

FINAL TRANSCRIPT

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GFS.L - G4S plc Acquisition of Global Solutions Limited Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the G4S plc conference call. (OPERATOR INSTRUCTIONS). Just to remind that this conference call is being recorded. I would now like to turn the conference over to Debbie McGrath. Please begin your meeting and I will be standing by. Thank you.

Debbie McGrath - *G4S plc - Group Communications Director*

Thank you. Good morning, everyone, and welcome to the conference call regarding our acquisition of GSL that we announced this morning. In about 10 minutes or so we're going to open the call up for questions, but before that I'd like to hand you to over to Nick Buckles, our CEO, to take you through the presentation of the acquisition. Over to you, Nick.

Nick Buckles - *G4S plc - CEO*

Yes, good morning, everybody. I hope you've got the presentation in front of you from our website. Just going to go through a few slides on Group strategy and then a few more on the actual acquisition, and talk about the financial effects, some strategic upsides and then conclude.

And for those of you, looking at slide 3, that were at our Capital Markets Day last month, you remember our strategy now is very much about building long-term relationships with customers, long-term outsource solutions around gain share contracts, output-based contracts, and we move all our business over time by country to this evolution.

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In terms of High Security Facility Outsourcing, on the next slide, we talked about building this capability around analysis and design. We talked about building from our operational phase through analysis and design and through managing to High Security Facility Outsourcing, just to recap on this element and clearly we talked about Secure Logistics and Offender Management too.

And then over the page the market segments we felt the strategy would be more successful in addressing was around the government, utilities, the NGOs, ports and airports on the right-hand side of the chart here, where we could move this -- these market segments particularly on Secure Solutions from the operate phase through analysis and design to manage. This clearly was our strategic intent for the next three to five years.

Now moving onto the GSL acquisition itself, on slide 7. We're paying GBP355m. So really in terms of where the deal was structured, really from the private equity background, that's GBP158m worth of shares and GBP197m of debt. But clearly for us it's a cash purchase of GBP355m and we'll be financing that through our existing bank facility.

Those of you who are aware, it was previous Group 4 Falck business that was de-merged just prior to the merger with Securicor. So it's a business we know very well. It provides clearly a lot more government outsourcing expertise in the U.K. and key markets, a significant entrance into Australia. And it is subject to competition clearance. South Africa is merely a formality, and Europe, we need to go through that process referring to Europe and it will probably be referred back to the U.K.

Looking at the history of GSL, you can see it was established in 1990 by the Group 4 Immigration and Criminal Justice business. And some of the key dates probably since the business was de-merged in 2004 was the JV which was with British Gas which became 100% owned as the AccuRead meter reading business. And last year the business was structured into three very separate divisions and business units. There was the Care and Justice Services, Integrated Services which is long-term facilities outsourcing and then Data and Managed Services which is around inspection, meter reading, etc.

Over the page, looking at the profiles of those businesses and the outlook for those segments. Care and Justice Services is a business clearly we're very familiar with in G4S. What drives the growth is shortage of prison places, certainly in the market we're already operating, but clearly will start to drive opportunities in markets outside of the markets that have already gone through the government outsourcing route.

Immigration is clearly a driver. More and more PPP and PFI schemes and, of course, a lot of opportunity around the Police market where you saw recently that we at G4S acquired a Police outsourcing business only last month. We expect this market to grow at at least 10% a year.

Middle section really is a very broad area of business that could be addressed. There's a lot of government outsourcing. Contracts in there include areas like GCHQ, the Met Center, hospitals and schools. But we again believe this market can grow at 10% plus.

And finally on the right-hand side, Data and Managed Services is around meter reading and managing the whole billing process for utilities.

Over the page, looking at the types of business that are in there at the moment. Current portfolios in GSL Care and Justice very much similar to the services we're familiar with -- or you're familiar with our Justice Service business. And, of course, the opportunities are very much those that we foresaw for our own business.

In terms of Integrated Services, or Long Term Facilities Outsourcing, the business there is very much about public sector accommodation, I mentioned GCHQ and Met Center but also some schools, local government, patient transport and also the SPV management area comes into there. The big opportunity here which will take time to address over time is applying this expertise and capability into the commercial market where clearly we have a very large customer base in the U.K., and indeed, overseas.

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And on the right-hand side, Data and Managed Services, as I said, is around meter reading, debt collection, processing and aggregation of data and passing that to the utilities for further on-billing. And really this whole field-based force could be used for a number of other areas in the future.

So in terms of the acquisition rationale, they are the leading provider of Outsourced Care and Justice Services, gives us the opportunity to really offer this secure outsourcing opportunity to all our customers, say in the first phase in the U.K. and then elsewhere.

We get better scale in Justice Services, of course including some synergies from bringing businesses together, but also the fact that we'll have a much stronger or an even stronger bid capability in the U.K. to win further Justice Services contracts.

Big benefit of the GSL contract portfolio, they are very long-term contracts, ranging from 5 to 30 years. So it's very much that the profitability and revenue growth is underpinned in the business we're acquiring. And, again, building on this capability story and expertise story, we get a much stronger [card] of senior managers and bid experts to actually take this business into overseas markets.

Looking over the page at the growth over the last few years. You can see that the organic growth has been at least 7% a year compound annual growth rate. And the actual EBITA has improved significantly from around GBP19m to be expected to be around GBP30m this year.

Looking at how this revenue comes about. Quite a lot of detail provided here in terms of the '06 GBP400m. You can see 60% of it is in our Justice Services space, of which GBP80m is international and about two thirds of that is in Australia -- sorry three quarters of that in Australia and a quarter in South Africa. And then on the right-hand side around GBP80m or 20% of the business is in this Long Term Integrated Facilities Management Services and part of it is in Healthcare. And then another 20%-ish is in the meter reading services. Managed Services is around inspection for various customers.

Looking at the financial effects and funding. So we're committing to hard cost synergies of at least GBP7m a year. We expect it to be earnings enhancing in year one, and thereafter at least 6% or 7% a year once it's fully integrated. We exceed the Group WACC which is just over 8%, certainly within 3 years but hopefully within 2 years of completion.

It's funded by our existing cash and debt facilities. Doesn't impact on our overall acquisition strategy going forward; we still expect to spend at least GBP100m a year on small to medium-sized acquisitions, particularly in developing markets. And also focusing on acquiring, as we talked about before, additional expertise in other countries to support this strategy.

In terms of cost synergies and hard cost synergies there are further upsides. We believe all the three business lines we can improve the operational margins over time. We believe we'll have a much stronger chance of winning Justice Service business with its very strong bid capabilities. Also with this bid capability we can extend that expertise into other government segments which we've talked about in our strategy presentation.

Again, more expertise and capability to take on business outside the U.K. Indeed the business we're acquiring has recently won a large prison build and other build contract in Dubai which clearly we can help to implement. Taking this Long Term Facilities Management capability into our existing G4S customers is a very, very large opportunity, particularly in the commercial sector. And then there are other synergies which we haven't factored in yet around procurement, insurance and tax.

So, in summary, we think this business fits extremely well with our strategy. It is unique, can't see another business like it at this size and capability anywhere in the world. So it's one that really felt would be key to achieving our strategy. It's got very good growth trends, structured markets, good opportunities for future growth, a very strong management team, one that we know very well. Good financial record, a good cash generator, and as I mentioned earlier, a very high visibility of contracts over the next 10 or so years, and very strong customer relationships. And it is a very high quality service provider. So we really are acquiring a top rate business here.

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And then really in summary on the last page, this is just reminding you of our transition from the world's largest security company to the global leader in secure solutions and what we believe this will bring to our Group over the time. And we think the acquisition of GSL fits perfectly with this strategy and certainly will help us deliver on this strategy, not only in the U.K. and Ireland but in other parts of the Group in time.

That concludes my presentation. I'll hand you back to Debbie.

Debbie McGrath - G4S plc - Group Communications Director

Thanks Nick. We've also been joined by Trevor Dighton, our CFO. And operator, I would now like to open up the call for questions please.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). You have a first question coming from Jeff Saul. Please go ahead announcing your Company name and location.

Jeff Saul - ABN AMRO - Analyst

Yes. Hi. It's Jeff Saul from ABN AMRO. Well done with this acquisition. I have a few questions, if I may. The first one is really because I always thought it was a good fit to the Company. Why did you spin it off originally when Group 4 first acquired Securicor?

Nick Buckles - G4S plc - CEO

First of all, Group 4 Falck didn't acquire Securicor. A number of reasons. First of all, pragmatically, it would have been very difficult to get (inaudible) away with the GSL business in the mix, so that was one reason.

Secondly, at that stage we had competition issues around prisoner escorting. Between us we would have had 75% of the market, whereas since that date G4S doesn't have any home prisoner escorting business so that's not an issue now.

So they're probably the two main reasons but also the business over time, since it's been outside the Group, has transitioned a lot more into long-term secure FM type business outside of the justice segment. So it gives us that sort of base we were looking for to get into the commercial segment around long-term facilities outsourcing.

Jeff Saul - ABN AMRO - Analyst

Okay. And then my next question is on competition clearance or clearance from competition authorities. So do you foresee any problems there or was it really mainly in the prisoner escort that there was an issue?

Nick Buckles - G4S plc - CEO

I think with competition it's clearly going to apply to Europe in the first business and we expect it to be referred back to the U.K. We believe there's not going to be any major competition issues, but we need to go through this process. And it could be a

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quick approval within a month or it may take a little longer, a few months. But we really need to wait and see. We're in the hands really of the regulators in that respect.

Jeff Saul - ABN AMRO - Analyst

Yes, okay. Then I remember when it was owned by Group 4 Falck that the trend to AccuRead's earnings, because as far as I recall it used to be a high-margin business; I don't know if you can say anything about the profitability of that business now. But the trend at that point of time was that this meter reading could have become an online business so that there wasn't really any need for a physical reading of the meters and then the business' rationale would disappear. What's the prospect for this now?

Nick Buckles - G4S plc - CEO

I think this fits into the category that we've talked about at length in our own business, the fact that there won't be any manpower requirements in the next five years, it will all be electronic. And in cash services 10 years ago there wasn't going to be any cash in circulation in 10 years time. And I think the strategic view that meter reading is not going to be required is very much in that mould. And unless someone's going to spend a lot of investment in replacing all the meters with electronic online metering, then there will always be a physical requirement for people to read meters.

And such a big opportunity, there's still a lot of in-sourced meter reading around the U.K. One of the changes that GSL have made in the last three years is they now own AccuRead 100%. It's not owned by the gas company at all. And that's given them the opportunity to address other utilities that they may not have been able to before.

So, it's a good network business, there's a large force out there on the ground and you know with network businesses if you win some contracts you get some very good profit improvements. So we are very optimistic about the business.

In terms of its margin, it's slightly higher than the average for the business but not materially so.

Jeff Saul - ABN AMRO - Analyst

Okay. And do they still only do the gas meter reading, so you still have electricity bills and water bills etc., water readings as well that could be enjoyed?

Nick Buckles - G4S plc - CEO

Yes, there's about 10 different customers now in the meter reading space.

Jeff Saul - ABN AMRO - Analyst

Okay. And is it easy to export it internationally?

Nick Buckles - G4S plc - CEO

Something we haven't done a lot of work on yet, Jeff, to be honest. It's something to be done because clearly GSL hasn't really looked at that opportunity and we've only just started to look at this business. But I think clearly there is going to be an opportunity for that and something that we'll build on over time.

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Jeff Saul - ABN AMRO - Analyst

Okay. Just two final questions. Could you say something about the size of the Dubai prison contract and when that will kick in?

And then secondly, how you will be recording the Justice Service business in the future, i.e., top-line profitability and which business streams?

Nick Buckles - G4S plc - CEO

Dubai Prison, I think, comes on in second half of '09 and it's about GBP15m to GBP20m a year, that sort of size.

In terms of reporting it's very much part of our Secure Solutions business and will be reported within Secure Solutions and reported geographically, so clearly the U.K. bit will go into U.K., Africa into Africa and Australia into Asia.

Trevor Dighton - G4S plc - CFO

We will, though, keep you up to date on how we're doing on synergy targets and things, yes.

Jeff Saul - ABN AMRO - Analyst

Okay, but basically you will have a separate division going forward?

Nick Buckles - G4S plc - CEO

No, no, it'll be rolled into the main division of Secure Solutions, yes.

Jeff Saul - ABN AMRO - Analyst

Okay.

Nick Buckles - G4S plc - CEO

Yes, sorry, yes.

Jeff Saul - ABN AMRO - Analyst

Okay, thanks.

Nick Buckles - G4S plc - CEO

Okay.

Operator

The next questions come from Tom Sykes. Please go ahead announcing your company name and location.

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Tom Sykes - Deutsche Bank - Analyst

Yes, good morning everybody. It's Tom Sykes from Deutsche Bank.

Nick Buckles - G4S plc - CEO

Hello, Tom.

Tom Sykes - Deutsche Bank - Analyst

Hi, there. I was just wondering in the '07, the sales that you're adding, how much of that is organic and how much is that from acquisitions? And is there any carryover from acquisitions into 2008 at all?

Nick Buckles - G4S plc - CEO

In the GSL numbers?

Tom Sykes - Deutsche Bank - Analyst

Yes.

Nick Buckles - G4S plc - CEO

Yes, there's no acquisitions.

Tom Sykes - Deutsche Bank - Analyst

Okay.

Nick Buckles - G4S plc - CEO

Of any size really, so it's all organic growth.

Tom Sykes - Deutsche Bank - Analyst

Okay. And in terms of the bid pipeline for GSL, which areas are -- is it strong? And where are the best opportunities at the moment? And can you give us any feel for the size of the bid pipeline at all?

Nick Buckles - G4S plc - CEO

Yes, on the Justice Services side it's very similar to the pipeline, clearly that we have on the G4S business. And it's around new prison deals, but that is not going to hit the P&L for a couple of years at least. Extending existing prisons, adding wings on existing prisons, which is clearly something that G4S were doing and, certainly, something that GSL are. So they're real opportunities that should emerge in the next 12 months.

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The Police outsourcing market, GSL has a stronger position than G4S does currently. They do a number of custody suites around the U.K. And certainly, there's a big opportunity there. And -- but really the big opportunity comes from bringing two big things together and really focusing on the opportunities outside of the market that GSL, particularly, has been focusing on.

But then we're looking at the FM side. A number of opportunities in the pipeline and it's really just a question in that business of focusing on the ones which give the best long-term contracts and the best margins because, as we've said in our strategy presentation, the FM market is very, very large. But clearly we want to be in the situation where we're in -- getting involved in analysis and design and output-based solutions and not just bundling a load of different services together.

So, they've got a very long pipeline. It's just a question of really focusing on the areas that, as I say, will give long-term revenues and good profitability. And pretty much the same on the meter reading side, good prospect kinds of revenue customers.

Tom Sykes - Deutsche Bank - Analyst

Okay. And did you acquire any equity stakes in any of the PFI businesses at all or contracts at all as part of this deal?

Nick Buckles - G4S plc - CEO

No, they'd already been --.

Tom Sykes - Deutsche Bank - Analyst

I couldn't remember whether they'd already been sold on or not.

Nick Buckles - G4S plc - CEO

Yes, so they're part of Smiths.

Tom Sykes - Deutsche Bank - Analyst

Right, okay. All right, thanks very much.

Nick Buckles - G4S plc - CEO

Yes.

Operator

The next question come from Jaime Brandwood. Please go ahead.

Jaime Brandwood - UBS - Analyst

Morning Nick, Trevor. Just a -- firstly, can I start with asking a question on the financing costs for this deal in terms of the interest that GSL is paying on its close to GBP200m of net debt and the interest that you would be expecting to pay on the GBP158m of cash consideration?

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Trevor Dighton - G4S plc - CFO

Yes, the interest that we -- that would hit us, it's best just to look at the total cost of the acquisition, Jaime. The whole GBP355m will be refinanced within our current borrowings. And you can use a rate somewhere between 5.5% and 6% on that.

Jaime Brandwood - UBS - Analyst

Okay, great. And then obviously coming back to the history of this and when you sold it, if I remember rightly, you sold it for just over GBP200m and now you're buying it back for GBP355m. What has fundamentally changed over the last three years to make this business worth almost twice what it was worth back in 2004?

Nick Buckles - G4S plc - CEO

Well actually the valuation's up 60% and the profit's up -- well, 60% or 70% and the profits are up 60% or 70%. So, it's pretty much in line with the multiples paid three or four years ago. But really what's changed in the business to drive the profitability to that level is slightly -- having these contracts over a longer period of time, you start to build in a lot of efficiencies in the long-term contracts. And we've seen that with our own Justice Services business.

Now, when you start up a lot of these contracts, the early years aren't as profitable and they do get more and more so as they mature. And, as I said earlier, a lot of these contracts have still got a lot of -- a number of years left on them. So, they can continue to improve.

So, I would say that's the big difference, that the profitability of the business has improved. Then, of course, that is a -- it's a larger business in terms of revenue.

Jaime Brandwood - UBS - Analyst

Yes.

Nick Buckles - G4S plc - CEO

It's had some good wins in the FM side of the business particularly. And that's the main driver.

Jaime Brandwood - UBS - Analyst

Okay. And just on the GBP7m of synergies, which is presumably just -- is that just headquarter savings or what is -- make up the GBP7m?

Nick Buckles - G4S plc - CEO

Yes, it's pretty much all headquarter savings. We haven't -- as I mentioned earlier in the presentation, we haven't done anything on revenue synergies or procurement synergies. This is just hard realignments of responsibilities, moving people.

Clearly, there's going to be some headcount reduction through this merger, but we believe with capable people you can always find them other opportunities in the Group and we were very successful doing that in our overall integration a couple of years ago. So, we don't really need to talk about reductions in people, but we just really redeploy them to different parts of the Group over time.

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Jaime Brandwood - UBS - Analyst

Yes. It does look like a very conservative number. Would you hazard a guess as to what other cost savings you might be able to deliver over time?

Nick Buckles - G4S plc - CEO

Not really, no. I think it's not a conservative number when it comes down to the real, hard costs. We've been through every line of the P&L in every cost centre.

Jaime Brandwood - UBS - Analyst

Yes.

Nick Buckles - G4S plc - CEO

So, that's pretty solid. The rest we'll just build up over time, that understanding.

Jaime Brandwood - UBS - Analyst

Okay. And then very lastly you talked about the market share issues and prisoner escorting and how that's no longer an issue. But overall, what is your estimate of what your market share is going to be in U.K. Justice Services, where I guess you are clearly going to be the market leader now?

Nick Buckles - G4S plc - CEO

It really depends how you define it, because the Police outsourcing market is very, very large, with multiple competitors. The prison market's got five or six players, but do you include in-house operations? We wouldn't really put a market share number on it. But clearly we will be the market leader, but there's still a very competitive market out there.

Jaime Brandwood - UBS - Analyst

Okay.

Trevor Dighton - G4S plc - CFO

It's not a very easy market to measure really because every time they outsource another contract the market goes up by that outsourced contract. So, it's a bit difficult to measure market share.

Jaime Brandwood - UBS - Analyst

Okay, we might get some research on that from the Competition Authorities at some point.

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Nick Buckles - G4S plc - CEO

Yes, probably, I would think.

Jaime Brandwood - UBS - Analyst

All right, thanks a lot.

Nick Buckles - G4S plc - CEO

Okay.

Operator

(OPERATOR INSTRUCTIONS). The next question's coming from Julian Cater. Please go ahead.

Julian Cater - Analyst

Morning chaps. I've got a few questions as well. You talk about the expectation of GBP30m of adjusted EBITDA in '07. Can you perhaps talk about what adjustments you've made? Looking at the historic accounts for GSL they report underlying EBITDA and a reported EBITDA, because there seem to be contract losses in there and provisions on the balance sheet for contract losses seems to have been going up. So, perhaps you could talk around those issues please?

Nick Buckles - G4S plc - CEO

As far as I'm concerned it's adjusted purely because of the fact that the previous year's P&L had all these other -- the statutory P&L that we had to show for the prior year had all the costs of being private equity structured. But that's really a normalized EBITDA of GBP30m is how we would normally see the EBITDA of the business. So maybe normalized is a better way of describing it.

Julian Cater - Analyst

So is that still carrying costs of loss-making contracts then? Is that net of contract losses?

Nick Buckles - G4S plc - CEO

That's the actual. If we've lost contracts clearly --.

Julian Cater - Analyst

Sorry, (inaudible). The accounts for GSL seem to suggest that they are operating contracts that are loss-making. So, I just want to understand whether that GBP30m is after incurring those -- the losses within those contracts, which may or may not be ongoing.

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Nick Buckles - G4S plc - CEO

Well, they have had a contract which is loss-making, which is moving into profitability. So, that should be in those numbers.

Julian Cater - Analyst

Okay. Next question is on the cost savings in terms of speed with which you should be able to deliver that. Can we expect that you'll have this full GBP7m benefit within 2009?

Nick Buckles - G4S plc - CEO

Certainly within 2009, yes.

Julian Cater - Analyst

Okay. And the last question just in terms of the slide you showed in terms of the market growth rate, 10% plus. I just wondered what it was perhaps about 2007 for GSL. They seem to have been growing less rapidly than the market.

Nick Buckles - G4S plc - CEO

Yes, they lost -- if you recall, they lost a contract called Yarl's Wood, an immigration centre. That was the major hit on the growth line last year.

Julian Cater - Analyst

And can you just say how much that -- or how large that was?

Nick Buckles - G4S plc - CEO

I think it was about 20m, I think.

Julian Cater - Analyst

Right.

Trevor Dighton - G4S plc - CFO

15m it was.

Julian Cater - Analyst

15m, sorry.

Trevor Dighton - G4S plc - CFO

In 2006.

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Julian Cater -- Analyst

But that's not the loss-making contract you were referring to earlier on?

Nick Buckles - G4S plc - CEO

No, no.

Julian Cater -- Analyst

Okay. Thanks very much.

Operator

The next questions come from Iain Armstrong. Please go ahead.

Iain Armstrong -- Analyst

Okay, morning gentlemen. Just going to slide 13 with regards to the pie chart, and you've alluded to the fact that AccuRead is quite a high -- is a high margin business. I just wondered if you could break down the margins of the three parts of the pie.

Nick Buckles - G4S plc - CEO

Well, all I said was it was marginally. The Company average is around 7% and it's slightly higher on the AccuRead side, but not significantly so. So, we're not going to get into margin breakdowns of the different elements.

Iain Armstrong -- Analyst

Okay. And in terms of the management, are they all staying or are some people wanting to join you?

Nick Buckles - G4S plc - CEO

Most of the management know us very well from prior relationships and we're hoping that all of them stay.

Iain Armstrong -- Analyst

And on your Capital Markets Day you mentioned the new U.K. and Ireland strategy. And I was wondering -- I think one of the points was you were looking at -- there was 10 possible acquisitions. Was this one of the 10 acquisitions or -- and how does this just actually fit into the U.K. and Ireland strategy? I'm thinking in particular the -- getting into the meter reading business, that wasn't mentioned at all.

Nick Buckles - G4S plc - CEO

No, the U.K. and Ireland strategy presentation we had at the Capital Markets was very much 10 small acquisitions, which would help deliver their overall -- our overall strategy. And clearly at the time, we were in conversations with GSL and had been for a

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while, and we're clearly not going to put that up on the chart. So, yes, it was very much part of the U.K. and Ireland strategy and it was their number one priority by far to achieve the strategy in this region.

And in terms of finding a company like this throughout the world which would help to facilitate our overall strategy once we get it working well in the U.K., we couldn't see a better fit. So it was always our number one target for our secure facility strategy, always.

Iain Armstrong - - Analyst

Okay. And there was a further question. Yes, I suppose a further question is in terms of the timing of GSL merging with you was -- is -- was there any special reason regarding the credit crunch on the debt or was it just the very fact that you thought this is a good time in terms of opportunities for merging it together?

Nick Buckles - G4S plc - CEO

I think it's a bit of both really. We've always been very keen to acquire the business. We've talked to the owners in -- over a couple of years about it. I don't know really what accelerated their decision to put it through a process. But, as I say, we've always been very keen to acquire it.

Trevor Dighton - G4S plc - CFO

In private equity, they've owned it for three years. It's about the length of time you associate with that investment for private equity I think, three or four years.

Iain Armstrong - - Analyst

Okay, thanks very much.

Operator

The next questions come from Karl Green. Please go ahead, announcing your company name and location.

Karl Green - Credit Suisse - Analyst

Yes. It's Karl Green from Credit Suisse, just a couple of housekeeping questions from me. Can I just check if there's going to be any integration costs? And if so, what the magnitude of that will be?

And secondly, just on working capital, is there going to be any scope to squeeze working capital out of this business? And, generally, what are the working capital dynamics like for GSL?

Nick Buckles - G4S plc - CEO

The first question, it's going to cost about GBP5m in terms of achieving the GBP7m plus synergy benefits. And clearly they'll hit in the first year once we get the deal closed.

And in terms of cash flow?

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Trevor Dighton - G4S plc - CFO

Yes, working capital, we're assuming in all our evaluations that working capital will stay similar to the profile there is at the moment. But there might be some scope for some improvement there once we get really stuck into the underlying stuff.

Karl Green - Credit Suisse - Analyst

And is there anything unusual or interesting about the working capital so far or is it quite regular?

Trevor Dighton - G4S plc - CFO

No, they're fairly predictable.

Karl Green - Credit Suisse - Analyst

Okay.

Trevor Dighton - G4S plc - CFO

They're not big capital investment programs.

Karl Green - Credit Suisse - Analyst

Okay. Thank you.

Operator

(OPERATOR INSTRUCTIONS). You have another question coming from Jaime Brandwood. Please go ahead.

Jaime Brandwood - UBS - Analyst

Sorry, just a quick follow-up. Can you tell us how many people were bidding for this then?

Nick Buckles - G4S plc - CEO

You could ask the people selling it. We don't know.

Jaime Brandwood - UBS - Analyst

Okay. And just in terms of those integration costs, your comments on earnings enhancement in 2008, that is post those integration costs, right?

Nick Buckles - G4S plc - CEO

Yes.

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Jaime Brandwood - UBS - Analyst

Okay, thanks.

Nick Buckles - G4S plc - CEO

Anymore questions at all?

Operator

You have a last question coming from Jeff Saul. Please go ahead.

Jeff Saul - ABN AMRO - Analyst

Yes, hello. Just one more question. How quick do you think it will be to start seeing revenue synergies in international markets from this acquisition?

Nick Buckles - G4S plc - CEO

Well, I think it would not be before '09, maybe the second half of '09 I would hope.

Jeff Saul - ABN AMRO - Analyst

And where are the most obvious opportunities?

Nick Buckles - G4S plc - CEO

Hard to say really. Clearly, the Middle East is one. We're really in the hands of country governments deciding that they want to go through some sort of outsourcing process. And sometimes they happen quickly and you don't expect them, which has happened to us in Holland a couple of years ago. We built a business worth GBP30m or GBP40m in three months. And it really does -- we're very much in the hands of the government. But once the opportunity is there we're able to respond very, very quickly.

Trevor Dighton - G4S plc - CFO

We know from our international monitoring, our tagging projects, there are a lot of governments that are actually thinking about it, but how soon any of them jump is a bit difficult to predict.

Jeff Saul - ABN AMRO - Analyst

Okay, good. Thank you.

Operator

You have no further questions at this time. I'll hand the conference back to you for any closing comment. Thank you.

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Nick Buckles - G4S plc - CEO

Yes. Well, thanks very much, everybody, for joining us on the call this morning. I hope you're as excited about this acquisition as we are. We think it fits extremely well with our strategy. It's positive from a financial perspective, clearly. But in terms of giving us the ability to really drive earnings growth in the future, we think it's a great fit.

So, thanks very much, everybody, and I look forward to speaking to you soon. And if I don't speak to you before, have a great Christmas and a Happy New Year. Thanks.

Operator

Ladies and gentlemen, thank you for your participation today. This concludes today's conference. You may now disconnect your lines. Thank you.

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