

**G4S Technology Limited**

**Directors' report and financial  
statements**

**Registered number 2382338**

**31 December 2012**

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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 2012

### 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	2012	2011
Turnover	49,236	54,339
Gross profit	23,269	24,971
Gross profit %	47.2%	45.9%
Profit before tax	203	2,827
Profit before tax %	0.4%	5.2%

Profit after taxation amounted to £1,994,000 (2011 £2,685,000)

#### (1) Turnover growth

Turnover has decreased by 9.4% during the year

#### (2) Gross profit margin

A gross profit of £23,269,000 was recorded (2011 £24,971,000) with a gross profit margin of 47.2% (2011 45.9%)

#### (3) Operating profit margin

Operating profit decreased to £444,000 (2011 £3,061,000) and operating profit margin decreased to 0.9% (2011 5.6%)

During the year, gross profit and operating margin have both been eroded reflecting the difficult economic climate in which the company has operated. This is due in part to increased competition, higher discounting to win new contracts and increased material and fuel costs.

## **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 difficult global economic conditions continue to be the most significant commercial risk facing the Group, as well as the on-going unrest in the Middle East and the added impact this has had on fuel costs and related commodities. 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 2012, the Group carried out research and development on risk control and employee management systems. The amount spent during the year was £7,220,000 (2011 £5,122,000). In the year £3,211,000 (2011 £2,511,000) of previously capitalised research and development spend has been amortised.

### **Outlook**

The directors believe that 2013 will continue to present challenges, as there has been no real improvement in the UK market and uncertainty persists in the Eurozone as the currency continues to struggle.

In the USA some stability has now returned, with three years uninterrupted economic growth and the fiscal cliff issues fading. The directors are optimistic that 2013 should see a return to growth.

Product Development continues to be at the forefront of the company's strategy and its ability to react quickly to market demands should begin to bear fruit in the second half of the year. Opportunities within the market have been identified and the company is poised to take advantage of them as they arise.

### **Branches**

The Group closed its office in Argentina but continues to maintain the Dubai branch.

### **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 2012 the trade creditors of G4S Technology, the Company represented 52.1 days (*2011 44.1 days*) of annual purchases.

At 31 December 2012 the consolidated trade creditors of the Group represented 50.2 days (*2011 43.8 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 (*2011 £Nil*).

### **Political and charitable contributions**

The Company made no disclosable political or charitable donations or incurred any disclosable political expenditure during the year (*2011 £Nil*).

### **Directors**

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

NK Whitelock (Chairman)  
JR Clarkson  
G Thorngton-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



**G Thorington-Jones**  
*Director*

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

15 March 2013

## **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 2012 set out on pages 8 to 27. 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 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 2012 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

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

26 March 2013

**Consolidated Profit and Loss Account**  
*for the year ended 31 December 2012*

	<i>Notes</i>	<b>2012</b> £000	2011 £000
<b>Turnover</b>	2	49,236	54,339
Cost of sales		(25,967)	(29,368)
<b>Gross profit</b>		<u>23,269</u>	<u>24,971</u>
Distribution costs		(7,556)	(7,585)
Administrative expenses		(15,269)	(14,325)
<b>Operating profit</b>	2-4	<b>444</b>	3,061
Interest receivable and similar income	5	-	3
Interest payable and similar charges	6	(241)	(237)
<b>Profit on ordinary activities before taxation</b>	2-6	<b>203</b>	2,827
Taxation on profit on ordinary activities	7	1,791	(142)
<b>Profit for the financial year</b>	17	<u><b>1,994</b></u>	<u><b>2,685</b></u>

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 27 form an integral part of these financial statements

**Consolidated Statement of Total Recognised Gains and Losses**  
*for the year ended 31 December 2012*

	<i>Notes</i>	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
<b>Profit for the financial year</b>	<i>17</i>	<b>1,994</b>	<b>2,685</b>
Currency translation differences	<i>17</i>	<b>(219)</b>	<b>249</b>
<b>Total recognised gains and losses</b>		<b>1,775</b>	<b>2,934</b>

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 December 2012*

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Retained profit for the financial year</b>	<b>1,994</b>	<b>2,685</b>	<b>2,140</b>	<b>447</b>
Currency translation differences	(219)	249	-	-
Adjustment to share based payment	(6)	4	(6)	4
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net addition in shareholders' funds</b>	<b>1,769</b>	<b>2,938</b>	<b>2,134</b>	<b>451</b>
Opening shareholders' funds	<b>38,481</b>	<b>35,543</b>	<b>30,744</b>	<b>30,293</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>40,250</b>	<b>38,481</b>	<b>32,878</b>	<b>30,744</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

**Consolidated Balance Sheet**  
*at 31 December 2012*

	<i>Notes</i>	<b>2012</b> <b>£000</b>	<b>2011</b> <b>£000</b>
<b>Fixed assets</b>			
Intangible assets	<i>8</i>	<b>18,776</b>	16,911
Tangible fixed assets	<i>9</i>	<b>5,804</b>	5,837
		<hr/> <b>24,580</b> <hr/>	<hr/> <b>22,748</b> <hr/>
<b>Current assets</b>			
Stocks	<i>11</i>	<b>16,710</b>	13,284
Debtors	<i>12</i>	<b>18,552</b>	15,425
Cash at bank and in hand		<b>2,079</b>	4,906
		<hr/> <b>37,341</b> <hr/>	<hr/> <b>33,615</b> <hr/>
<b>Creditors</b> amounts falling due within one year	<i>13</i>	<b>(21,529)</b>	(17,589)
<b>Net current assets</b>		<hr/> <b>15,812</b> <hr/>	<hr/> <b>16,026</b> <hr/>
<b>Total assets less current liabilities</b>		<b>40,392</b>	38,774
<b>Creditors</b> amounts falling due in more than one year	<i>14</i>	<b>(142)</b>	(293)
<b>Net assets</b>		<hr/> <b>40,250</b> <hr/>	<hr/> <b>38,481</b> <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>37,040</b>	35,271
Capital contribution reserve	<i>17</i>	<b>77</b>	77
Capital redemption reserve	<i>17</i>	<b>1,150</b>	1,150
<b>Shareholders' funds</b>		<hr/> <b>40,250</b> <hr/>	<hr/> <b>38,481</b> <hr/>

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

These financial statements were approved by the board of directors on 15 March 2013 and were signed on its behalf by



**G Thorington-Jones**  
 Director

**Company Balance Sheet**  
*as at 31 December 2012*

	<i>Notes</i>	<b>2012</b> £000	2011 £000
<b>Fixed assets</b>			
Intangible assets	<i>8</i>	<b>19,835</b>	18,095
Tangible fixed assets	<i>9</i>	<b>5,074</b>	4,921
Investments	<i>10</i>	<b>4,160</b>	4,160
		<hr/> <b>29,069</b>	<hr/> 27,176
<b>Current assets</b>			
Stocks	<i>11</i>	<b>14,349</b>	11,589
Debtors	<i>12</i>	<b>13,115</b>	12,063
Cash at bank and in hand		<b>3,396</b>	2,899
		<hr/> <b>30,860</b>	<hr/> 26,551
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	<b>(26,909)</b>	(22,690)
<b>Net current assets</b>		<hr/> <b>3,951</b>	<hr/> 3,861
<b>Total assets less current liabilities</b>		<b>33,020</b>	31,037
<b>Creditors: amounts falling due in more than one year</b>	<i>14</i>	<b>(142)</b>	(293)
<b>Net assets</b>		<hr/> <b>32,878</b>	<hr/> 30,744
<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>29,668</b>	27,534
Capital contribution reserve	<i>17</i>	<b>77</b>	77
Capital redemption reserve	<i>17</i>	<b>1,150</b>	1,150
<b>Shareholders' funds</b>		<hr/> <b>32,878</b>	<hr/> 30,744

The accompanying notes on pages 13 to 27 form an integral part of these financial statements

These financial statements were approved by the board of directors on 15 March 2013 and were signed on its behalf by



**G Thorington-Jones**  
 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

#### ***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 2012 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 2012. 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

#### ***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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

#### *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.



## Notes (continued)

### 1 Accounting policies (continued)

#### *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 Hi Sec International A/S and Girovend Limited.

#### *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.

**Notes** (continued)

**2 Turnover**

Geographical destination	2012 £000	2011 £000
United Kingdom	18,562	18,350
Rest of Europe	6,815	8,274
North America	20,970	24,012
Asia/Pacific	1,104	1,415
Latin America and Caribbean	666	611
Africa	230	350
Middle East and Gulf	889	1,327
	<u>49,236</u>	<u>54,339</u>

**3 Employees**

	2012 £000	Group 2011 £000
Staff costs		
Wages and salaries	18,893	18,543
Social security costs	1,772	1,699
Adjustment to share based payments (see note 19)	(6)	4
Other pension costs (note 18)	804	842
	<u>21,463</u>	<u>21,088</u>

	2012 No.	Group 2011 No.
Average number of employees		
Direct	164	161
Indirect and administration	281	281
	<u>445</u>	<u>442</u>

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

	2012 £000	2011 £000
Directors emoluments	563	511
Company contributions to money purchase pension schemes	11	55
	<u>574</u>	<u>566</u>

	Number	Number
Number of directors accruing benefits under defined benefit pension schemes	-	3
Number of directors accruing benefits under money purchase pension schemes	1	3
	<u>1</u>	<u>6</u>

**Notes** (continued)

The aggregate emoluments of the highest paid director were £248,000 (2011 £247,000) Contributions totalling £nil have been made to a pension scheme on his behalf in the year (2011 £26,000)

**4 Operating profit**

	2012 £000	2011 £000
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
- owned	1,701	1,746
- held under finance leases	121	120
Operating lease rentals		
- land and buildings	1,205	1,202
- other	842	856
Loss on disposal of fixed assets	5	3
Amortisation of capitalised development expenditure	3,211	2,511
Amortisation of goodwill	444	445
Net foreign exchange loss	257	170
Auditors' remuneration		
Audit of these financial statements	65	65
	<u>          </u>	<u>          </u>

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**

	2012 £000	2011 £000
Banks and others	-	3
	<u>          </u>	<u>          </u>

**6 Interest payable and similar charges**

	2012 £000	2011 £000
Group undertakings	173	182
Banks and others	41	22
Payable under finance lease arrangements	27	33
	<u>          </u>	<u>          </u>
	<u>241</u>	<u>237</u>

**Notes** (continued)

**7 Taxation**

	Group	
	2012	2011
	£000	£000
<b>UK corporation tax</b>		
Current tax on income for the year	(355)	1,591
Adjustment in respect of previous years	(1,511)	(1,363)
	<u>(1,866)</u>	<u>228</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 15)	75	(86)
	<u>(1,791)</u>	<u>142</u>

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

The current tax (credit)/charge for the year is lower (2011 lower) than the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below

	Group	
	2012	2011
	£000	£000
Profit on ordinary activities before tax	203	2,827
Current tax at 24.5% (2011 26.5%)	50	749
<i>Effects of</i>		
Expenses not deductible for tax purposes (including goodwill amortisation)	55	125
Accelerated capital allowances and other timing differences	(460)	717
Adjustments in respect of previous years	(1,511)	(1,363)
<b>Total current tax (credit)/charge (see above)</b>	<u>(1,866)</u>	<u>228</u>

On 21 March 2012 the Chancellor announced that the main rate of UK corporation tax would reduce from 24 per cent to 23 per cent with effect from 1 April 2013. This tax change became substantively enacted in July 2012.

The Chancellor has also proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent on 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

**Notes (continued)**

**8 Intangible assets**

<b>Group</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Internally generated software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Cost</i>				
At 1 January 2012	8,899	18,234	-	27,133
Additions	-	4,859	661	5,520
	<u>8,899</u>	<u>23,093</u>	<u>661</u>	<u>32,653</u>
At 31 December 2012	<u>8,899</u>	<u>23,093</u>	<u>661</u>	<u>32,653</u>
<i>Accumulated amortisation</i>				
At 1 January 2012	2,891	7,331	-	10,222
Charge for the year	444	3,211	-	3,655
	<u>3,335</u>	<u>10,542</u>	<u>-</u>	<u>13,877</u>
At 31 December 2012	<u>3,335</u>	<u>10,542</u>	<u>-</u>	<u>13,877</u>
<i>Net book value</i>				
At 31 December 2012	<u>5,564</u>	<u>12,551</u>	<u>661</u>	<u>18,776</u>
At 31 December 2011	<u>6,008</u>	<u>10,903</u>	<u>-</u>	<u>16,911</u>

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 projects of five to seven years

**Notes** *(continued)*

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

<b>Company</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Internally generated software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Cost</i>				
At 1 January 2012	8,899	18,234	-	27,133
Additions	-	4,859	661	5,520
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	8,899	23,093	661	32,653
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Accumulated amortisation</i>				
At 1 January 2012	1,707	7,331	-	9,038
Charge for the year	569	3,211	-	3,780
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,276	10,542	-	12,818
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 31 December 2012	6,623	12,551	661	19,835
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2011	7,192	10,903	-	18,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <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 projects of five to seven years

The goodwill arose on the transfer of trade and net assets of subsidiary undertakings to the company

**Notes** (continued)

**9 Tangible fixed assets**

Group	Short leasehold property £000	Plant and equipment £000	Total £000
<i>Cost</i>			
At 1 January 2012	4,572	11,956	16,528
Additions	137	1,660	1,797
Disposals	-	(19)	(19)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	4,709	13,597	18,306
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2012	2,678	8,013	10,691
Charge for the year	400	1,422	1,822
Disposals	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	3,078	9,424	12,502
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2012	1,631	4,173	5,804
	<hr/>	<hr/>	<hr/>
At 31 December 2011	1,894	3,943	5,837
	<hr/>	<hr/>	<hr/>

Included in the total net book value of short leasehold property is £279,000 (2011 £400,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £121,000 (2011 £120,000)

Company	Short leasehold property £000	Plant and equipment £000	Total £000
<i>Cost</i>			
At 1 January 2012	3,711	9,875	13,586
Additions	173	1,638	1,811
Disposals	-	(16)	(16)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	3,884	11,497	15,381
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2012	2,220	6,445	8,665
Charge for the year	374	1,279	1,653
Disposals	-	(11)	(11)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	2,594	7,713	10,307
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2012	1,290	3,784	5,074
	<hr/>	<hr/>	<hr/>
At 31 December 2011	1,491	3,430	4,921
	<hr/>	<hr/>	<hr/>

Included in the total net book value of short leasehold property is £279,000 (2011 £400,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £121,000 (2011 £120,000)

**Notes (continued)**

**10 Investments**

Company	Shares in group undertakings £000
Cost and net book value at 31 December 2012	<u>4,160</u>

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 2012, the Company owned the entire ordinary share capital of the following companies

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

**11 Stocks**

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Work in progress	7,557	6,535	7,557	6,515
Materials and finished goods	9,153	6,749	6,792	5,074
	<u>16,710</u>	<u>13,284</u>	<u>14,349</u>	<u>11,589</u>

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

**12 Debtors**

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	8,095	8,042	6,174	4,913
Amounts owed by group undertakings	6,433	5,798	5,152	5,794
Other debtors	2,839	329	769	320
Deferred tax assets (note 15)	462	537	343	422
Prepayments and accrued income	723	719	677	614
	<u>18,552</u>	<u>15,425</u>	<u>13,115</u>	<u>12,063</u>



**Notes** (continued)

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade creditors	3,947	3,726	3,597	2,673
Amounts owed to group undertakings	2,164	2,335	9,118	8,887
Loan owed to group undertaking	8,200	3,500	8,200	3,500
Obligations under finance leases	151	141	151	141
Taxation and social security	490	792	490	824
Other creditors	552	604	86	488
Corporation tax	-	109	-	788
Accruals and deferred income	6,025	6,382	5,267	5,389
	<u>21,529</u>	<u>17,589</u>	<u>26,909</u>	<u>22,690</u>

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Obligations under finance leases	142	293	142	293

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Under one year	151	141	151	141
Between two and five years	142	293	142	293
	<u>293</u>	<u>434</u>	<u>293</u>	<u>434</u>

**15 Deferred tax assets**

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
At beginning of year	(537)	(451)	(422)	(337)
Charge/(credit) to the profit and loss for the year (note 7)	75	(86)	79	(85)
At end of year	<u>(462)</u>	<u>(537)</u>	<u>(343)</u>	<u>(422)</u>

**Notes (continued)**

**15 Deferred tax assets (continued)**

The elements of deferred taxation are as follows

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Difference between accumulated depreciation and amortisation and capital allowances	(462)	(537)	(343)	(422)

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

On 21 March 2012 the Chancellor announced that the main rate of UK corporation tax would reduce from 24 per cent to 23 per cent with effect from 1 April 2013. This tax change became substantively enacted in July 2012.

The Chancellor has also proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent on 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

**16 Called up share capital**

	2012 £000	2011 £000
<b>Allotted, issued and fully paid</b>		
1,983,000 ordinary shares of £1 each	1,983	1,983

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 2011	77	1,150	35,271
Retained profit for the year	-	-	1,994
Currency translation differences	-	-	(219)
Adjustment to share based payment	(6)	-	-
Transfer	6	-	(6)
<b>At 31 December 2012</b>	<b>77</b>	<b>1,150</b>	<b>37,040</b>

Total cumulative goodwill written off to profit and loss account reserves at 31 December 2012 amounts to £5,194,000 (2011 £4,750,000)

**Notes (continued)**

**17 Reserves (continued)**

Company	Capital contribution reserve £000	Capital redemption reserves £000	Profit and loss account £000
At 31 December 2011	77	1,150	27,534
Retained profit for the year	-	-	2,140
Adjustment to share based payment	(6)	-	-
Transfer	6	-	(6)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	<u>77</u>	<u>1,150</u>	<u>29,668</u>

**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 2012 for this scheme was £804,000 (2011 £842,000).

At 31 December 2012 the market value of the G4S Plc Pension Schemes' assets was £1,474 million (2011 £1,438 million) and the actuarial value of these assets represented 78% (2011 83%) 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 £412 million (2011 £285 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.

**Notes (continued)**

**19 Shares-based payments (continued)**

The number of shares allocated conditionally is as follows

	2012 Number of shares	2011 Number of shares
Outstanding at 1 January	118,721	97,954
Allocated during the year	41,955	54,464
Transferred during the year	(5,957)	(20,268)
Expired during the year	(32,770)	(13,429)
	<u>121,949</u>	<u>118,721</u>
<b>Outstanding at 31 December</b>	<b><u>121,949</u></b>	<b><u>118,721</u></b>

The weighted average remaining contractual life of conditional share allocations outstanding at 31 December 2012 was 15.1 months. The weighted average share price at the date of allocation of shares allocated conditionally during the year was 277p (2011 255p) and the contractual life of all conditional allocations was three years.

Total receipts of £6,000 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.

**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:

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	84	-	92
Between two and five years	118	1,143	119	446
After five years	1,025	-	1,030	-
	<u>1,143</u>	<u>1,227</u>	<u>1,149</u>	<u>538</u>

**22 Capital commitments**

At 31 December 2012 the Group and Company had capital commitments contracted for but not provided for of £Nil (2011 £Nil).

**Notes** *(continued)*

**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