in more than one year**

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Obligations under finance leases	<u>434</u>	<u>564</u>	<u>434</u>	<u>564</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Under one year	132	122	132	122
Between two and five years	434	564	434	564
	<u>566</u>	<u>686</u>	<u>566</u>	<u>686</u>

**15 Deferred tax assets**

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
At beginning of year	(481)	65	(351)	116
Charge/(credit) to the profit and loss for the year (note 7)	30	(546)	14	(467)
<b>At end of year</b>	<u>(451)</u>	<u>(481)</u>	<u>(337)</u>	<u>(351)</u>

The elements of deferred taxation are as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	<u>(451)</u>	<u>(481)</u>	<u>(337)</u>	<u>(351)</u>

The deferred tax asset is included within debtors (see note 12)

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the Group and Company's future current tax charge accordingly. The deferred tax balances have taken into account the rate change from 28% to 27%. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group and Company's future current tax charge and reduce the Group and Company's deferred tax assets accordingly.

**Notes (continued)**

**16 Called up share capital**

	2010 £000	2009 £000
<b>Allotted, issued and fully paid:</b>		
1,983,000 ordinary shares of £1 each	<u>1,983</u>	<u>1,983</u>

On issue, redeemable shares would have full voting and dividend rights, and rank equally with the ordinary shares on winding up, and be redeemable at par at any time subject to one month's notice

**17 Reserves**

Group	Capital contribution reserve £000	Capital redemption reserves £000	Profit and loss account £000
At 31 December 2009	-	1,150	27,704
Retained profit for the year	-	-	4,427
Currency translation differences	-	-	206
Capital contribution	73	-	-
	<u>73</u>	<u>1,150</u>	<u>32,337</u>
<b>At 31 December 2010</b>	<u>73</u>	<u>1,150</u>	<u>32,337</u>

Total cumulative goodwill written off to profit and loss account reserves at 31 December 2010 amounts to £4,305,000 (2009 £3,860,000)

Company	Capital contribution reserve £000	Capital redemption reserves £000	Profit and loss account £000
At 31 December 2009	-	1,150	24,105
Retained profit for the year	-	-	2,982
Capital contribution	73	-	-
	<u>73</u>	<u>1,150</u>	<u>27,087</u>
<b>At 31 December 2010</b>	<u>73</u>	<u>1,150</u>	<u>27,087</u>

**Notes** *(continued)*

**18 Pension arrangements**

The Group participates in the G4S Plc Pension Scheme, a multi-employer defined benefit scheme in the UK. The Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis. The scheme is therefore accounted for by the Group as a defined contribution scheme. Details of the scheme are included in the consolidated financial statements of the Company's ultimate parent company, G4S Plc.

The total pension cost charged in the Group's profit and loss account for the year ended 31 December 2010 for this scheme was £840,000 (2009 £758,000).

At 31 December 2010 the market value of the G4S Plc Pension Schemes' assets was £1,380 million (2009 £1,240 million) and the actuarial value of these assets represented 84% (2009 80%) of the benefits that had accrued to the members, after allowing for expected future increases in earnings. This produced a deficit between the assets and the benefits accrued to members of £256 million (2009 £307.1 million).

**19 Share-based payments**

G4S Plc has made conditional allocations of G4S Plc shares to the employees of G4S Technology Limited. 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, to the extent that (a) certain non-market performance conditions are met as to two-thirds of the allocation and (b) certain market performance conditions are met as to the remaining third of the allocation. Vesting occurs after the third anniversary of the date the shares were allocated conditionally. To the extent that the performance criteria have been met and the shares are not forfeited, these shares can only be released upon request after the third anniversary but before the tenth anniversary.

The number of shares allocated conditionally is as follows:

	2010 Number of shares	2009 Number of shares
Outstanding at 1 January	100,275	82,590
Allocated during the year	29,106	38,285
Transferred during the year	(31,427)	(20,600)
<b>Outstanding at 31 December</b>	<b>97,954</b>	<b>100,275</b>

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2010 was 13.9 months. The weighted average share price at the date of allocation of shares allocated conditionally during the year was 259p (2009 186p) and the contractual life of all conditional allocations was three years.

Total expenses of £73,000 were recognised in the profit and loss account in the year 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. The charge in the current year, includes £35,000 in relation to prior periods, no charge had been recognised in prior periods due to the amount being considered immaterial to the overall results of the Group.

**Notes** *(continued)*

**20 Contingent liabilities**

The companies in the Group are party to a number of performance guarantees issued in the ordinary course of business under which no liability is expected to arise

**21 Obligations under leases**

The Group has entered into operating leases and has annual commitments under leases expiring as follows

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	184	194	131
Between two and five years	119	462	210	541
After five years	1,088	-	826	-
	<u>1,207</u>	<u>646</u>	<u>1,230</u>	<u>672</u>

**22 Capital commitments**

At 31 December 2010 the Group and Company had capital commitments contracted for but not provided for of £Nil (2009 £Nil)

**23 Related party transactions**

The Company has taken advantage of the exemption under Financial Reporting Standard 8 relating to wholly owned subsidiary undertakings and has not disclosed details of transactions with other undertakings within G4S Plc Group

**24 Parent and ultimate controlling party**

The Company is a wholly owned subsidiary of G4S Plc, a company incorporated in England which is the ultimate controlling party

The largest group of undertakings for which consolidated financial statements are available, and the ultimate holding company, is G4S Plc, a company incorporated in the United Kingdom. Copies of the G4S plc accounts can be obtained from The Company Secretary, The Manor, Crawley, West Sussex RH10 9UN