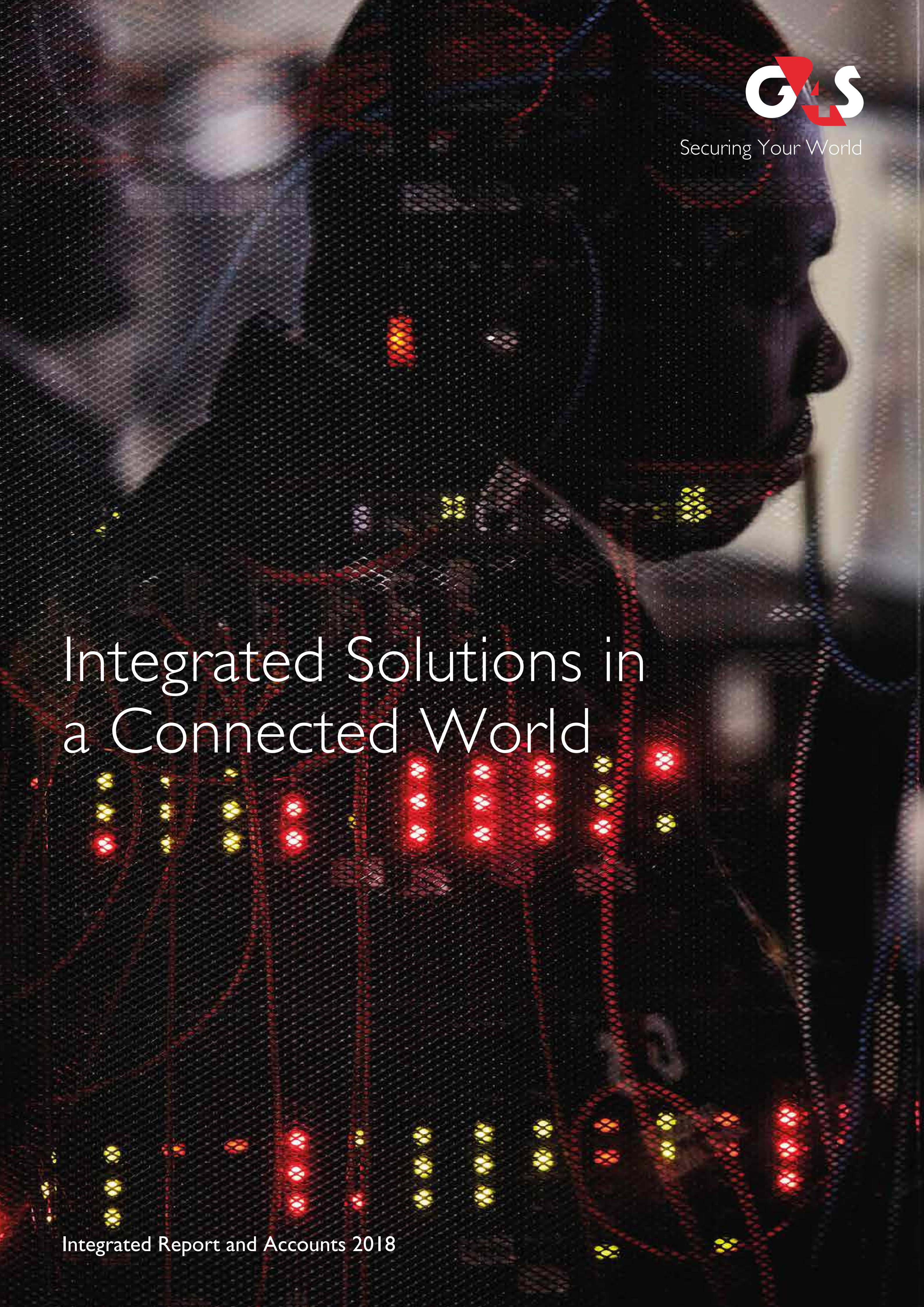


Securing Your World

Integrated Solutions in a Connected World

Integrated Report and Accounts 2018

The world is increasingly connected and this trend is set to continue, driven by the global investment in infrastructure, communications, technology and data.

At G4S we are investing in the resources and capabilities to provide customers with industry-leading solutions that enable them to operate securely, reliably and efficiently in a connected world.

This year, we have included an extended market review, identifying some of the key trends facing our industry and outlining how G4S is developing and delivering solutions in both our Security and Cash businesses that add value to G4S and our customers.

The Sustainable Development Goals (SDGs) call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

In this report, we have mapped case studies against the SDGs to highlight examples where G4S is helping to advance the Goals through our programmes and operations.

For more information about the social and economic areas where G4S supports the realisation of the Goals and makes a positive difference to society and communities around the world, see page 37.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001785

Printed by Park Communications on FSC® certified paper.

Park is an EMAS certified company and its Environmental Management System is certified to ISO 14001.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on FSC® certified paper.

Designed and produced by Black Sun Plc.

HIGHLIGHTS

STATUTORY RESULTS

REVENUE[a]

£7.5bn -4.0%

(2017: £7.8bn)

ADJUSTED PBITA[a, c]

£460m -6.5%

(2017: £492m)

EPS[a]

5.3p -65.4%

(2017: 15.3p)

OPERATING CASH FLOW

£413m -15.4%

(2017: £488m)

DIVIDEND PER SHARE

9.70p

(2017: 9.70p)

UNDERLYING RESULTS[b]

REVENUE KPI

£7.3bn +1.1%

(2017: £7.2bn)

ADJUSTED PBITA[c] KPI

£474m

(2017: £474m)

ADJUSTED EPS KPI

16.7p

(2017: 16.7p)

OPERATING CASH FLOW KPI

£453m -12.2%

(2017: £516m)

NON-FINANCIAL KPI

HEALTH AND SAFETY KPI

67%

Reduction in road traffic fatalities since 2013

Visit: g4s.com for more information.

The Chief Financial Officer's review is on pages 43 to 56.

a. During 2017 and 2018, the Group sold/exited 24 businesses which contributed revenues of £105 million in 2018 (2017: £304 million) and are reflected in the year-on-year change in statutory results but excluded from underlying results.

b. Underlying results are Alternative Performance Measures (APMs) as defined and described on page 40 and exclude results from disposed businesses and onerous contracts and specific and other separately disclosed items. Underlying results are reconciled to statutory results on page 56.

c. Adjusted PBITA is an Alternative Performance Measure as described on page 41.

STRATEGIC REPORT

GOVERNANCE REPORT

FINANCIAL REPORT

KPI Financial KPI.

KPI Other financial and non-financial KPIs.

Please see pages 38 to 39 for a description of the Group's financial and non-financial KPIs and how they link to the Group's strategic priorities.

ASHLEY ALMANZA,
Group Chief Executive Officer

INTEGRATED SOLUTIONS IN A CONNECTED WORLD

Our Secure Solutions business delivered underlying revenue growth of 3% and profit margins rose from 6.2% to 6.5% reflecting the benefits of commercial discipline, service innovation and productivity gains. As expected, this was offset by the effect of challenging trading conditions in a number of Cash Solutions markets and a strong comparative performance in Retail Cash Solutions in 2017. Overall, the Group delivered underlying earnings in line with the previous year.

Our sales wins in the second half of 2018 have underpinned a good start to the year and this, together with growing technology-enabled services in both our cash and security businesses, supports a positive outlook for 2019.

"Since 2013, underlying revenues have grown by 18% and Adjusted EPS by 56%, while we have generated operating cash flow of nearly £3 billion. The Group's strong cash generation has enabled us to invest in technology and pay dividends of more than £850 million. At the same time, we have invested in the successful development of products and services for our customers and strengthened the Group's balance sheet.

The Group is reviewing separation options for the Global Cash Division. We believe that a separation has the clear potential to enhance the focus and success of both the Secure Solutions and the Cash Solutions businesses and to unlock substantial shareholder value."

STRATEGIC CONTEXT

Our customers operate in an increasingly connected world and this trend is set to continue driven by global investment in infrastructure, communications, technology and artificial intelligence and data applications. The rapid growth in connectivity brings substantial social and economic benefits. It also creates complex risks and threats for our customers and we continue to invest in the people, skills and technology needed to provide our customers with the industry-leading solutions that help them to operate safely, reliably and efficiently in a connected world.

Central to our customer value proposition is our understanding of our customers' objectives and our assessment of their opportunities, risks and threats. Over the past five years we have invested in the skills and organisational capacity required to provide professional assessments that provide the foundation for the innovative solutions that we design and deliver in both Secure Solutions and Cash Solutions.

We believe that G4S has considerable competitive advantage in our increasingly connected world. G4S possesses the scale, resources and capabilities necessary to develop and deliver the innovative solutions needed by our customers, and our unique global market positions enable us to offer this to customers on a consistent basis across the globe. We are not complacent about our competitive advantage and have continued to invest in the people, skills and technology needed to be an industry leader and to offer and deliver an outstanding value proposition to our customers. I'm pleased to say that, despite tough trading conditions in 2018, these investments are delivering benefits for customers and shareholders

£7.3bn
Underlying revenue in 2018

546,000
Employees

90+
Countries of operation across six continents

STAKEHOLDER CONSIDERATIONS FOR THE SEPARATION REVIEW

In evaluating the rationale for the separation, the directors will consider the potential benefits to all stakeholders including customers, employees, shareholders and the communities in which we operate. We believe that separation would produce enhanced strategic, commercial and operational focus and that this has the potential to strengthen innovation, customer service and margins.

Our aim is to create two strong independent companies each being an exciting, rewarding and fulfilling business in which to work.

in many of our key markets. The board and executive team are excited by our plans to extend these services across the Group as a whole.

PROGRESS WITH THE GROUP'S TRANSFORMATION

The transformation programme we launched at the end of 2013 has continued to deliver substantial benefit in a number of important areas:

- **Values and Culture:** We have established and promoted simple and clear corporate values that build a culture based on Integrity, Respect, Safety, Security, Service Excellence, Innovation and Teamwork. Our regular management and employee engagement surveys show that employees positively identify with these G4S values (see page 6).
- **Health & Safety:** We have invested in people, training and systems and the Group's fatalities have significantly reduced over the past six years. Any fatality is one too many and zero harm remains our goal.
- **Focus:** The implementation of our portfolio programme has improved our strategic, commercial and operational focus and produced over £560 million proceeds.
- **Financial performance:** Since 2013 the Group's underlying revenues have increased by 18% and underlying earnings per share have increased by 56%.
- **Financial strength and dividends:** The balance sheet has been strengthened and £850 million in dividends have been paid to shareholders.
- **Innovation:** We have developed new products and services which integrate our security personnel, risk consulting, technology and data analysis to provide our customers with innovative, industry leading solutions that address their security or cash management needs. The Group's technology-enabled revenues have grown over the past six years to £2.8 billion for 2018. This is having a positive impact on our revenue mix, more than offsetting the effects of competition in manned security services.
- **Organisational capability**: We developed the strength and depth of organisational resource, capability and controls in each of Secure Solutions and Cash Solutions that enabled us to create the Global Cash Division and to consolidate Secure Solutions into four regions in January 2018. This paved the way for the separation review that we announced in December 2018.

SEPARATION REVIEW

Following the establishment of our Global Cash Solutions division on 1 January 2018, the board announced in December 2018 that the company is reviewing options for the separation of the Cash Solutions business from the Group. The company has appointed accounting, legal, tax, financial and other advisors and is evaluating a wide range of separation options, both public and private, with the aim of maximising shareholder value, having due regard for the interests of customers, employees, pensioners, partners and other key stakeholders.

In parallel with the review, the company is taking steps to enable it to commence the process of separation in the second half of the year. A final decision on separation may be subject to approval by shareholders following a recommendation by the board. The date of a potential shareholder meeting is yet to be fixed and is subject to the timing and completion of a number of key work-streams. The company expects to provide a detailed update at the half year results in August.

In the event of separation, we believe that the successor security and cash management businesses will be very well positioned to sustain their leading market positions by investing in growth plans for their core products, services and solutions. The separation review will therefore include potential portfolio actions to further improve the focus and financial flexibility of the successor Groups in the event of separation.

Since announcing the separation review, the Group has received unsolicited expressions of interest in acquiring the Global Cash Solutions and/or Retail Cash Solutions businesses. Whilst all credible proposals will be evaluated by the board, no assurance can be provided at this stage that any of these expressions of interest will lead to a proposal or transaction and the Group will continue to vigorously pursue all strategic options.

SECURE SOLUTIONS – STRATEGY, PERFORMANCE AND OUTLOOK

STRATEGY:

Our purpose is to create sustainable value by delivering industry leading, technology-enabled security solutions and outstanding service for our customers.

Our Secure Solutions strategy addresses the positive, long-term demand for security services. We do this by designing and delivering industry leading security solutions including:

- Risk consulting.
- Premium on-site, mobile and remote security professionals.
- Investigations.
- Integrated security systems: design, build, operate and maintain.
- Monitoring and response security operations.
- Data analytics and pre-emptive & predictive security operations.

We operate in over 90 countries around the world, providing our customers with unmatched global coverage.

PERFORMANCE AND OUTLOOK

During 2018, our Secure Solutions business delivered organic revenue growth of 3.0%. Despite tightening labour supply and intense competition in manned security services in some geographies, our commercial discipline, productivity programmes, growing technology-enabled security revenues meant that we strengthened our Adjusted PBITA margin in all four regions and the overall Secure Solutions Adjusted PBITA margin rose from 6.2% to 6.5%.

CASH SOLUTIONS – STRATEGY, PERFORMANCE AND OUTLOOK

STRATEGY:

Our strategy is to provide industry leading software, hardware, systems and services that improve the security, control and efficiency of our customers' cash management. We deliver services including:

- Cash Technology services comprising:
  - Cash technology focused on the efficient management of cash, including Retail Cash Solutions, the leading software and service solution for large retail formats in North America.
  - Deposita, CASH360 and G4S Pay solutions for medium and small retail formats.
  - Bank process automation.
- Conventional Cash services including Cash in transit (CIT), cash processing and automated teller machine (ATM) services.

In order to achieve economies of scale, we have built number one or number two positions in 41 of the 44 countries in which we operate. In all of these markets, a very large share of the overall cash handling and cash management market remains in the hands of banks, retailers and other businesses whose primary function is not cash handling. We believe that these banks and businesses will continue to outsource cash management services to G4S.

Our improving unit economics, the strength of our market positions and our innovative cash and payment technology give us confidence that G4S Cash Solutions is well positioned to play a leading role in the next wave of cash management outsourcing. We have a market leading position in the large retailer segment in the United States and we are one of the market leaders globally in the small and mid-size business market segments.

Our technology is delivering significant savings for our customers and provides a valuable higher margin annuity revenue stream for G4S. Market penetration is low at this stage and we therefore see substantial potential for further growth. Indeed we believe that our cash technology services have the clear potential to produce profits greater than the profits from the Group's conventional cash services in the medium term.

PERFORMANCE AND OUTLOOK

During 2018, we continued to experience very good demand for our cash solutions technology and the number of bank and business locations that we serve grew from 19,800 locations to 23,300 locations. In North America, our operational scale grew in Retail Cash Solutions, resulting in our Adjusted PBITA margin growing to c.15% (2017: 11%) for this business.

In 2017, the Retail Cash Solutions business posted very strong revenue growth as we mobilised a large cash technology and services contract in North America. Whilst we had a number of significant contract wins in 2018, we did not have a similar mobilisation to that in 2017, leading to a reduction in Cash Solutions revenues of 9.3%. Adjusted PBITA fell by 17.1% reflecting the impact of ATM and bank branch closures in a number of markets and higher security costs in Africa (principally South Africa), partially offset by a £5 million benefit from the early completion of a bullion centre contract in the UK. Excluding Retail Cash Solutions, Cash Solutions revenues grew by 0.5%.

With the trends highlighted above, we believe good growth opportunities exist in all of our markets where we possess the infrastructure, technology, licenses and track record of reliable and efficient delivery, for banks and retailers to outsource more of their cash management activity to G4S. In addition, we expect our network and operational efficiency programmes to be accretive to profits through 2019 and 2020.

GROUP – PERFORMANCE AND OUTLOOK

PERFORMANCE

Underlying results
Group revenues increased 1.1% and Adjusted PBITA was in line with the prior year at £474 million.

The Group's adjusted earnings per share was unchanged at 16.7 pence per share. Operating cash flow in 2018 was 96% of Adjusted PBITA (2017:107%). The Group's net debt to Adjusted EBITDA at the year end was 2.7x (2017: 2.4x).

Statutory results
Revenue declined by 4.0% and earnings per share was down by 65.4%. In January 2019, we announced that we had reached settlement of a class action suit relating to claims for meal and rest breaks under California law, covering approximately 13,500 employees over the period 2001 and 2010. A provision and specific item for £100 million addressing the California claim has been reflected in the 2018 results. The cash outflow in respect of the settlement is expected to be made in the second half of 2019.

The Group has continuously updated its standard operating procedures in California and there are no other significant labour claims in California or elsewhere in the United States. A more detailed review of the statutory results can be found on page 44, and a reconciliation to underlying results is provided on page 50.

OUTLOOK

Our sales wins in the second half of 2018 have underpinned a good start to 2019. Our growing technology-enabled services in both our cash and security businesses, support the Group's positive outlook.

We believe the potential separation of the Cash Solutions business could provide G4S with the strategic, commercial and operational focus needed for the next stage of successful development of both the Cash Solutions and the Secure Solutions businesses. Combining technology with our established security offerings is strengthening our sales mix and contract retention, whilst the rapid development of our cash technology business has the clear potential to deliver profits greater than the global profits of our traditional cash business in the medium term.

Our business plan reflects our commitment to remain soundly financed with operating cash flow conversion of more than 100% of Adjusted PBITA and net debt to EBITDA of below 2.5x in the medium term. Priorities for excess cash will be investment, dividends and, in the near term, further leverage reduction.

The board has proposed to maintain the final dividend at 6.11p (DK 0.5321). Our policy is to increase the dividend in line with the long-term growth in earnings.

CUSTOMERS AND EMPLOYEES

Our customers and our colleagues are at the core of G4S. I would like to thank our customers for continuing to place their trust in G4S and to pay tribute to our 546,000 colleagues who serve our customers every day.

ASHLEY ALMANZA
Group Chief Executive Officer

INTEGRATED SOLUTIONS FOR A CONNECTED WORLD

Who we are

G4S is the world's leading global, integrated security company. We offer a broad range of security services delivered on a single, multi-service or integrated basis across six continents. We have been investing in technology, software and systems. The Group's technology-related security revenues were £2.8 billion* in 2018 (2017: £2.45 billion).

What we do

G4S plays a valuable and important role in society. As a major global employer we make a difference by helping people to live and work in safe and secure environments. G4S takes a fully integrated approach to its strategy and Corporate Social Responsibility (CSR). See page 36 for more information on our CSR approach and impact on society.

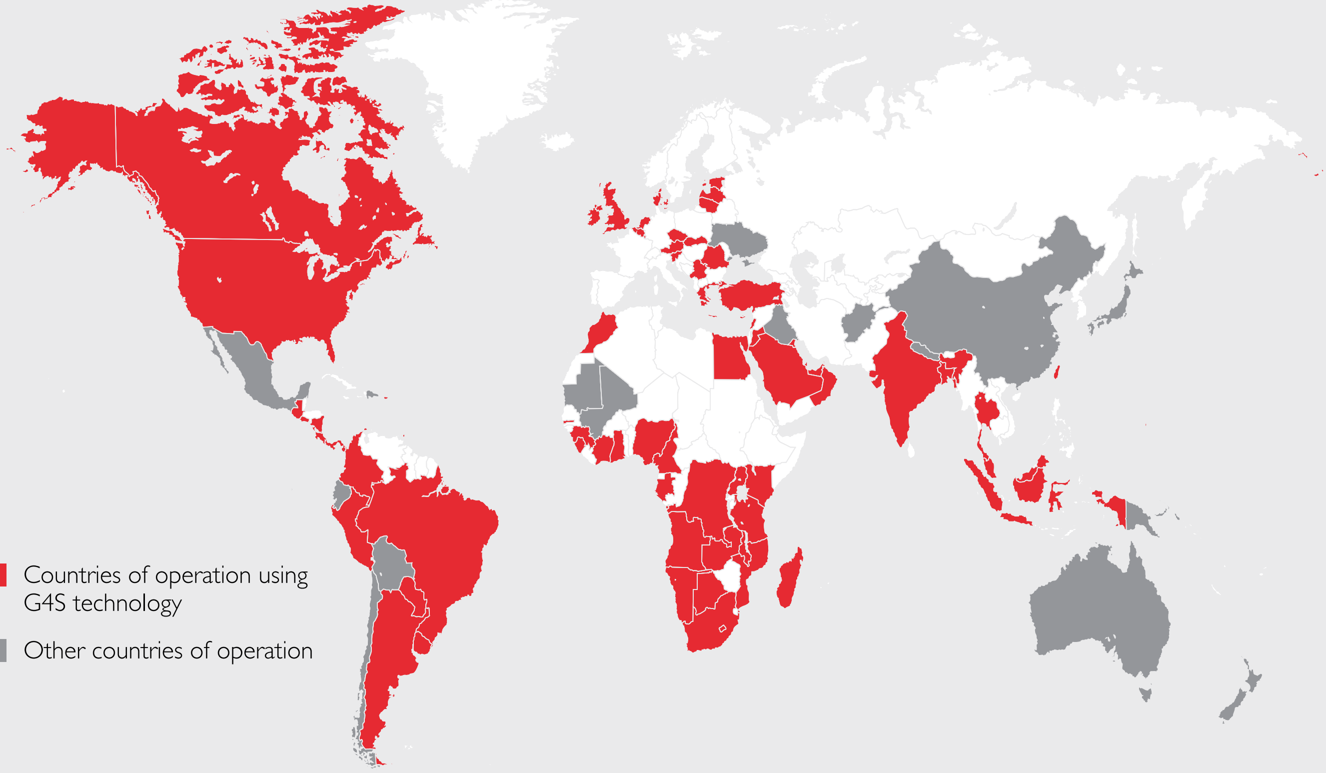
Our values

Our people and values underpin everything we do.

We act with..
INTEGRITY AND RESPECT

We are passionate about...
SAFETY, SECURITY AND SERVICE EXCELLENCE

We achieve this through...
INNOVATION AND TEAMWORK



Countries of operation using G4S technology

Other countries of operation

90+

COUNTRIES

OUR GLOBAL FOOTPRINT

With 546,000 people, G4S is one of the world's largest private sector employers.

Our employees touch the lives of others every day, providing crucial services to keep them safe and secure. Our success is underpinned by the way we lead and engage with our people.

* Revenues from manned security contracts enhanced through G4S software, hardware and security systems.

SECURE SOLUTIONS

85%*

78% SECURITY SOLUTIONS incorporating risk consulting, on-site, mobile and remote security, technology-enabled monitoring and response, software and systems and integrated security solutions combining some or all of these services

7% CARE & JUSTICE SERVICES including custody detention, education, rehabilitation and transportation.

G4S operates an integrated security business in more than 90 countries across the globe. The global security market has structural growth qualities (see page 10 for a description of the growth drivers) and is highly fragmented; there are few international suppliers and our competitors are typically smaller local and regional companies.

The security industry is seeing growing demand for technology-enabled and integrated security solutions (which combine people and technology) to deliver cost-effective security. We have the market positions, products and services to capitalise on these trends.

The Group's Care & Justice services businesses are concentrated in the UK and Australia where we have built significant knowledge and expertise.

Secure Solutions strategy:

To create more secure and efficient security solutions for customers:

- ✓ We aim to differentiate our services by emphasising our global expertise as an integrated security provider across more than 90 countries, in six continents around the world
- ✓ Through continuous improvement we aim to operate efficient and effective businesses with a positive culture and embedded values underpinned by a strong safety culture

* % of Group underlying revenues.

CASH SOLUTIONS

15%*

CASH TECHNOLOGY services comprising of:

- Cash technology focused on the efficient management of cash including Retail Cash Solutions, the leading software and service solution for large retail formats in North America.
- Deposita, Cash360 and G4S Pay solutions for medium and small retail formats.
- Bank process automation.

CONVENTIONAL CASH services - cash in transit (CIT), cash processing and automated teller machine (ATM) services.

G4S Cash Solutions is one of a small number of large, global cash businesses and is the market leader or number two in most of its 44 markets. Each market is highly regulated, often by central banks, and the business requires significant infrastructure and expertise. G4S competes with local, national and a small number of international competitors. Cash volumes in most developed markets are flat or gradually declining at an aggregate market level and are growing in emerging markets.

At the end of 2018, G4S announced that the board was looking at separation options for the cash businesses from the rest of the Group (see page 2).

Cash Solutions strategy:

- ✓ Safe and secure operations for our people and valuables in our cash businesses in 44 countries
- ✓ Continuously improve the efficiency of our conventional cash business network of vehicles, vaults and cash centres serving banks and retailers to encourage them to outsource more of their cash management activities and grow our market share
- ✓ Drive growth through the expansion of our Cash Technology activities which offer tremendous value to all retail and banking partners through lower costs and increased ease in handling cash. These services have low penetration and strong growth potential in both existing markets such as the United States and new markets

A CONNECTED WORLD MEANS COLLECTIVE CHALLENGES

Our strategy anticipates and addresses global security challenges and trends and ensures G4S is well positioned in an industry expected to grow 4 - 6% per annum from 2017 to 2027.*

With our global footprint in more than 90 countries, an attractive range of products and services, and security expertise, we are well positioned to meet this increased demand.

We continue to develop innovative industry-leading solutions that integrate consulting, technology, people and data analytics to deliver solutions that are relevant, valuable and effective for our customers.

We are investing in an efficient and effective organisation with strong values and a positive embedded safety culture.

* Freedonia Security Services Report, October 2018.

Our values in action – Department of Work & Pensions, UK

In April 2018, G4S commenced the integrated security contract for over 790 properties in the UK, including job centres, for the Department of Work & Pensions (DWP). The contract will run for an initial period of five years, with the potential for a two year extension thereafter.

The DWP's objective was to procure a security service supportive of their transformation programme which aims to reduce costs, whilst maintaining safety of the users of its properties. We will be modernising the way security is provided using an Effects-Based Methodology "Security Threat Risk Assessment" which has been aligned with the Centre for the Protection of National Infrastructure best practice. Essentially we are looking to minimise threats by reducing and better managing anxiety of members of the public at DWP sites, reducing the likelihood of incidents occurring.

The contract, one of the largest integrated security contracts to be awarded in the UK, will combine G4S's security technology with professionally trained G4S security officers across the DWP estate, providing an innovative and cost effective solution to meet the customer's needs. This is consistent with our values of Security, Service Excellence, Innovation and Teamwork.

SDGs:

G4S – A WORLD LEADER IN INTEGRATED SECURITY

MARKET AND SOCIETAL TRENDS

Demand for security is increasing across the globe

International and domestic crime remains a significant threat to society, requiring not only protective security, but also heightened intelligence and analysis of risk and response. This heightened awareness provides support for growth in demand for security services. Barriers to entry in basic manned security are low, which can result in intense competition in some markets. The barriers to entry are much higher for integrated security where G4S has significant, and growing capability which stems from our scale and resources.

4-6%

Growth per annum for security services between 2017-2027*

Customers' buying processes are increasingly complex

Globalisation and the increasing use of technology creates a complex set of security risks and threats which means that the procurement of security services is a critical activity in an increasing number of customers' organisations. The global market for security systems integration is projected to be $80bn by 2021.**

$80bn

market value for security systems integration**

Resource scarcity and population growth

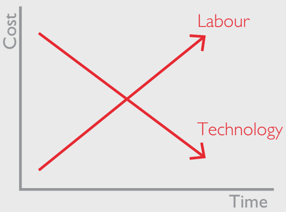
The world's population is growing, becoming more urbanised and increasingly prosperous, placing significant strains on raw materials, energy resources and food and water supplies.

4%

Global GDP growth per annum 2018 to 2022 (Source: IMF October 2018)

Technology-enabled security

Whilst labour costs have increased or are increasing, particularly in developed markets, the cost of sophisticated security technology is reducing. Combined with the additional data and assurance that comes with technology, these trends are reshaping the security industry. Advances in technology, such as drones, cloud and artificial intelligence, are influencing the development of solutions by G4S to deliver services.



Industry consolidation

In certain security markets we have seen some market consolidation and trends whereby large competitors aim to provide multi-service bundled and integrated solutions, sometimes to differentiate away from the more commoditised manned security market. Technology-enabled solutions is a less commoditised market than traditional manned security, with a lower number of capable suppliers as it offers more bespoke solutions to customers.

6.8%

CAGR in integrated security systems market predicted between 2017 and 2022*

* Freedonia Security Services Report, October 2018.
** IHS Markit Report, October 2017.

HOW WE ARE POSITIONED

Global footprint

90+ COUNTRIES

G4S is a market leader and we provide a broad range of products and services across more than 90 countries. This breadth provides us with a strong understanding and clear visibility of how security trends are evolving across the world.

Deep understanding

100 YEARS' HERITAGE

We support our knowledge of global security trends with a deep understanding of our customers' unique needs. We have an enviable heritage with more than 100 years in the security industry.

Security professionals and expertise

514,000 COLLEAGUES

We recruit, screen and deploy almost 200,000 new colleagues each year. We have around 514,000 colleagues in the Secure Solutions business.

Technology and innovation

£2.8BN TECHNOLOGY-ENABLED SECURITY REVENUE

We continue to invest in technology to meet the growing demand for integrated solutions and to drive the development of innovative new solutions for customers.

Customer service

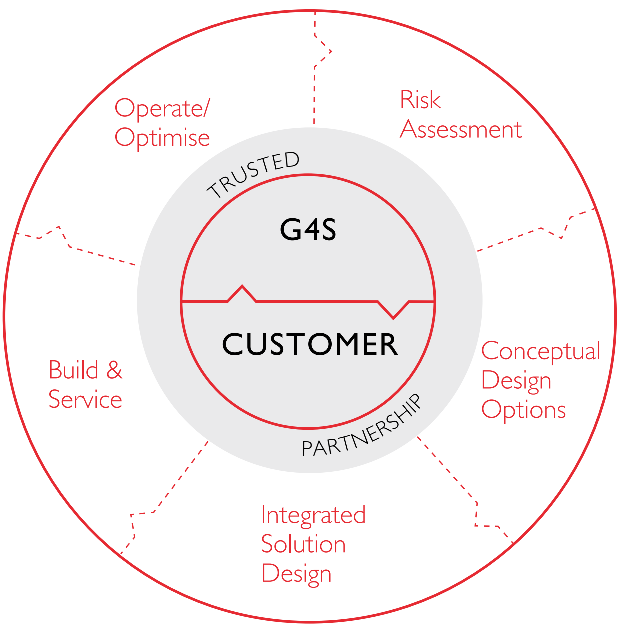
49,000 CUSTOMER SURVEYS

Service excellence is one of our core values, an area in which we continue to invest significantly and during 2018, our businesses received feedback from nearly 49,000 (2017: 24,000) customer surveys using Net Promoter Score with positive results.

SECURE SOLUTIONS – OUR BUSINESS MODEL – ANTICIPATING OUR CUSTOMERS' NEEDS

We are investing in the resources, skills and capabilities needed to market, design, build, operate and maintain technology-enabled integrated security solutions.

This approach provides our customers with industry-leading services and solutions that enable them to operate efficiently in an increasingly connected and complex world. In turn it enables G4S to earn a higher margin on these valuable services.



G4S PEOPLE

Risk Consultants

+

Security Officers

G4S TECHNOLOGY

Technologists/Engineers

+

Security Technology and Software

+

Global Security Operations Centres

+

Security and Data Analysts

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

SOCIETY

G4S delivers a broad range of social and economic benefits to the communities in which we work, many of which are helping to realise the United Nations Sustainable Development Goals (see page 37).

CUSTOMERS

90+

Serving customers in more than 90 countries across six continents.

SHAREHOLDERS

56%

At 85% of Group underlying revenues and 77% of Adjusted PBITA, Secure Solutions has made a large contribution to the Group's 56% growth in underlying EPS since 2013.

EMPLOYEES

514,000

Colleagues employed by G4S Secure Solutions businesses around the world.

SUPPLIERS

26,500

G4S Secure Solutions businesses source services and products from 26,500 suppliers around the world.

PROVIDING CASH SOLUTIONS

In order to achieve economies of scale, we have built number one or number two positions in 41 of the 44 countries in which we operate. In all of these markets, a very large share of the overall cash handling and cash management market remains within banks, retailers and other businesses whose primary function is not cash handling. We believe that these banks and businesses will continue to outsource cash management services to G4S.

Our improving unit economics, the strength of our market positions and our innovative cash and payment technology give us confidence that G4S Cash Solutions is well positioned to play a leading role in the next wave of cash management outsourcing. We have a market leading position in the large retailer segment in the United States and we are one of the market leaders globally in the small and mid-size business market segments.

Our technology is delivering significant savings for our customers and provides a valuable higher margin annuity revenue stream for G4S. Market penetration is low at this stage and we therefore see substantial potential for further growth. Indeed we believe that our cash technology services have the clear potential to produce profits greater than the profits from the Group's CIT and cash processing business in the medium term.

Our values in action – Geldmaat, Netherlands

Geldmaat (previously known as GSN) is a cash 'utility' organisation founded by ABN AMRO Bank, ING Bank and Rabobank in the Netherlands in 2011.

Since 2011, G4S has been in a strategic partnership with Geldmaat and the contract was renewed in 2018 for a further two years. Under the partnership, G4S ensures cash availability and affordability, as well as providing cash transport, ATM servicing and maintenance of 70% of GSN's bank branches and ATMs across the Dutch market.

The main benefits of using an integrated cash solution provided by G4S are service continuity, efficiency gains, and reduced operational costs, and improved quality of service.

SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

G4S CONNECTING CASH SOLUTIONS

In January 2018, the Group established the Global Cash Solutions division and in December 2018, the board announced it was reviewing options for the separation of the Group's Cash Solutions businesses from the Group.

The board believes that a separation of Cash Solutions has the clear potential to enhance the focus and success of both businesses and unlock substantial shareholder value.

MARKET AND SOCIETAL TRENDS

Global cash-usage trends

Cash usage is typically driven by country-specific legislation, domestic non-cash payment initiatives and sovereign currencies. Across all markets, the availability of cash is important for the financial inclusion of all groups in society including those who do not have ready access to non-cash means of payment, including un-banked individuals and groups.

2bn

People globally don't have bank accounts

Network consolidation

The importance of maintaining strong unit cost economics has encouraged network rationalisation and we believe that with lower cash volumes in some markets together with new higher value-added services partly cannibalising traditional cash-in-transit services, it is likely that some, if not all cash markets will experience network consolidation. A number of industry participants have publicly stated that they are looking to make acquisitions, whereas our priority has been to consolidate market share organically by stimulating the next wave of outsourcing and by deploying more efficient technology to maximise our market share.

$19bn

Global value of Cash-in-Transit and related services in 2017*

Retail and non-bank opportunities

In many markets, retailers and businesses operate in very competitive environments and are looking to reduce costs including cash handling and to free up idle cash sitting in tills, safes, vehicles and cash-processing centres. G4S software and service, enhanced smart safes and cash recycling services offer a compelling commercial proposition to retailers by enabling a step-change in the efficiency of their cash operations.

75-80%

Reduction in labour costs

Bank branch automation and outsourced cash processing

Banks and financial institutions are also under pressure to be more efficient, lower the cost of cash handling and reduce their branch network whilst maintaining customer access and service. We have developed market leading integrated technology to address these areas which combines hardware, proprietary cash management software, real-time banking integration, same day credit and customer service and support.

80%

Up to 80% idle cash freed up when retailers use Retail Cash Solutions technology

HOW WE ARE POSITIONED

Global footprint

44 COUNTRIES OF OPERATION

We have a unique portfolio of market leading cash management businesses serving customers.

Market leading positions

1 OR 2 IN 41 COUNTRIES

We have focused our business into key markets with stronger growth potential and are number one or two in 41 out of the 44 countries we have cash businesses.

Market leading Retail Cash Solutions technology

23,300 LOCATIONS

Our cash software is deployed at 23,300 (2017: 19,800) locations across North America, Europe, Asia Pacific and Africa including at some of the world's largest retailers. Global market penetration of this type of cash management software is at an early stage and we believe that our technology has significant growth potential.

Technology and innovation

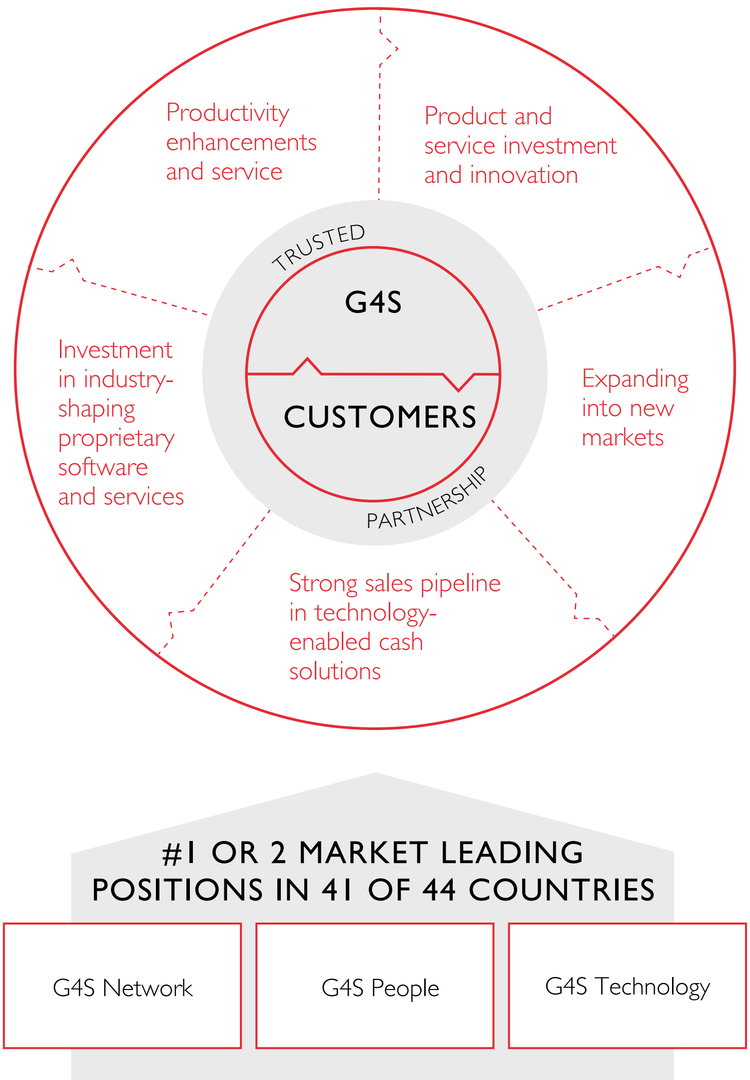
We have been developing integrated technology to improve efficiency combining hardware, proprietary cash management software, real-time banking integration, same day credit and customer service and support. See page 28.

* Freedonia Security Services Report, October 2018.

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

CASH SOLUTIONS – OUR BUSINESS MODEL – TRANSFORMING THE WAY CASH IS MANAGED

- We provide cash solutions and services that materially improve the control and efficiency of our customers' cash handling.
- We continue to invest in innovative products and services such as Retail Cash Solutions, CASH360, Deposita and bank branch automation.
- We believe that we have a significant opportunity to extend and grow our new technology and services across our global markets.



We believe that the profits generated from new cash technology could exceed those from traditional cash services in the medium term.

SOCIETY

>$5tn

More than $5 trillion cash is in circulation, according to the Bank for International Settlements. Cash is used around the world and we are helping to ensure cash payments are cost effective. The availability and sustainable usage of cash is important to provide choice for customers and for the financial inclusion of vulnerable groups, such as the elderly and people with disabilities or those living in rural areas.

G4S' Retail Cash Solutions technology results in 40-60% fewer journeys by cash transportation vehicles saving on fuel costs and helping reduce traffic congestion and carbon emissions.

CUSTOMERS

£25bn

We estimate that the addressable market for smart safes and recycling solutions is around £25bn per annum.

EMPLOYEES

32,000

Over 32,000 colleagues are employed by our Cash Solutions businesses.

SHAREHOLDERS

2-3x

Cash and payment technology has the potential to grow to be two to three times larger in the medium term.

ENGAGING TO DELIVER VALUE

Our key stakeholders are those who most materially impact our strategy, or are directly impacted by it. Engagement with stakeholders is essential for G4S, given our role in society, the global nature of our business and our substantial workforce.

KEY STAKEHOLDERS	HOW WE ENGAGE
SOCIETY Our employees touch the lives of others every day, providing crucial services to help keep society safe and secure.	▪ Operations which promote secure and stable communities ▪ CSR Materiality Review with key stakeholders (see pages 36 and 85) ▪ Community engagement programmes ▪ Substantial tax and economic contributions ▪ Government relationships and parliamentary engagement ▪ NGO and UN agency engagement ▪ Industry forums
CUSTOMERS Through understanding our customers' needs we offer value added, innovative, cost effective security solutions and build enduring relationships.	▪ Consultative approach to selling and bidding for contracts ▪ Proactive relationship management ▪ Bidding processes ▪ Customer service ▪ Net promoter score
SHAREHOLDERS The company actively seeks to engage with shareholders on a regular basis.	▪ One-on-one meetings between management and shareholders ▪ Group investor meetings hosted by management ▪ Results announcements and trading updates ▪ Participation in investor relations association and best practice events ▪ Annual governance meetings with the Chairman and ad-hoc meetings ▪ CSR updates with the Chair of the CSR committee ▪ Annual General Meeting
EMPLOYEES With 546,000 colleagues, G4S is one of the world's largest private sector employers. Our success is underpinned by the way we lead and engage with our people.	▪ HR core standards set the framework for employee engagement ▪ Onboarding, induction and refresher training ▪ Local and global meetings ▪ Biennial global all-employee and senior management engagement surveys ▪ Trade unions, works councils and employee representative forums ▪ Newsletters, videos, employee self-service portals, and intranets ▪ Specific campaigns on health & safety, our values and Speak Out whistleblowing arrangements ▪ Values recognition schemes
SUPPLIERS We have a responsible purchasing policy consistent with our business ethics.	▪ We purchase goods and services from more than 40,000 suppliers ▪ Contract and relationship management ▪ Supplier Code of Conduct ▪ Purchase to Pay process

Understanding stakeholders' interests helps us define our strategic priorities and guide our initiatives and remuneration policies. We run a formal exercise every two years to identify our material CSR priorities (see pages 36 and 85).

KEY AREAS OF INTEREST	OUR RESPONSE AND KPIS

▪ People and Values
▪ Ethical and sustainable business practice including:
  ▪ Health & safety
  ▪ Human rights
  ▪ Anti-bribery & corruption
  ▪ Employee standards and behaviour
	▪ Slavery and Human Trafficking Statement
	▪ UN Global Compact: Communication on Progress
	▪ Global employee engagement survey (see page 23)
	▪ Values awareness and training programmes
	▪ Engagement with Parliamentary committees
	▪ Industry forums including: International Security Ligue, British Security Industry Association, Confederation of British Industry
	▪ MP engagement and site visits, especially to custodial detention facilities

▪ Quality and price of service delivery ▪ Expertise innovation ▪ Health & safety ▪ Business ethics	▪ 1.1% underlying revenue growth in 2018 ▪ Almost 49,000 customers surveyed using net promoter score in 2018, with positive results in all markets (2017: 24,000) ▪ Feedback from unsuccessful contract bids
▪ Financial performance ▪ Strategic direction and coherence ▪ Governance and risk management	▪ CEO and CFO met with shareholders representing over 67% of the share register and 163 institutions (see page 86 for more information) ▪ 1.1% underlying revenue growth in 2018 ▪ £474 million underlying Adjusted PBITA in 2018 ▪ £453 million underlying operating cash flow in 2018 ▪ Dividend of 9.70p per share in 2018
▪ Company performance and plans ▪ Compensation and benefits ▪ Training and career development ▪ Health & safety ▪ Human rights ▪ Values, CSR and recognition	▪ Implemented action plans based on responses from 428,000 employees who competed the global engagement survey in 2017 ▪ Increase in overall favourable responses from 82% (2015) to 84% (2017) ▪ Feedback from consultation committees and works councils ▪ Nominations for employee recognition awards ▪ Reduction in staff turnover from 25.3% in 2017 to 24.7% in 2018 ▪ Fatalities due to road traffic and workplace incidents down around 67% since 2013
▪ Supplier performance – service delivery and product quality ▪ Payment terms ▪ SME engagement	▪ Rationalised suppliers ▪ Commitment to the UK Prompt Payment Code ▪ Member of the UK Government Contract Finder portal to promote use of SME businesses

LINKS TO STRATEGY

Strategy

- People and Values
- Customers and service excellence
- Technology and innovation
- Operational excellence and productivity
- Financial and commercial discipline

Remuneration Policy

- Annual bonus scheme – financial performance measures and personal/non-financial measures (see page 109)
- Long term incentive plan – based on EPS, operating cash flow and total shareholder returns (see page 109)

CSR Policies

Please see page 39

Our strategy addresses the long-term positive demand for security and related services and our enduring strategic aim is to demonstrate the values and performance that makes G4S the company of choice for customers employees and shareholders.

This section summarises our strategic priorities and how we focus our resources and expertise in areas where we can achieve the best results for customers and sustainable growth and return for investors.

Our CSR approach covers a broad range of areas but we have three material priorities: health and safety, human rights and anti-bribery and corruption which are covered in detail on page 36.

STRATEGIC AND PERFORMANCE OVERVIEW

	PEOPLE AND VALUES	CUSTOMER FOCUS AND SERVICE EXCELLENCE
	We recruit, develop and deploy the best people in the industry	We build long-term customer relationships based upon trust and understanding of customers' businesses and objectives
Strategic priorities Underpinned by corporate culture based on Group Values and commitment to corporate social responsibility.	▪ Embed the right culture; promote our G4S values and sustain strong employee identification with those values ▪ Embed health and safety behaviours ▪ Talent acquisition, development and succession planning ▪ Engage to ensure best performance ▪ Incentivise and recognise success	▪ Positive demand for security services driving revenue growth of 4-6% p.a. in the medium term ▪ Investment in risk consulting expertise to lead initial customer engagement and develop excellent service and solution design ▪ Investment in technical and project management capability ▪ Investment in sales, marketing, account management teams, SalesForce CRM, embed G4S way of selling and contract retention programmes
Key risks See Principal risks pages 64 to 71.	▪ Our trained and skilled people are hired by competitors or other companies or do not behave in line with the Group's values, resulting in adverse impact on customer service or those in our care ▪ Negative impacts on our employees' health and safety	▪ Failure to understand customers' changing needs or falling short of customer expectations
KPI See page 34 for more detail and the progress in the Group's financial and non-financial KPIs and how they link to the Group's strategic priorities.	67% Reduction in road traffic fatalities since 2013	£1.4bn Annual contract value of new business won in 2018 (2017: £1.4bn)

COMMITMENT TO CORPORATE SOCIAL

TECHNOLOGY AND INNOVATION

We design, market and deliver innovative, industry-leading technology and services that protect and add value for our customers wherever they operate

- We continue to invest in the resources, skills and capabilities to develop and deliver technology-enabled security and cash management solutions:
- Secure Solutions – expand and upgrade technology-integration capability
- Cash Solutions – leading bank and retail cash technology

- Failure to market or deliver our services and technology effectively or failure to deliver adequate value for money

45%
Of security revenues were technology enabled in 2018 (2017: 42%)

OPERATIONAL EXCELLENCE AND COST LEADERSHIP

We have safe, secure, reliable and efficient operations

- Deliver £70-£80m annual operational cost savings programme by 2020
- Operational excellence and efficiency: implement lean, automated processes
- Continue to improve health & safety awareness and performance

- Failure to comply with our standards results in harm, loss of expertise or investment fails to deliver benefit

30bp
Improvement in Secure Solutions Adjusted PBITA margin in 2018 compared with 2017

FINANCIAL AND COMMERCIAL DISCIPLINE

We manage risk effectively and ensure we provide profitable, cash generative services

- Improved risk management, including contract risk management
- Established and embedded rigorous capital investment appraisal processes
- Portfolio programme
- Driving improved cash flow
- Capital allocation

- Inefficient capital management and failure to comply with Group risk management standards

£20m
Reduction in annual finance costs through refinancing achieved

RESPONSIBILITY UNDERPINS THE STRATEGY

PEOPLE AND VALUES

With 546,000 colleagues, G4S is one of the world's largest private sector employers. Our employees and services touch the lives of others every day, providing crucial services to keep them safe and secure. Our success is therefore underpinned by the way we attract, develop and engage with our people, as well as the culture and values that shape the way we work and how our colleagues carry out their roles.

Organise – creating the right organisation and culture

Our values are core to shaping the culture of our organisation, helping to guide, unite, differentiate and sustain us. They are integral to everything we do. In 2017 we launched scenario-based values training materials for our front-line employees including flashcards, presentations and online training modules. Together with online management training launched in 2018, these materials are now being widely used and form part of our employee's experience from recruitment and induction, through to training and appraisal. We are continuing to update our induction and training materials and to find innovative ways to share and embed them so that, regardless of where they work and what they do, our employees understand the behaviours that are expected of them in line with our values.

Acquire – attracting and recruiting the best people

With a tightening labour market in some countries we face cyclical challenges attracting and retaining employees who may have other employment options. Whilst the interesting and varied nature of the work we offer enables us to retain our core employee base (73% of our employees have more than a year's service), we have also streamlined our recruitment processes to speed up the time taken to process new employee applications. A strong brand and reputation as a fair employer also differentiate us in a competitive market place. Over a number of years we have focused on improving retention which has meant our labour turnover continues to reduce, even in tight labour markets such as in parts of Europe, where our turnover rates are now below 20%. Overall we saw a further reduction in labour turnover for the Group at 24.7%, down from 25.3% in 2017.

Protect – putting safety first – CSR priority area

The safety of our employees and those in our care is our first priority. Our goal is zero harm. This focus enables us to secure our customers' worlds and the communities we serve. It is our responsibility to ensure that our colleagues return home from work safely every day and we believe that setting the highest standards for health and safety across our industry builds loyalty and commitment to G4S among our employees.

PERFORMANCE THROUGH PEOPLE

Globally we align our HR strategy to six key work streams which focus on the activities integral to driving sustainable business performance:

OUR VALUES IN ACTION - INVISIBLE WALLS WALES

G4S CUSTODIAL & DETENTION: UK

An innovative programme developed by G4S and Barnardo's Cymru aims to reduce the number of prisoners reoffending, cut the risk of intergenerational offending and improve the quality of life and community inclusion for families.

Recognising that connections to family are an important element in the successful rehabilitation of offenders, the programme, initially developed and implemented at HM Prison Parc in South Wales, works with the families of prisoners who are experiencing difficulties. Each prisoner taking part in the programme is allocated a mentor, who also works together with the prisoner's family, children, partners and parents, to help sustain and rebuild connections. The family will receive tailored support for up to a year prior to the prisoner's release, and then for another six months following release.

During its first five years, Invisible Walls Wales has helped to:

1. Reduce unemployment rates for prisoners from 80% to 25% and for their family members reduced unemployment rates from 69% to 46%.
2. Increase prisoners' engagement in education, training, or volunteering from 0% to 10% and for their family members, from 2% to 14%.
3. Decrease the number of prisoners' children experiencing attainment or attendance issues at school from 43% to 12%.
4. Halve the number of prisoners' children considered by social services to be "at risk", from 16% to 7%.
5. Reduce the number of prisoners that were misusing alcohol and/or drugs from 89% to 20%, and for their family members reduce the number from 15% to 5%.

The success of the programme has led to the model being replicated in other prisons across the UK and overseas.

Further information is available at g4s.com/invisiblewalls

SDGs:

Having put the necessary processes in place over recent years, we have now seen a very significant reduction in the number of serious incidents. Compliance is monitored through audits and reviews of risk and performance at regional, group and board level, via the CSR committee, and further details of these assurance processes can be found on page 67.

During 2018, 24 of our colleagues sadly lost their lives in work related accidents, including five colleagues who died in a terror attack in Afghanistan. This loss is not acceptable and our thoughts are with their families. This is nevertheless a reduction from 25 fatalities in 2017 and solidifies the step change we saw that year when the number of fatalities halved compared with our longer-term experience. We continue to make progress in road safety and road traffic fatalities have decreased by 67% since 2013 when we first launched the improvement programme.

Mitigating the levels of violence associated with attacks on our Cash Solutions business remains a significant priority. Initiatives taken by G4S and other operators in South Africa, working with law enforcement agencies, began to have a positive impact in the second half of 2018 and this remains a priority for 2019.

We continue to reduce our injury rate. During 2018 the Group Lost Time Injury incidence rate was 6.6 per 1,000 employees, compared with a rate of 6.7 in 2017. The change is due to improvements in the Care & Justice Services business, partially offset by the number of injuries sustained during attacks in Global Cash Solutions.

There were nine non-natural deaths in G4S custody in 2018. All deaths in custody are investigated by the relevant authorities to determine the cause of death. Five of these deaths in 2018 were due to self harm, three were related to substance abuse and one was a homicide. The relevant coroner pronounced that a death that occurred in 2017 and was previously disclosed as non-natural, was actually due to natural causes.

Develop – building a capable workforce

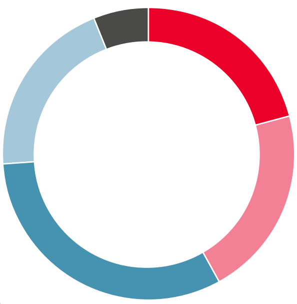
As the skills we need in our global business constantly change in anticipation of market dynamics and new technology, ensuring we have capable and confident people is vital. In 2018, we extended the scope of our talent review process, enabling us to reach further into the organisation and identify employees with the potential to become future leaders earlier in their careers.

Our leadership programme continues to offer global development for high potential employees and this year the number of employees participating in the programme doubled. In 2019, we plan to undertake a review of the programme and benchmark it externally to ensure it remains cutting edge and focused on our business strategy.

Whilst developing high performers will always be a business imperative, we want to offer all employees the opportunity to increase their skills and knowledge at work. We encourage employees to take responsibility for their own learning on an on-going basis using the extensive range of materials available, and using technology platforms to share training and learning paths more effectively. For example, during a 16 week on-line development programme concluded in 2018, over 41,000 employees completed learning modules with very positive feedback. For our front-line operational staff, continued development is no less important, and our use of on-line training is being extended where possible as it enables businesses to reach wider audiences efficiently and give employees access to learning at times to suit them.

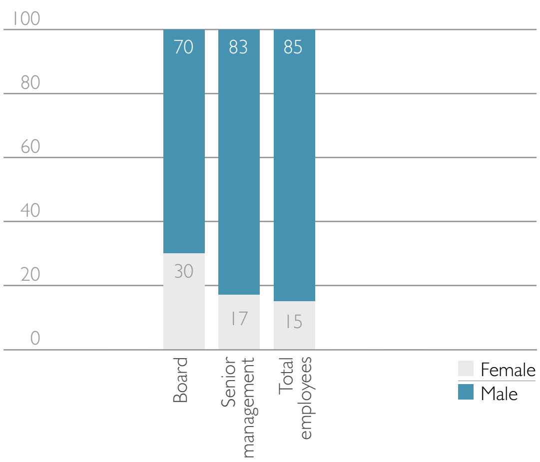
Each year, we also introduce specific learning materials to support business needs or to meet new customer and legislative requirements. This year was no exception with further health and safety training produced in pursuit of our goal of zero harm and an array of materials developed to support the introduction of the General Data Protection Regulations (GDPR), ensuring everyone understands their role and responsibilities in safeguarding data.

Employees by region 2018



Secure Solutions	
Africa	21%
Americas	21%
Asia	32%
Europe	20%
Cash Solutions	
Cash Solutions	6%

Employee gender diversity in 2018 %



OUR VALUES IN ACTION - SECURING HEALTHCARE IN FRAGILE STATES

G4S RISK MANAGEMENT: AFGHANISTAN, IRAQ, SIERRA LEONE, SOUTH SUDAN

Delivering medical care in fragile and conflict affected states is complex and fraught with challenges. G4S provides integrated security solutions and wider support functions to healthcare services in challenging environments such as Afghanistan, Iraq, Sierra Leone and South Sudan.

In 2018, G4S carried out security risk assessments of the French Medical Institution for Mothers and Children, a non profit hospital in Kabul providing medical care and working towards improvements in health services in Afghanistan. Despite its aims, the hospital attracts a high threat profile due to its connections to the Afghan government, western NGOs and focus on the empowerment of women. G4S made a number of recommendations to enhance security at the hospital, without greatly hindering access for staff, patients and visitors, and a programme of increased resilience is currently being implemented.

During the Ebola Crisis, G4S supported the UK Department for International Development by managing and maintaining their vehicle fleet in Sierra Leone – an essential service that ensured that their aid and healthcare workers could reach affected communities. To help us ensure the ongoing sustainability of the programme, we implemented accredited training and mentoring for our locally employed staff.

Alongside our security operations at Baghdad International airport, G4S has a medical clinic that provides a 24/7 medical service to G4S staff and international clients. The clinic offers emergency and primary care services, complemented by diagnostic care. Paramedics are available to provide many types of treatment, from simple procedures to dealing with more serious conditions or to stabilise a critically ill or injured person before an evacuation.

SDGs:

Engage – creating an inclusive and engaging workplace

With scope to access the perspectives and experience of employees in over 90 countries we rarely struggle for ideas. Diversity of thinking helps us innovate and stay ahead in the marketplace, creating long-term value for all our stakeholders. Ensuring everyone can contribute to their full potential is therefore a key area of focus. In line with our diversity and inclusion strategy and commitments in the UK gender pay gap report (visit g4s.com/genderpaygap), we have been conducting employee research into barriers, both perceived and real, that impact our ability to develop a more diverse workforce and a more inclusive workplace.

Our plans for 2019 will be shaped by the research findings. In the meantime, we have developed recruitment case studies to showcase the diverse career opportunities and to challenge the stereotypical views of the industry. We have also aligned our recruitment suppliers with our aims by ensuring they are reaching out to more diverse talent pools and providing shortlists of diverse candidates.

Giving all employees the opportunity to comment on what they think and feel about working for G4S is a cornerstone of our engagement strategy. We seek feedback from representative channels such as unions and works councils at a local, regional and global level, giving updates on business performance and in return receiving information on the issues that are affecting our employees on a day to day basis.

We also invest significant time and energy in conducting a global employee survey. In the last survey, conducted in 2017, 428,000 employees responded. Their feedback was resoundingly positive with over 84% of participants rating the company favourably. Throughout 2018, the focus has been on understanding the issues where the responses were less favourable and implementing actions arising from survey feedback. In 2019, we will issue our next global survey, refreshing the approach and the questions we ask to align with the relevant issues in the business. We will also take the opportunity at our leadership conference and through our senior management survey to seek feedback about the issues that matter most to them such as strategy, culture and incentives.

Reward – incentivising and recognising success

Recognition and praise is vital in an industry where employees go to extraordinary lengths to deliver, sometimes in challenging and hostile environments. Businesses have developed separate approaches to recognition awards and they all link to our values and the behaviours which underpin them. Across our senior management team, we offer bonus plans which incentivise high performance while upholding our values. For many operational employees we negotiate terms and conditions with trade unions operating across the industry, which helps ensure our pay is competitive with market rates. We seek out a wide range of benefits which offer good value for our employees, and where possible, support for their families too.

Anti-Bribery & Corruption – CSR priority area

By having clear values and standards, and educating and training colleagues to uphold them, we are creating a positive culture which means our colleagues can be trusted to do the right thing and behave in a way which meets our standards.

In cases where colleagues are suspected of not upholding those standards, we undertake swift, thorough and impartial investigations and take appropriate action. Where unacceptable behaviour has taken place we learn from such instances and enhance our safeguards to prevent similar issues arising in the future.

We have invested time, effort and resource to promote the use of Speak Out, our anonymous whistleblowing system available to employees globally. During 2018, 519 cases were raised by colleagues via Speak Out. Our efforts during 2017 and 2018 to create a culture in which people feel confident to speak out and raise ethical concerns using our whistleblowing channels has resulted in a 73% increase in the number of reports made via Speak Out during 2018.

The majority of matters raised via Speak Out are HR grievances which are managed by the relevant HR department where they remain best placed to investigate and resolve these matters promptly. Where appropriate, concerns regarding operational procedures are investigated by local management to ensure that relevant standards are being followed. Internal Audit and other assurance functions may also assess operational compliance.

Investigations relating to other matters, such as alleged bribery, ethical or financial issues are conducted by our internal network of investigators or by independent experts.

Matters of a potentially serious nature are investigated at a senior and independent level, with 105 investigations completed during 2018.

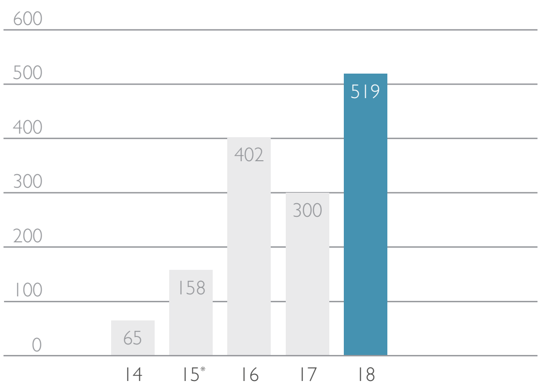
The Group Ethics Steering Committee has continued to oversee implementation of our whistleblowing policy and conducts regular reviews of serious cases, investigation progress and resulting actions.

2018 ACHIEVEMENTS

428,000

Colleagues participated in our survey in 2017 with over 84% favourable responses. In 2018, we identified any issues and developed action plans

Total number of whistleblowing cases



* Speak Out launched

2018 Actions

Engage	Status
Launch management values training materials, embed front-line materials and complete update of HR policies and processes to reflect G4S values	complete, on-going
Implement action plans from global employee engagement survey and address actions from management survey	complete
Review opportunities to improve gender balance	complete, on-going

Develop	Status
Continue the delivery of regional leadership programmes and promote development paths and learning opportunities for employees at different levels	complete, on-going

Protect - CSR Priority Area	Status
Continue to implement the revised front-line health and safety induction training	complete
Introduce updated controls for security officers working at entrance gates	complete
Share and adopt best practice across the Group in managing critical health and safety risk areas	on-going
Develop action plans for businesses which have had multiple fatalities, as well as monitoring their implementation	complete

Anti-Bribery & Corruption - CSR priority area	Status
Continue to increase awareness of Speak Out and create an environment in which colleagues are confident they may raise concerns confidentially and without fear of retribution	complete, on-going

Status
complete
on-going

2019 ACTIONS AND PLANS

Engage

- Conduct sixth global employee engagement survey using the previous response rates and favourable scores as a benchmark
- Implement actions arising from the employee research conducted on diversity and inclusion

Develop

- Review and refresh the regional leadership programme and extend the offering of development materials to a wider internal audience

Protect - CSR priority area

- Improve health, safety and security risk assessments processes
- Conduct a thematic review of High Potential Incidents in high priority businesses
- Improve controls related to attacks on employees
- Introduce additional training on road safety

Anti-Bribery & Corruption - CSR priority area

- Continue to increase awareness of Speak Out and increase the confidence of employees to raise concerns through available channels

CUSTOMERS AND SERVICE EXCELLENCE

We build long-term customer relationships based upon trust and understanding of our customers' businesses and objectives. Through those customer relationships and connections we look to deliver sustainable long-term growth in revenues, earnings and cash flow.

Positive demand for security services

We believe that the long-term demand trends for our services remain positive, and we expect to grow revenues on average by around 4% to 6% per annum over the medium term. We continue to sustain contract retention rates of around 90%, have won substantial new business, and have more than replenished our sales pipeline with an improved quality of opportunities over the next two years.

Large diversified customer base and sales pipeline

One of the strengths of the Group is the diversified nature of our contracts and sales pipeline by service, geography and customer. We have a diverse customer base spread across many countries and customer segments. At the end of December 2018, we had won new business with an annual contract value of £1.4 billion (2017: £1.4 billion) and total contract value of £2.4 billion (2017: £2.4 billion).

Our sales pipeline has grown despite an increased emphasis on pipeline qualification, ensuring we focus on the best opportunities and improve our contract win rate. As the Group has invested in innovative products and services, we also see an improvement in the quality of the sales pipeline with more technology-related, longer-term, higher-value-added opportunities. We aim to maintain an appropriate sales pipeline to fulfil our growth opportunities.

Investment in sales leadership and account management

Since 2013, we have invested in sales leadership, sales and service training, customer relationships, account management and a unified sales management and CRM system. Our understanding of customer requirements has increasingly resulted in opportunities to sell more technology-enabled solutions. This is particularly the case in developed markets, where higher wages and lower hardware costs have made technology solutions more cost-effective - see the RISK360 case study opposite.

We have also invested in capturing global customer opportunities, which has delivered success by winning new work or new customers.

In 2018, following great success in Europe and North America we implemented a global sales coaching programme training more than 100 managers across 57 business units.

In addition we launched new online learning plans geared to reinforming our solution sales methodology and have enrolled over 500 sales people into the programme to date.

Detailed manuals and crib cards help sales people with the following:

- Understanding the different G4S sales processes and when to apply them.
- Applying elements of social media and other enabling technologies in selling.
- Using modern approaches to planning and demand creation.
- Demonstrating techniques for conducting consultative sales conversations.
- Describing how to position differentiation and value to customers and how to address competitive selling situations.
- Techniques for gaining access to decision makers and methods for controlling sales cycles and mitigating buyer risk.

Net promoter score and contract retention

Since 2016, we have embarked on a Group-wide Net Promoter Score (NPS) survey process with existing customers. In 2018, using a variety of survey tools, we doubled the number of surveys conducted, compared to 2017, with almost 49,000 surveys performed, including our top 20 customers in most countries. All markets show positive NPS results with significant year on year improvements in North America, Asia and Europe.

ACTIONS FOR 2019

- Improve contract win rate
- Continue to implement the sales coaching initiative
- Improve contract retention
- Improve net promoter scores

2018 ACHIEVEMENTS

£1.4bn
Annual contract value of new business won

£2.4bn
Total contract value of new business won

>100
Managers across 57 business units completed a global sales coaching programme

SAVING CUSTOMERS MONEY, WHILST DELIVERING MODERN SECURITY

RISK360

SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Saving customers money, whilst delivering modern security better than ever before.

G4S developed RISK360, bringing security into the 21st century. It combines various security resources to provide customers with an integrated solution and by doing this we become risk management partners to our customers, addressing their enterprise wide risk management.

Our risk experts use this tool to better understand and map the customer's risk environment. Our solutions architects lead multi-skilled teams to design bespoke, integrated solutions, and manage the implementation and operation of these solutions.

RISK360 enables us to have centralised command and control over multiple operations in our Global Security Operations Center (GSOC). From the GSOC we can perform remote site supervision and vehicle surveillance and, by integrating standard operating procedures into the system, manage incidents centrally. Through automated workflows we escalate and communicate professionally and can deploy tactical intervention teams and emergency services.

The system equips management with real time dashboards and management reports. Operational KPIs such as proof of presence, security officer patrol monitoring and occurrence reporting are automated, resulting in more accurate reporting and data collection. Our analyst uses the system to enhance insight into threats facing the customer's business. It gives us hot-spot trending and early warning which frees up resources and helps to protect lives.

The customer uses RISK360 to have peace of mind that their risk solution is working. Using the system, the customer can measure its effectiveness, and shape their solution to fit an ever changing landscape. Addressing enterprise wide risk through bespoke integrated solutions, means we save our customers money, whilst delivering modern security, better than ever before.

TECHNOLOGY AND INNOVATION

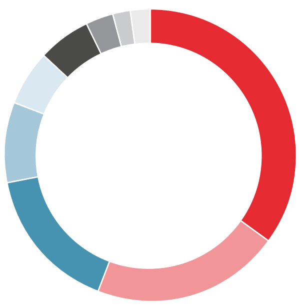
G4S is a leader in integrated security, connecting manpower and technology, systems and software. Through our customer relationships and insight, we have increased focus on investing in the development and marketing of new technology and services to strengthen our service offering, to support growth and to improve margins over time.

Ensuring we are well positioned for more technology solutions with disciplined capital allocation

Increasingly our bespoke offering for customers includes technology in the form of systems and software. For some customers, we own the equipment in their facilities but for others, usually larger customers, we tend to sell the required equipment to the customer, underpinned by long-term management and maintenance contracts.

A number of our services and technology solutions, which have commercial momentum in key markets, are featured in this report.

Revenue by customer type in 2018 (%)



Major corporates & industrials	35%
Government*	21%
Financial institutions	16%
Retail	9%
Private energy/utilities	6%
Consumers	6%
Ports & airports	3%
Transport & logistics	2%
Leisure & tourism	2%

* c.7% of our work for Government is Care & Justice services. The remainder is embassy security, local government, support for disaster relief, charity and NGO work, border protection and landmine clearance.

Secure Solutions – Integrated Security

G4S is a security systems integration company. Please see page 6 for the map of countries where we have technology capability. Our businesses with the most embedded integrated security approach are in North America, UK and Denmark. We believe we can deepen penetration of technology with existing customers and new customers in these markets and are looking to build expertise more widely across the Group.

Investing in world leading proprietary products and services

In our Secure Solutions segment, we continue to invest in product and service innovation combined with sales and operational support in the following areas:

- Software tools including evidence based risk assessment, incident management and travel advisory systems such as RISK360.
- Proprietary security systems such as Symmetry Connect access control systems and visitor management systems.

Cash Solutions – Retail Solutions and bank-branch automation

For our financial and retail customers, we have developed a number of innovative and efficient services.

- Automated cash solutions for retailers – we have over 23,300 (2017: 19,800) cash technology installations, often combined with our software and managed service and have a strong and growing pipeline. This bespoke solution covers smart safes and cash recyclers, including our own Deposita equipment in emerging markets through to full cash management automation solutions for some of the world's largest retailers (see case study opposite).
- Automated bulk-teller solution for banks – the Deposita solution of hardware, proprietary software and managed service is also being used in bank branches.

2018 ACHIEVEMENTS

£2.8bn
Technology-enabled security revenues

23,300
Customer locations where cash technology deployed for banks and retailers at the end of 2018.

14%
Increase in proportion of technology-enabled security revenues

- Mobile banking service – due to the increase in electronic payments and internet banking, traditional bank branch usage has declined in some markets, resulting in bank branch closures. However, the banks recognise the value of personal interaction with customers and so in some developed and emerging markets G4S has launched a mobile banking service using the skills and fleet of our traditional cash-in-transit business.
- G4S Pay is a new service launched in the Netherlands, which enables retailers with our Retail Cash Solution to process not only cash payments, but electronic payments with the same software platform.

ACTIONS FOR 2019

- Continue to drive market penetration of integrated security solutions
- Build on our market leadership in cash automation services with more customers in more markets
- Continue to invest in innovative and efficient services for customers
- Cross-selling and up-selling within and across markets
- Continued investment in people, technology, software and systems

G4S TECHNOLOGY - TRANSFORMING RETAIL CASH MANAGEMENT

RETAIL CASH SOLUTIONS, NORTH AMERICA

In May 2018, G4S won a new, five year, Retail Cash Solutions contract with a major US retailer. The contract was mobilised in the second half of 2018. Under this initial contract, G4S implemented and managed an integrated cash management system using G4S' proprietary software and service model in more than 500 stores.

In November 2018, the retailer awarded around another 600 stores to G4S. Based on positive implementation and operational delivery and cost effectiveness, a third tranche of around 250 stores, was awarded in January 2019. Implementation of both of these further awards began in March 2019.

The benefit of using G4S Retail Cash Solutions are substantial for large retail customers both in terms of reducing cash handling costs (labour, banking fees and transportation) and in providing better working capital management, freeing up to 80% of cash that was previously trapped in the cash processing system.

OPERATIONAL EXCELLENCE AND PRODUCTIVITY

Our productivity programmes have generated material savings since 2016. Until 2017, most of the productivity savings were reinvested in sales and business development, technology and innovation and better systems and processes. During 2018, we started to see efficiencies come through in lower administration costs and we believe that there remain many more opportunities to be a more efficient organisation. We are on track to deliver the recurring operating efficiencies of £70 million to £80 million per annum by 2020 which we set as our goal in 2017.

More focused business – cultural change

Historically a significant part of the Group's strategy and development was growth through bolt-on acquisitions and, in many cases, these acquisitions were not fully integrated into the Group. With the Group offering similar services in a large number of countries, this resulted in an inefficient organisation, with many management layers built up over time, resulting in inefficiency and lack of accountability.

The Group is now more focused, on two core business segments, Secure Solutions and Cash Solutions and the board believes that a separation of Cash Solutions has the clear potential to enhance the focus and success of both businesses and thus to unclock substantial shareholder value.

Reinvesting for growth

A significant proportion of the gains we have made from our efficiency programmes have been reinvested in the business to improve risk management, increase the opportunities for growth as well as in processes to drive further efficiency. We have increasing confidence in being able to deliver further efficiencies and we are starting to see benefits increasingly flow through to the bottom line.

Efficient organisation design and management de-layering

Since benchmarking 130 business units across 90 countries in 2017, we have invested £31 million in 2018 in restructuring and continued delayering of the management structures in the business and are now working to have more efficient regional, functional and operational frameworks.

The consolidation of the Secure Solutions business into four regions, the creation of the Global Cash Solutions division and clustering of countries for management purposes is enabling efficiencies through rationalisation of organisation design above business unit level.

Procurement

In 2018, the procurement team continued its on-going development of the G4S supply base, targeting sustained cost reduction and supplier performance improvement.

G4S supply chain is a critical part of the Group value proposition with over 40,000 suppliers providing goods and services around the world. With the supplier review and reset programmes around the world there has been a material reduction in the number of suppliers used by G4S. For example in the UK the supply base has reduced from 10,000 suppliers in 2014 to 4,000 in 2018 with 70% of UK suppliers being SMEs.

2018 was a year in which G4S expanded its global approach to buying across several new categories to enable countries to leverage the Group's scale and buying power. These areas included fleet, travel, fire & security products and uniforms (please see case study opposite).

It is expected that the renewed focus on targeted global leverage, complemented with local procurement market focus, will yield sustained cost reductions over the coming three years.

Operational excellence

We have a number of initiatives in place to introduce standardised operational and functional processes. We are also using IT-enabled automation and shared service centres to improve productivity. One example of this is Javelin.

Lean-process design – Javelin

Project Javelin is a new operating model for our manned security business based on the best working practices and processes from across G4S. Javelin replaces and demonstrably improves our previous systems and processes for recruitment, HR, talent management, procurement, finance, contract management, payroll, billing, scheduling, tele-contact, interactive voice response platform and operational control systems with a single Cloud-based platform.

The pilot for Javelin was launched in Ireland in November 2017. The pilot programme allowed us to learn how to best deliver this complex change programme within our business, identified areas of our combined processes that work well and captured areas for improvement before further roll out.

2018 ACHIEVEMENTS

£70-80m p.a.

On track to deliver £70-80m annualised operational cost savings by 2020

30bp

Improvement in Secure Solutions Adjusted PBITA margin in 2018 compared with 2017

70%

of UK suppliers are SMEs

The enhanced version of Javelin reflecting the lessons learned, was deployed into Ireland during 2018 and commenced implementation in the UK in early 2019 for over 22,000 employees serving over 700 customers. The implementation into North America will commence later in the year and we are reviewing plans for further country roll outs to drive the programme across the Group.

A safe operating environment

The wellbeing and safety of our employees and those in our care remains a key priority for the Group. We work in an inherently hazardous industry, with many colleagues trained and deployed to protect our customers and their property. As a result, road traffic accidents and criminal attacks are inherent risks we face in delivering some of our services. Our safety goal is zero harm. We have invested in many new processes in recent years and have seen a marked reduction in serious incidents. Please see page 20 for more details.

ACTIONS FOR 2019

- Continue with restructuring and organisational efficiency programmes
- Continue embedding Javelin in the UK and commence roll out in North America
- Continue to focus on consolidating the supplier base, standardisation of procurement processes, demand management and delivering savings

OUR VALUES IN ACTION - SOURCING OF UNIFORMS

EFFICIENT AND ETHICAL

G4S is one of the world's largest users of uniforms which are traditionally sourced locally, resulting in spend fragmentation. For example there are over 200 suppliers of uniforms in Europe. 2018 saw the first phase of a global sourcing programme to target lifecycle cost reduction through combined buying, range optimisation, and waste reduction.

In parallel with the commercial aspect of the selection, a new enhanced ethical supplier evaluation process was developed to ensure that suppliers demonstrated their sustained compliance with the ethical standards required by G4S and its customers.

SDGs:

FINANCIAL AND COMMERCIAL DISCIPLINE

Through a continued focus on cash management, we aim to reduce net debt/Adjusted EBITDA from 2.7x at the end of 2018 to below 2.5x over the medium term.

Operating cash flow

Underlying operating cash flow in 2018 was £453 million, down from £516 million in 2017 as expected. Our 2018 cash flow conversion performance of 96% of Adjusted PBITA followed a strong performance in 2017 of 107%. Our medium-term guidance is that average operating cash flow conversion (defined as net operating cash flow before tax and restructuring spend as a percentage of Adjusted PBITA) will be more than 100%.

We continue to focus on improved working capital management through strengthening bid evaluation frameworks to increase focus on frequency of invoicing and shorter payment terms.

Reducing the time between event to billing

- Improving processes and automating event billing information such as hours worked (for example Project Javelin on page 30), milestones met, collections and deliveries in the cash solutions business.
- Centralising of billing events of global and strategic accounts in some countries.
- Automation of invoices removing the resource and delay of a manual process.
- Seeking to distribute invoices electronically, at lower cost and quicker than via post.

CAPITAL ALLOCATION POLICY

- Net debt/Adjusted EBITDA of below 2.5x in medium term
- Priority uses of any surplus cash flow:
  - Investment in growth and productivity
  - Dividend growth
  - Leverage reduction

Strengthening collections performance

- Updated incentive plans since 2016 with greater emphasis on cash-flow generation.
- Improved management information to increase accountability and influence behaviour.
- Weekly calls with finance and operations to drive cash collection.

Managing accounts payable

- The Group's days' payable outstanding is 39 days (2017: 42 days) which is shorter than days' sales outstanding of 55 days (2017: 52 days). This shows that there is still an opportunity to improve.
- Ensuring that supplier contracts are linked with customer contracts.
- Re-negotiating improved terms through procurement teams.

Capital allocation – on-going priorities for use of cash

All investment is reviewed to ensure that the Group's return on investment targets are met, and all major capital investment projects are approved by the appropriate authority in line with delegation limits.

Other measures, such as whether we are able to achieve the benefits of the project in line with the Group values and whether the commercial risks are acceptable, are also considered.

We intend to remain soundly financed with average operating cash flow conversion of more than 100% of Adjusted PBITA and a net debt to Adjusted EBITDA ratio of less than 2.5x in the medium term. Priorities for excess cash will be investment, dividends and, in the near term, further leverage reduction.

2018 ACHIEVEMENTS

£20m
Debt refinancing in 2018 to underpin £20 million reduction in the interest charge by 2020

£48m
Gross disposal proceeds in 2018

2.5x
Net debt to EBITDA medium term target

Portfolio management

The Group's portfolio management programme is substantially complete. The programme has greatly improved the Group's strategic focus and has also realised over £560 million in disposal proceeds in relation to the 49 businesses sold. This includes gross proceeds of £48 million relating to disposals in 2018 (2017: £166 million) including the disposal of the Group's businesses in Hungary, its archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Saudi Arabia and Colombia.

The proceeds from these disposals have reduced the Group's leverage and have been reinvested in an organic growth and productivity programme from which we expect to see good returns. Portfolio review remains an important part of capital discipline and each business has to continue to earn its place in the Group's portfolio.

Pension deficit repair plan

G4S operates a wide range of retirement benefit arrangements including funded defined contribution, multi-employer and funded and un-funded defined benefit schemes. The UK defined benefit scheme (which is largely closed for future accrual) accounts for approximately 60% (2017: 65%) of the Group's net defined benefit pension deficit for accounting purposes of £302m (2017: £318m) net of applicable tax.

During the year, the Group contributed £41m (2017:£40m) of scheduled deficit repair contributions to its UK schemes. The triennial valuation of the Group's main UK pension scheme is underway as a result of which future deficit-repair contributions are subject to review. For more details of the Group's pension arrangements, see page 49.

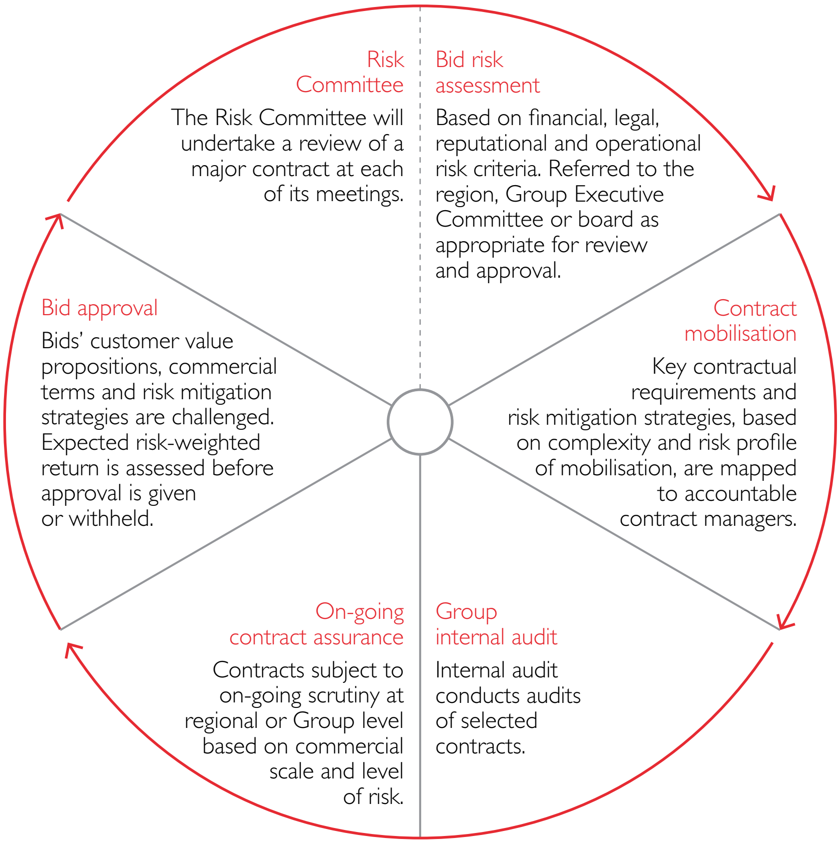
Debt refinancing

G4S had gross debt of £2.7 billion (2017: £2.5 billion) and net debt of £1.6 billion at the end of 2018 (2017: £1.5 billion). Around £570 million of the £1 billion debt which matures in 2018/2019 is subject to post-hedging average interest rates of between 6.90% and 7.75% (see page 47). The Group has good access to capital markets and a diverse range of finance providers and as a result began to refinance its debt at much lower rates in 2017 which continued into 2018 and will result in a material reduction in the Group's interest charge from 2019 onwards.

G4S CONTRACT RISK MANAGEMENT AND GOVERNANCE MODEL

Contract risk management

Our contract risk management model was implemented in 2014, and aims to ensure we sign contracts that we can deliver efficiently and effectively and is shown in the pie chart below:



FINANCIAL OUTLOOK

- Average organic revenue growth of 4-6% per annum
- Restructuring and efficiency programmes to deliver £70m-80m annual costs savings from 2020 and around £20m of finance cost reduction (before the impact of IFRS16) per annum by 2020
- Compounding benefit of investment, growth and productivity to deliver strong earnings growth
- Underlying operating cash flow of over 100% of Adjusted PBITA
- Continued focus on cash management and working capital
- Continued disciplined approach to capital investment – expect to invest £100m-£150m per annum
- Achieve and maintain net debt/Adjusted EBITDA below 2.5x in the medium term
- Dividends increasing in line with long term growth in earnings

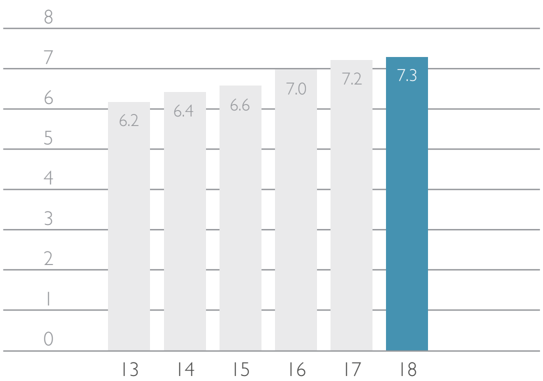
KEY PERFORMANCE INDICATORS

Our progress in implementing our strategic objectives is measured using key performance indicators aligned to those objectives and to the Group values:

FINANCIAL – UNDERLYING RESULTS

£7.3bn +18%

Revenue[1] (£bn) growth since 2013



Description

We have an organic growth strategy based on strong market positions in structural growth markets. We have invested in improved customer service, innovation and sales and business development capabilities. There is also great potential to sell more complex solutions which tend to have longer contract terms and higher margins. Over the medium term we expect to grow revenues on average by 4% to 6% per annum.

Performance in 2018

In 2018, revenues grew 1.1% to £7.3bn (2017: £7.2bn), with Secure Solutions organic growth of 3.0%, reflecting strong growth in Africa, Asia and the Americas.

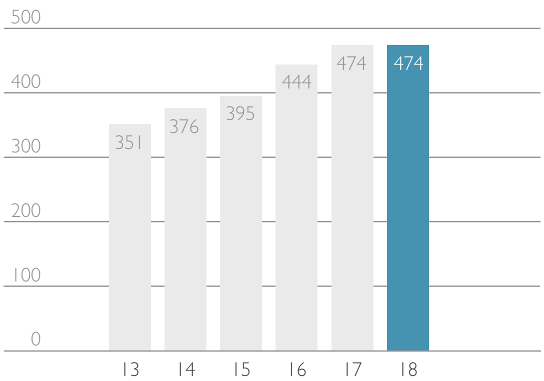
Cash Solutions revenue decreased by 9.3% reflecting the mobilisation of a very large Retail Cash Solutions contract in North America in 2017.

Link to strategic objectives

Link to remuneration

£474m +35%

Adjusted PBITA[1] (£m) growth since 2013



Description

The Group has implemented a number of productivity programmes that are now driving efficiency and operational improvement across the Group. These include efficient organisation design, management de-layering, lean operating processes, efficient reporting and assurance processes, upgraded IT systems and efficient procurement.

Performance in 2018

In 2018, Adjusted PBITA was unchanged compared with 2017 at £474m. Secure Solutions grew 6.9% whilst Cash Solutions declined 17.1%. See pages 57 to 62 for more detail.

Link to strategic objectives

Link to remuneration

OTHER FINANCIAL AND NON-FINANCIAL KPIS

In addition to the financial KPIs, the Group has a set of other performance measures aligned to its strategic priorities. These measures include employee retention, contract and customer retention, lost-time injuries and other health and safety measures. A description of these performance measures and our progress against them is shown throughout the strategic report and summarised on pages 38 and 39.

Link to strategic objectives

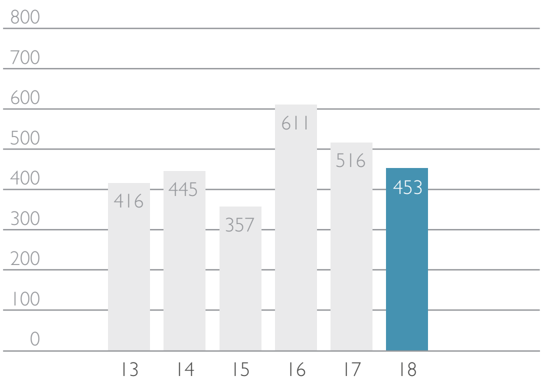
- People and values
- Customers and service excellence
- Technology and innovation
- Operational excellence and productivity
- Financial and commercial discipline

Link to remuneration

- Long term incentive plan
- Annual bonus scheme

£453m +9%

Operating cash flow[1] (£m) growth since 2013

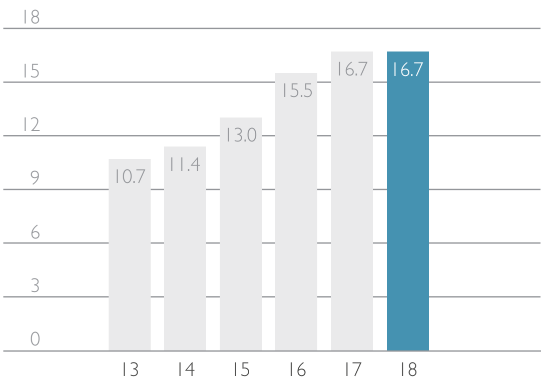


A key priority for the Group is to drive improved cash generation, through enhanced working capital management and capital discipline and embedding a "cash matters" culture throughout the Group.

Operating cash flow was £453m (2017: £516m), down 12.2% as expected following a higher than normal cash generation in 2017. The cash conversion rate was 96% (2017: 107%). Good cash flow and working capital management performances were delivered across most of the Group except the Americas region which was negatively impacted by the US Federal Government shutdown and Europe & Middle East which was affected by contract phasing.

16.7p +56%

Adjusted EPS[1] (pence per share) growth since 2013



G4S is aiming to deliver sustainable growth in adjusted earnings over the long term. Adjusted EPS growth is a component of both the annual and long-term management incentive plans.

Adjusted earnings increased by 0.4% to £259m (2017: £258m) in 2018.

Adjusted EPS was unchanged at 16.7p (2017: 16.7p).

1. For details of the basis of preparation of underlying results and an explanation of Alternative Performance Measures (APMs) used, see page 40. Underlying results are reconciled to statutory results on page 50.
2. For more details on the Group's strategic priorities please see pages 18 to 33. For more detail on 2018 financial performance please see the Chief Financial Officer's review on pages 43 to 55.

SOCIAL IMPACT AND CSR PERFORMANCE HIGHLIGHTS

We play an important role in society – our 546,000 employees deliver services that create a safer and better environment in which millions of people live and work. Through these services and our organisation, G4S delivers a broad range of significant and far reaching social and economic benefits to the communities in which we live and work, many of which are helping to realise the United Nations Sustainable Development Goals.

OUR CSR PRIORITY AREAS

To ensure that G4S' approach to CSR remains focused on the areas that are most relevant to the business and its stakeholders, a wide-ranging materiality assessment is undertaken every two years. The most recent assessment, completed in December 2017, confirms our three core CSR priority areas during 2018 and 2019. For more information on the assessment see page 85.

HEALTH AND SAFETY

The safety of our employees and those in our care is one of our corporate values and is a priority for the Group (see pages 20 to 25).

HUMAN RIGHTS

Our respect for human rights is core to the sustainable success of the business and continues to by an important part of our risk assessment and mitigation process.

ANTI-BRIBERY AND CORRUPTION

We will continue to develop and encourage a workplace culture in which all employees are clear about the company's standards of ethics and feel confident that they may raise ethical concerns (see pages 20 to 25).

Respecting Human Rights – CSR priority area

We are proud of the role G4S and its' employees play in society and the positive contribution they make to the protection of human rights through our range of services and the standards which we apply. However, we are clear that, as a business we have a responsibility to ensure that we are not at risk of violating human rights through the services we provide, the customers with whom we work, the suppliers we use, or through the treatment of our colleagues and others in our care. G4S' human rights policy and its related framework are based upon the United Nations Guiding Principles on Business and Human Rights. Alongside our values of Integrity and Respect, the framework reinforces the continued development of a business model which aids the realisation of the United Nations Sustainable Development Goals through the creation of employment opportunity, the global improvement of industry standards and by helping to create secure and stable communities around the world.

During 2018, we have:

- Conducted human rights training and awareness sessions for senior management across the Group.
- Revised our human rights control self-assessment process and completed 48 self-assessments in high risk countries and a further 48 assessments in other countries.
- Conducted internal audits of human rights controls in 15 countries.
- Assessed operational and other business issues against our 'risk universe', such as human rights and other CSR risks.
- Reviewed and updated our human rights heat map assessment process, and conducted a review of human rights risks to generate the 2019 human rights heat map. The review identified 23 countries, in which G4S has operations, as being high or very high risk environments for human rights.
- Enhanced our supplier code of conduct and reviewed our approach to risk assessment for modern slavery.
- Published our second slavery and human-trafficking statement, setting out the actions we have taken to help prevent modern slavery within our business and supply chain.
- Implemented the recommendations made by the independent review of Brook House Immigration Removal Centre.

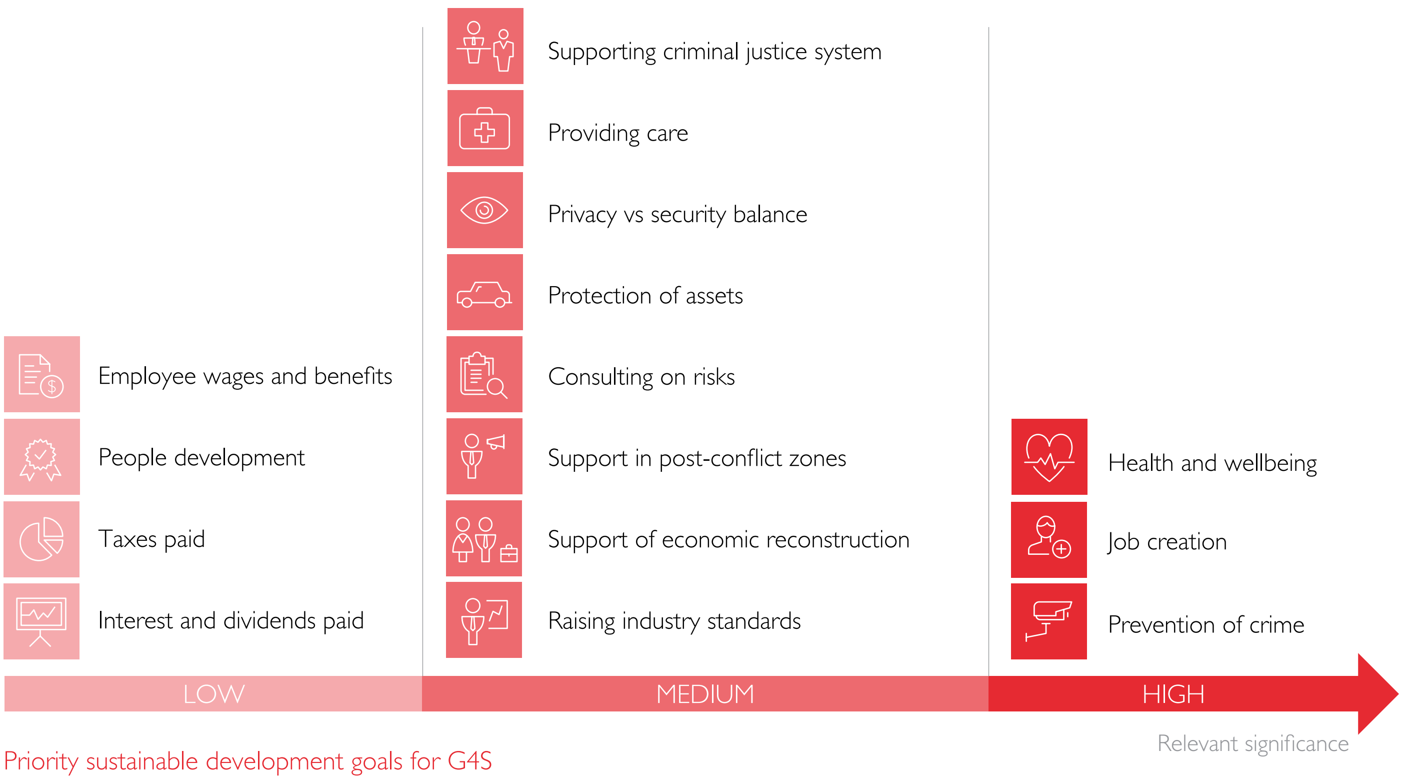
ACTIONS FOR 2019

- Continue to build awareness of human rights responsibilities across the Group
- Conduct human rights control self-assessments in all businesses operating in high-risk countries and continue the programme of internal audits
- Complete implementation of enhanced supplier code of conduct risk assessment and due-diligence approach in the UK

SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) call upon business to advance sustainable development through the investments they make, solutions they develop and the practices they adopt. We have identified fifteen social and economic impacts where G4S supports the broad realisation of the Goals and makes a positive difference to society and communities around the world. Within these, we have a specific focus on Goal 8 (Decent Work and Economic Growth) with 'Health and wellbeing' and 'Job creation' and Goal 16 (Peace, Justice and Strong Institutions) with 'Prevention of crime' which closely align with our strategy and operational expertise.

Social-economic impact



Priority sustainable development goals for G4S

Health and Wellbeing
The nature of G4S' work and the environment in which we operate may become hazardous. Mitigating this risk so that our people and those in their care can remain safe and secure every day is a strategic priority for the Group. G4S is investing in safety awareness training and intervention as part of an ongoing programme to enhance the safety culture of the company and security industry and achieve its goal of zero harm.

Job Creation
G4S provides direct employment to 546,000 people around the world. Through its supply chain and employee expenditure, G4S indirectly supports the creation of hundreds of thousands of further jobs worldwide. In helping to create safer environments in which businesses may prosper, G4S can also contribute to the attractiveness of investment by businesses into new communities and the creation of further employment opportunities.

Prevention of Crime
G4S delivers a wide range of specialist security services that mitigate the risk or impact of criminal behaviour and help to create safer communities. A key focus of our Care & Justice Services operations is to confront and address offender behaviour and work towards their rehabilitation and positive reintegration in the community.

KEY CSR INDICATORS, PRINCIPAL RISKS, NON-FINANCIAL INFORMATION STATEMENT AND CSR POLICIES

KEY INDICATOR KPI		GOAL	2018	2017	2016	2015
EMPLOYEES PAGES 20-25	Number of employees	–	**546,000**	570,000	585,000	610,000
	Percentage of female managers	Increase the number of female managers in the Group	**22.5%**	22.8%	25.5%	23.4%
	Percentage of front-line female employees	–	**14.3%**	14.2%	13.6%	13.4%
	Coverage by collective agreements	–	**33%**	31%	32%	33%
	Voluntary turnover	Reduce global levels of employee turnover	**24.7%**	25.3%	27.6%	29.4%
	Bienniel Global Survey – Response rate	Increase the response rate to the global survey	**n/a**	73%	n/a	73%
	Bienniel Global Survey – Overall favourable response	Increase the overall favourable response rate to the global survey	**n/a**	84%	n/a	82%
SAFETY PAGES 20,22,25	Work related fatalities	Zero harm	**24**	25	47	46
	Attack		**14**	8	20	17
	Non-attack		**3**	6	10	9
	Road traffic incident		**7**	11	17	20
	Lost time incidents (per 1k employees)	Reduce the LTI rate	**6.6**	6.7	7.7	8.5
	Non-natural deaths in custody (UK/Australia)	Zero harm	**9**	3	9	2
HUMAN RIGHTS PAGE 36	Number of human rights control self assessments	Assess all businesses operating in **high-risk** countries	**48**	65	54	n/a
		Increase number of businesses completing control self assessments in **lower-risk** countries	**48**	n/a	n/a	n/a
	Number of human rights audits in high-risk countries	–	**15**	37	n/a	n/a
SPEAK OUT: WHISTLEBLOWING PAGES 24-25	Number of cases raised via Speak Out	Increase the confidence of employees to raise concerns through available channels	**519**	300	402	158
	Employees "feel able to speak up on unethical behaviour"		**n/a**	84%	n/a	80%
ENVIRONMENTAL PAGES 129-130	GHG emissions per £m revenue t/CO2e	Reduce carbon intensity 3.5% per annum	**59.5**	61.2	62.8	66.0
	Total GHG emissions t/CO2e	Decrease total carbon emissions	**455,310**	472,019	472,748	461,262
	Scope 1 t/CO2e		**271,471**	276,493	268,107	276,594
	Scope 2 t/CO2e		**96,833**	101,506	107,297	96,449
	Scope 3 t/CO2e (Air Travel)		**17,147**	17,693	15,114	15,926
SOCIAL MATTERS	Business overview (pages 6-15)					
	Stakeholder engagement (pages 16-17)					
	Geopolitical risks (page 70)					
	Tax strategy					
	Supplier code of conduct					

RELEVANT POLICIES	OUR IMPACT AND RELATED PRINCIPAL RISKS	PAGE
▪ Business Ethics Policy – g4s.com/ethics ▪ Ethical Employment Partnership – g4s.com/EEP ▪ HR Core Standards – g4s.com/HRstandards ▪ Gender Pay Gap Report (UK) – g4s.com/genderpaygap	▪ Stakeholder Engagement ▪ People & Values ▪ CSR Materiality Assessment ▪ Health & Safety (Principal Risk) ▪ Culture & Values (Principal Risk) ▪ People (Principal Risk) ▪ Geopolitical (Principal Risk) ▪ CSR Committee	16-17 20-25 36, 85 67 67 68 70 93-95
	▪ Health and Safety (Principal Risk)	67
▪ Business Ethics Policy ▪ Human Rights Policy – g4s.com/humanrights ▪ Slavery and Human Trafficking Statement – g4s.com/modernslavery	▪ People & Values ▪ CSR Materiality Assessment ▪ Culture & Values (Principal Risk) ▪ Laws & Regulations (Principal Risk) ▪ Geopolitical (Principal Risk) ▪ CSR Committee	20-25 36, 85 67 69 70 93-95
▪ Business Ethics Policy ▪ Whistleblowing Policy – g4s.com/whistleblowing ▪ Human Rights Policy	▪ People & Values ▪ CSR Materiality Assessment ▪ Laws & Regulations (Principal Risk) ▪ Culture & Values (Principal Risk)	20-25 36, 85 69 67
▪ Business Ethics Policy ▪ Environmental Policy – g4s.com/environment	▪ CSR Materiality Assessment ▪ Greenhouse Gas Emissions	36, 85 129-130
▪ Business Ethics Policy ▪ Supplier Code of Conduct – g4s.com/suppliercode ▪ Tax Strategy – g4s.com/tax ▪ Whistleblowing Policy	▪ Stakeholder Engagement ▪ People & Values ▪ CSR Materiality Assessment ▪ Laws & Regulations (Principal Risk) ▪ Geopolitical (Principal Risk)	16-17 20-25 36, 85 69 70

ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Group applies the basis of preparation for its statutory results shown on page 149. To provide additional information and analysis which enables a full understanding of the Group's results and to identify easily the performance of the Group's on-going businesses, the Group also makes use of a number of Alternative Performance Measures (APMs) in the management of its operations and as a key component of its internal and external reporting. Those APMs are prepared and presented in accordance with the following basis of preparation.

Whilst broadly consistent with the treatment adopted by both the Group's business sector peers and by other businesses outside of the Group's business sector, these APMs are not necessarily directly comparable with those used by other companies.

Adjusted results

In order to allow a full understanding of its results, the Group separately discloses the effects on profit of strategic restructuring activities, acquisition-related amortisation, goodwill impairments and profits or losses arising on the acquisition or disposal of businesses (together, "separately disclosed items"). The Group also discloses separately those items that the Group believes need to be shown separately to allow a more fulsome understanding of the results for the year because of their size, nature or incidence ("specific items"). The Group has separately disclosed in 2018 the impact of the California class action settlement and the impact of the guaranteed minimum pension equalisation (page 45).

Adjusted measures of profit and earnings are stated before the effects of separately disclosed and specific items; the related tax effects; and tax-specific charges or credits which have a material impact such as those arising from changes in tax legislation.

Adjusted measures of profit are provided to allow the trading results of the Group to be assessed separately from the effects of corporate actions (such as acquisitions, disposals and strategic restructuring) and the effects of significant or unusual items.

A reconciliation of Adjusted PBITA to operating profit is included on page 44.

Underlying results

To provide a better indication of the performance of the Group's on-going business at the year end, the Group separately presents its underlying results. Underlying results are defined as the adjusted results of the Group (i.e. stated before the effect of specific and separately disclosed items) excluding the results of onerous contracts and businesses that have been sold or closed in the current and comparative years. Underlying results for the comparative year are re-presented to remove the effect of businesses disposed of or closed in the current year to enable a like-for-like comparison of the results of the Group's on-going activities at the end of the most recent reporting year.

A reconciliation of the underlying results to the statutory results is included on page 50.

Constant currency results

In order to allow readers to assess the performance of the Group's business before the effect of foreign exchange movements, the Group also presents its comparative results (excluding cash flows) retranslated to sterling using the average rates for the current year. Cash flows are not retranslated but are presented at historical exchange rates. Comparative results for hyperinflationary economies are translated at current period closing exchange rates when presenting constant currency results. For 2018 the only hyperinflationary economy in which the Group operated was Argentina.

A reconciliation of the constant currency results for the year to statutory results is included on page 57.

Revised presentation of APMs

In prior years, the Group separately reported the results of its core businesses. Core businesses were defined as the underlying business excluding portfolio businesses (being the parts of the business that had been identified for exit) and certain legacy onerous contracts. The results of the portfolio businesses and onerous contracts were reported separately. After the completion of some minor disposals in the current year, the portfolio programme is considered to be substantially complete, and the Group manages the former portfolio businesses as part of its underlying business. Accordingly the Group has revised the presentation of its prior year comparative APMs to include portfolio businesses within underlying results to enable the presentation of underlying results on a like-for-like basis as described above.

A reconciliation of the results from core businesses as previously stated to the underlying results in included on page 56.

Business reporting structure

In line with its strategy for managing the business, the Group reports separately the underlying results of its Cash Solutions and Secure Solutions businesses. The results for the Secure Solutions business are further divided geographically into the following regions:

- Africa;
- Americas (combining the Secure Solutions businesses of the previously reported Latin America and North America regions);
- Asia (combining the Secure Solutions businesses of the previously reported Asia Pacific region with that of India and Bangladesh); and
- Europe & Middle East (combining the Secure Solutions businesses of the previously reported Middle East & India, Europe, and UK & Ireland regions but excluding that of India and Bangladesh).

The Group reports separately the results of onerous contracts and the results of its disposed businesses, being those that have been sold in the current or prior years.

In prior years, the Group reported its APMs on a largely geographical basis, split into the following seven geographical regions: Africa, Asia, Middle East & India, Europe, United Kingdom & Ireland, Latin America, and North America. A reconciliation of the results from core businesses (excluding onerous contracts and the portfolio businesses) in the previous structure to the results from core businesses in the new structure is included on page 56.

These components, together with the impact of restructuring costs, specific items and other separately disclosed items constitute "continuing operations" under IFRS. Discontinued operations, in accordance with IFRS 5, represent areas of the business which are being managed for sale or closure but which represent material business segments or entities. The Group has not classified any operations as discontinued in any of the years presented. All amounts recorded as discontinued relate to businesses sold prior to 1 January 2017.

Financial performance indicators

The key financial indicators used by the Group in measuring progress against strategic objectives are set out below, and are reconciled for the current and prior year to the Group's statutory results on page 50:

a. Revenue

Statutory revenue arising in each of the underlying, onerous contract and disposed business components. Underlying revenue is a Key Performance Indicator (KPI).

b. Organic growth

Organic growth is calculated based on revenue growth at constant currency, adjusted to exclude the impact of any acquisitions during the current or prior years.

c. Adjusted profit before interest, tax and amortisation ("Adjusted PBITA")

The Group uses Adjusted PBITA as a consistent internal and external reporting measure of its performance, as management views it as being more representative of financial performance from the normal course of business and more comparable year to year. Adjusted PBITA excludes the effect of separately disclosed items (being restructuring costs, goodwill impairment, amortisation of acquisition-related intangible assets and profits or losses on disposal or closure of businesses) and specific items, which the Group believes should be disclosed separately by virtue of their size, nature or incidence, as explained on page 42.

Restructuring costs

These costs relate to the wider strategic transformation of the Group and are excluded from Group and regional Adjusted PBITA since they reflect Group decisions and are not considered to be reflective of the underlying financial performance of the individual businesses. This programme is of a strategic nature and, as such, is monitored and approved by the group executive committee. In 2017 the Group announced a three-year plan to 2020 to implement efficient organisational design and leaner processes, which is likely to require further restructuring investment. Local, non-strategic restructuring costs in the businesses continue to be included within Adjusted PBITA, consistent with prior years.

Goodwill impairment and amortisation of acquisition-related intangible assets

The goodwill and acquisition-related intangible assets (mainly related to the capitalised value of customer lists), which resulted in these charges, arose when the Group acquired a number of its current businesses. As a contrast, organically-developed businesses in the Group, whilst clearly benefitting from intangible assets such as talent and customer relationships, do not have any associated goodwill or acquisition-related intangible assets recognised in the Group's consolidated statement of financial position.

Impairment and amortisation of goodwill and acquisition-related intangible assets are excluded from Adjusted PBITA as they relate to historical acquisition activity rather than the underlying trading performance of the business, and this presentation enables effective comparison of business performance across the Group, regardless of whether businesses were acquired or developed organically. This approach provides management with comparable information for day-to-day decision making. The income and trading profits earned from previously-acquired businesses are, however, included within Adjusted PBITA, and this treatment may differ from how other groups present profits and amortisation of intangible assets relating to businesses acquired.

The Group reports amortisation of all non-acquisition-related intangible assets, which are mainly related to development costs and software, as a charge within Adjusted PBITA, to reflect the amortisation of capital expenditure invested in these assets to deliver the day-to-day operations, consistent with the treatment of depreciation of capital expenditure invested in property, plant and equipment.

Specific items

These items are those that, based on management's judgment, need to be disclosed separately in arriving at operating profit by virtue of their size, nature or incidence. They are excluded from the Group's adjusted performance measures since they are not considered to be representative of the underlying financial performance of the business. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

All specific items are evaluated and approved by the Group's Audit Committee prior to being separately disclosed. The Group seeks to be balanced when reporting specific items for both debits and credits, and any reversal of an excess provision previously created as a specific item is recognised consistently as a specific item. The associated tax impact of specific items is recorded within the specific items tax charge. In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are also included within the specific items tax charge. Consistent with the treatment of pre-tax specific items, significant tax charges or credits that occur, which are not related to core businesses but which would have a significant impact on the Group's tax charge, would also be classified as tax-specific items.

Profits and losses on disposal or closure of subsidiaries and losses from discontinued operations

These items are excluded from the Group's adjusted performance measures since they are not reflective of the underlying financial performance of the Group.

Further details regarding these excluded items can be found in note 8 on page 163.

Underlying Adjusted PBITA is a KPI.

d. Operating cash flow

Net cash flow from operating activities before tax. Underlying operating cash flow excludes restructuring spend and is a KPI.

e. Operating cash flow conversion

Operating cash flow presented as a percentage of Adjusted PBITA.

f. Earnings

Profit attributable to equity shareholders of G4S plc. Underlying earnings is a KPI.

g. Earnings per share (EPS)

Profit attributable to equity shareholders of G4S plc, per share, from continuing operations. Underlying EPS is a KPI.

h. Net debt to Adjusted EBITDA

The ratio of total net debt (including investments, finance lease liabilities and cash and overdrafts reported within net assets of disposal groups held for sale) to adjusted earnings attributable to equity shareholders before interest, tax, depreciation and amortisation ('Adjusted EBITDA'). This ratio is a factor in the board's assessment of the financial strength of the Group, and is a key measure of compliance with covenants in respect of the Group's borrowing facilities.

Certain of these financial performance indicators in respect of underlying results also form a significant element of performance measurement used in the determination of performance-related remuneration and incentives, as follows:

- *Adjusted PBITA* – annual bonus plans for senior managers in regional management;
- *Operating cash flow* – annual bonus plans and long-term incentive plan for all senior management including executive directors;
- *Adjusted earnings* – annual bonus plans for executive directors and functional directors who are members of the Group Executive Committee; and
- *Adjusted EPS growth* – long-term incentive plan for all senior management including executive directors.

FINANCIAL HIGHLIGHTS

TIM WELLER,
Group Chief Financial Officer

Our underlying results in 2018 were in line with 2017 with improving revenue momentum in the second half of the year underpinning the positive outlook for 2019.

STATUTORY RESULTS[a]

REVENUE
£7.5bn -4.0%
(2017: £7.8bn)

ADJUSTED PBITA[b]
£460m -6.5%[a]
(2017: £492m)

EARNINGS[c]
£82m -65.4%
(2017: £237m)

NET DEBT: ADJUSTED EBITDA[b]
2.7x
(2017: 2.4x)

FINAL DIVIDEND
6.11p
(2017: 6.11p)

RESULTING IN A TOTAL DIVIDEND OF
9.70p
(2017: 9.70p)

UNDERLYING RESULTS[d]

REVENUE
£7.3bn +1.1%
(2017: £7.2bn)

ADJUSTED PBITA[b]
£474m
(2017: £474m)

EARNINGS[c]
£259m +0.4%
(2017: £258m)

OPERATING CASH FLOW
£453m -12.2%
(2017: £516m)

Chief Financial Officer's review

Introduction

	Statutory Results[a] Actual foreign exchange rates			Underlying Results[d] Constant foreign exchange rates		
	2018	2017 Restated[e]	%	**2018**	2017 Restated[e]	%
Revenue	**£7,512m**	£7,826m	(4.0)	**£7,289m**	£7,213m	1.1
Adjusted PBITA[b]	**£460m**	£492m	(6.5)	**£474m**	£474m	–
Adjusted PBITA[b] margin	**6.1%**	6.3%		**6.5%**	6.6%	
Earnings[c]	**£82m**	£237m	(65.4)	**£259m**	£258m	0.4
Earnings per share[c]	**5.3p**	15.3p	(65.4)	**16.7p**	16.7p	–
Operating cash flow	**£413m**	£488m	(15.4)	**£453m**	£516m	(12.2)

a. See page 149 for the basis of preparation of statutory results.
b. Adjusted PBITA and net debt: Adjusted EBITDA are Alternative Performance Measures as defined as explained on pages 40-42.
c. Earnings is defined as profit attributable to equity shareholders of G4S plc. Underlying earnings and underlying earnings per share ("EPS") are adjusted to exclude specific and other separately disclosed items, as explained on page 40, and are reconciled to statutory earnings and EPS on page 50.
d. Underlying results are Alternative Performance Measures as defined and explained on page 40. They are reconciled to the Group's statutory results on page 50. The underlying results are presented at constant exchange rates other than for operating cash flow which is presented at actual rates for both 2017 and 2018.
e. Restated for the adoption of IFRS 15 – Revenue from Contracts with Customers, see note 3(u) on page 155.

Basis of preparation

The following discussion and analysis on pages 44 to 57 is based on, and should be read in conjunction with, the consolidated financial statements, including the related notes, that form part of this annual report. The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU as explained on page 149.

Business Performance – statutory results

Statutory results at actual exchange rates	2018 £m	2017 Restated[a] £m	YoY %
Revenue	**7,512**	7,826	(4.0)
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	**460**	492	(6.5)
Specific items - charges	**(32)**	(34)	(5.9)
Specific items - credits	**10**	–	n/a
Guaranteed Minimum Pension equalisation charge	**(35)**	–	n/a
California class action settlement	**(100)**	–	n/a
Restructuring costs	**(31)**	(20)	55.0
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(15)**	74	(120.3)
Acquisition-related amortisation	**(4)**	(10)	(60.0)
Operating profit	**253**	502	(49.6)
Interest costs (net)	**(110)**	(115)	(4.3)
Profit before tax	**143**	387	(63.0)
Tax	**(55)**	(128)	(57.0)
Profit after tax	**88**	259	(66.0)
Profit/(loss) from discontinued operations	**2**	(6)	(133.3)
Profit for the year	**90**	253	(64.4)
Non-controlling interests	**(8)**	(16)	(50.0)
Profit attributable to equity holders of the parent ("statutory earnings")	**82**	237	(65.4)
EPS	**5.3p**	15.3p	(65.4)
Operating cash flow	**413**	488	(15.4)

a. 2017 results have been restated for the effect of adopting IFRS 15 – see note 3(u).

Revenue

Revenue decreased by 4.0% compared with the prior year statutory results. Of the decrease, 2.7% (£211m) was due to movements in exchange rates caused by the relative strengthening of the average sterling exchange rates affecting the Group. Excluding the effects of movements in exchange rates, revenue decreased by 1.4% mainly due to a £190m reduction in revenue in respect of businesses disposed during the current and prior years including the Group's businesses in Hungary and Israel and its Youth Services business in North America. Revenue from onerous contracts is slightly higher than the prior year at £118m (2017: £107m). Excluding the effects of movements in exchange rates, revenue from disposed businesses and onerous contracts, revenue grew by 1.1% at constant exchange rates.

Business performance is discussed in more detail by service line and region on page 57.

Adjusted PBITA

Adjusted PBITA of £460m (2017: £492m) was down 6.5%. Of the decrease, 2.0% (£10m) was due to movements in exchange rates. Excluding the effect of movements in exchange rates, Adjusted PBITA decreased by 4.6%, reflecting Adjusted PBITA growth in Secure Solutions offset by lower revenue and increased business development and operating costs in the Cash Solutions division, as well as a reduction in Adjusted PBITA from disposed businesses of £17m. Excluding the effect of movements in exchange rates, Adjusted PBITA from disposed businesses and onerous contracts, the Group's Adjusted PBITA remained in line with the prior year.

Specific items - charges

The specific items charges of £32m (2017: £34m) include £12m related to additional provisions in Asia in respect of historical employee gratuities and end of service benefits and £11m related to the reassessment of estimated settlement amounts in respect of historical workers' compensation claims in the Americas. Also included in specific item charges is a £9m onerous contract charge related to two UK Care & Justice Services contracts, reflecting the estimated losses over their expected remaining terms.

Specific items charges incurred during the year ended 31 December 2017 of £34m included £19m primarily relating to the anticipated total losses over the next 15 to 20 years in respect of certain UK government contracts, £6m related to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years, and £9m related mainly to the settlement of labour disputes in respect of prior years in the Americas.

Specific items - credits

The specific items credits of £10m (2017: £nil) include a £5m release of onerous contract provisions in the UK for which the related charges had previously been created as specific items, following the implementation of operational efficiencies in the contracts leading to a reduction in expected future losses. In addition, a further £5m related to successful court claims made by the Group in the Americas has been credited as a specific item.

Guaranteed minimum pension equalisation charge

Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group recorded a charge of £35m (2017: £nil) in respect of the equalisation of benefits for historical Guaranteed Minimum Pension obligations between males and females in the UK.

California class action settlement

In January 2019, the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California. This settlement is subject to the final approval of the Superior Court of the State of California. The amount to be settled is between US$100m and US$130m with the precise amount to be determined during the settlement administration process. A provision of £100m has been established in the accounts for the year ended 31 December 2018 representing management's best estimate of the amount of the class action settlement and any related costs.

Restructuring costs

The Group invested £31m (2017: £20m) in restructuring programmes during the year ended 31 December 2018, relating to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Cash Solutions. In addition, the Group incurred non-strategic reorganisation costs of £9m (2017: £10m) which are included within Adjusted PBITA. We expect to invest around £20m in restructuring the Cash Solutions business in 2019 and estimate that the costs of the cash separation review and separation process will be between £25m and £50m.

(Loss)/profit on disposal and closure of subsidiaries/businesses

The Group recognised a net loss on disposal and closure of subsidiaries/businesses of £15m (2017: profit of £74m) relating to the disposal of a number of the Group's operations including its businesses in Hungary and the Philippines, its archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia. Disposals in 2017 included the Group's businesses in Israel and Bulgaria and the Group's Youth Services business in North America.

Acquisition-related amortisation

Acquisition-related amortisation of £4m (2017: £10m) is lower than the prior year as certain intangible assets recognised on a number of legacy acquisitions became fully amortised in 2017.

Operating profit

Operating profit for the year of £253m (2017: £502m) was down 49.6% reflecting the 6.5% reduction in Adjusted PBITA together with the additional charges in the current year in respect of the California class action settlement and the UK guaranteed minimum pension equalisation charge; the loss on disposals in the year of £15m (2017: profit on disposal of £74m) and the other specific and separately disclosed items described above.

Net interest costs

Net interest payable on net debt was £92m (2017: £92m). Net other finance costs were £7m (2017: £12m) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £11m (2017: £11m), resulting in a total net interest cost of £110m (2017: £115m).

Tax

The statutory tax charge of £55m (2017: £128m) for 2018 included a tax charge of £93m (2017: £89m) on the Group's underlying profits, as explained on page 51, a tax credit on onerous contracts of £nil (2017: £4m), a tax charge of £1m (2017: £10m) in respect of disposed businesses, a tax credit of £7m (2017: £4m) in respect of restructuring costs and a net tax credit of £32m (2017: tax charge of £37m, which included £19m in respect of the tax impact of the US tax reform) in respect of specific and other separately disclosed items.

The Group's statutory tax charge represents an effective rate of 38% (2017: 33%) on profit before tax of £143m (2017: £387m). The effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items including tax claims, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior year is primarily driven by (i) an increase in profits taxed at a higher rate, (ii) the relative amount of non-deductible expenses, (iii) the reassessment of the recoverability of certain deferred tax assets, and (iv) the relative amount of irrecoverable withholding taxes. This is offset by the one-off tax impact in 2017 of the US Tax Cuts and Jobs Act and changes in 2018 in the level of provision required for potential tax liabilities not agreed with tax authorities.

At any point in time, the Group is typically subject to tax audits in a number of different countries. In situations where a difference of opinion arises between the Group and a local tax authority in respect of its tax filings, the Group will debate the contentious areas and, where necessary, resolve them through negotiation or litigation. The Group relies upon advice and opinions from the Group tax department, local finance teams and external advisors, to ensure that the appropriate judgments are arrived at in establishing appropriate accounting provisions in relation to such disputes.

Non-controlling interests

Profit attributable to non-controlling interests was £8m in 2018, a decrease from £16m recorded in 2017, reflecting the non-controlling partners' share of profit of certain businesses in Europe & Middle East.

Profit for the year

The Group reported profit for the year attributable to equity holders of the parent ("statutory earnings") of £82m (2017: £237m) which reflects the lower Adjusted PBITA together with the loss on disposal and closure of subsidiaries/businesses in the current year compared with the profit recognised in the prior year, and the additional charges in the current year in respect of the California class action settlement and the UK Guaranteed Minimum Pension equalisation charge.

Earnings per share

Statutory earnings per share decreased to 5.3p (2017: 15.3p), based on the weighted average number of shares in issue of 1,547m (2017: 1,548m) shares in issue. A reconciliation of the Group's statutory profit for the year to EPS is provided below:

	Earnings per share		
	Statutory 2018 £m	Statutory 2017 at actual exchange rates[b] £m	Adjusted Statutory 2017 at constant exchange rates £m
Profit for the year	**90**	253	249
Non-controlling interests	**(8)**	(16)	(17)
Profit attributable to equity holders of the parent (earnings)	**82**	237	232
Average number of shares[a] (m)	**1,547**	1,548	1,548
Statutory earnings per share	**5.3p**	15.3p	15.0p

a. Stated net of the average number of shares held in the Employee Benefit Trust of 5m (2017: 4m).
b. Refer to page 40 for a definition of constant currency results.

REVIEW OF THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Significant movements in the consolidated statement of financial position

Current loan notes reduced to £464m (2017: £655m), reflecting the net repayment of certain loan notes during the year, as explained on page 47. In addition, non-current bank loans increased to £293m (2017: £5m) following the draw-down of the new US$350m committed term loan facility in November 2018.

The following movements in the Group's consolidated statement of financial position are set out elsewhere in this report, as follows:

- cash, cash equivalents and overdrafts are explained on page 47;
- retirement benefit obligations are explained in note 31;
- provisions are analysed in note 32 on page 195; and
- net debt is analysed in note 36.

Total equity

Total equity at 31 December 2018 was £783m (2017: £843m). The main movements during the year were: profit for the year of £90m (2017: £253m), other comprehensive income of £44m (2017: losses of £47m) which included a re-measurement gain on defined retirement benefit schemes of £38m (2017: £26m) as explained on page 49, an exchange gain on translation of foreign operations of £45m (2017: loss of £125m) reflecting more favourable movements in currencies in the major countries in which the Group operates against sterling, a loss from changes in the fair value of net investment hedging financial instruments of £42m (2017: gain of £56m), a gain from changes in the fair value of cash flow hedging financial instruments of £11m (2017: £nil) and dividends paid in the year of £170m (2017: £179m).

Review of the Group's cash flow and financing

Consolidated statement of cash flow

Net cash flow from operating activities before tax was £413m (2017: £488m). Net cash inflow from operating activities was £315m (2017: £402m) reflecting lower operating cash flow generation in the Americas and Europe & Middle East. Net cash used in investing activities was £48m (2017: cash generated £81m), including £45m (2017: £156m) of net business disposal proceeds. Net cash outflow from financing activities was £209m (2017: £570m with the difference compared with the prior year being mainly proceeds from borrowings of £761m (2017: £437m)). Cash, cash equivalents and overdrafts at 31 December 2018 were £673m (2017: £571m), a net increase compared with 31 December 2017 including the impact of exchange rate movements of £102m (2017: £101m). The Group's statutory cash flow is presented in full on page 148.

Net debt

The Group's net debt as at 31 December 2018 was £1,558m (December 2017: £1,487m). The Group's net debt to Adjusted EBITDA ratio was 2.7x (2017: 2.4x) reflecting both the increase in net debt and the reduction in Adjusted PBITA as described above. A detailed reconciliation of movements in net debt is provided on page 54. In light of the expected cash costs of the settlement of the California class action, the costs of the Cash business separation review, spend in respect of onerous contracts and restructuring costs expected in 2019, we expect the Group's net debt to Adjusted EBITDA ratio to remain broadly unchanged during 2019. Notwithstanding this, the Group's business plan supports a reduction in the ratio to 2.5x or below over the medium term.

Net debt maturity

In April 2018, the Group's credit rating was affirmed by Standard & Poor's as BBB-; however the outlook was revised from negative to stable. As at 31 December 2018 the Group had liquidity of £1,423m (2017: £1,571m) comprising cash, cash equivalents and bank overdrafts of £673m (2017: £571m) and unutilised but committed facilities of £750m (2017: £1,000m).

During the year, the Group arranged a US$350m term facility, maturing in August 2021, which was fully drawn, and also amended the available Revolving Credit Facility, reducing it to £750m while extending the maturity for a further one and a half years to August 2023. As at 31 December 2018 there were no drawings from this facility. In May 2018 the Group issued a €550m Public Bond which matures in May 2025 and pays an annual coupon of 1.875%. During the year the Group also repaid £44m of GBP private loan notes, US$224m of US private loan notes and €500m of public Eurobonds.

The debt maturities in 2019 comprise the US$145m US Private Placement notes repaid in March 2019 and the £350m Public Bond due in May 2019 which will be financed primarily by utilising a £300m bridge facility arranged in January 2019. The recent refinancings have secured around £20m of annualised interest cost savings per annum by the end of 2019. The Group has good access to capital markets and a diverse range of finance providers. Borrowings are principally in pounds sterling, US dollars and euros, reflecting the geographies of significant operational assets and earnings.

The Group's main sources of finance and their applicable rates as of 31 December 2018 are set out below:

				Year of redemption and amounts (£m)[b]							
Debt instrument/Year of issue	Nominal amount[a]	Issued interest rate	Post-hedging average interest rate	2019	2020	2021	2022	2023	2024	2025	Total
US PP 2007	US$145m	5.96%	3.17%	114							114
US PP 2007	US$105m	6.06%	3.23%				82				82
US PP 2008	US$74.5m	6.88%	6.88%		58						58
Public Bond 2009	£350m	7.75%	7.75%	350							350
Public Bond 2016	€500m	1.50%	2.23%					450			450
Public Bond 2017	€500m	1.50%	3.22%						442		442
Public Bond 2018	€550m	1.88%	2.78%							484	484
Term Loan Facility 2018	US$350m	3.64%	3.64%			275					275
Revolving Credit Facility 2018[c]	£750m (multi-currency)	Undrawn	–								–
				464	58	275	82	450	442	484	2,255

a. Nominal debt amount. For fair value carrying amount see note 30.
b. Translated at exchange rates prevailing at 31 December 2018, or hedged exchange rates where applicable.
c. The revolving credit facility matures in August 2023. As at 31 December 2018 there were no drawings from this facility.

The Group's average cost of gross borrowings in 2018, net of interest hedging, was 3.9% (2017: 4.1%).

Financing and treasury activities

The Group's treasury function is responsible for ensuring the availability of cost-effective finance and for managing the Group's financial risk arising from currency and interest rate volatility and counterparty credit. Group Treasury is not a profit centre and is not permitted to speculate in financial instruments. The treasury department's policies are set by the board and the treasury function is subject to the controls appropriate to the risks it manages, which are discussed in note 30 on pages 183 to 187.

To assist the efficient management of the Group's interest costs, the Group operates a multi-currency notional pooling cash management system with a wholly-owned subsidiary of an A-rated bank. The Group presents pooled cash and overdrafts gross in the consolidated statement of financial position.

Other information

Significant exchange rates applicable to the Group

The Group derives a significant portion of its revenue and profits in the following currencies. Closing and average rates for these currencies are shown below:

	As at 31 December 2018	**Year to 31 December 2018 average rates**	As at 31 December 2017	Year to 31 December 2017 average rates
£/US$	**1.2746**	**1.3336**	1.3524	1.2964
£/€	**1.1130**	**1.1294**	1.1250	1.1453
£/South Africa Rand	**18.3288**	**17.5598**	16.7557	17.3187
£/India Rupee	**88.8104**	**90.9294**	86.3531	84.3570
£/Brazil Real	**4.9461**	**4.8621**	4.4794	4.1506

Applying December 2018 closing rates to the Group's underlying results for the year to 31 December 2018 would result in an increase in underlying revenue of 1.9% to £7,427m (for the year ended 31 December 2017: increase of 1.9% to £7,353m) and an increase in underlying Adjusted PBITA of 2.1% to £484m (for the year ended 31 December 2017: increase by 2.1% to £484m).

Applying December 2018 closing rates to the Group's statutory results for the year to 31 December 2018 would result in an increase in statutory revenue of 1.9% to £7,653m (for the year ended 31 December 2017: decrease of 1.0% to £7,746m) and an increase in statutory Adjusted PBITA of 2.2% to £470m (for the year ended 31 December 2017: no change, at £492m).

The strenghening of the average Sterling exchange rates compared with the prior year led to a decrease in statutory revenue of 2.7% and a decrease in statutory Adjusted PBITA of 2.0%. The impact of exchange rate movements reduced the Group's net debt by £32m compared with the prior year.

Dividend

In assessing the dividend, the board considers:

- future investment requirements;
- the Group's pension obligations;
- net debt to Adjusted EBITDA;
- the availability of distributable reserves in the parent company; and
- reward to shareholders.

The directors propose a final dividend of 6.11p (DKK 0.5321) per share (2017: 6.11p per share; DKK 0.5097) reflecting the board's confidence in the Group's performance and prospects. Our dividend policy is to increase the dividend in line with the long-term growth in earnings. The interim dividend was 3.59p (DKK 0.2969) per share and the total dividend, if approved, will be 9.70p (DKK 0.8290) per share, in line with 2017 (for the year ended 31 December 2017, the interim dividend was 3.59p; DKK 0.2948 and the total dividend was 9.70p; DKK 0.8045).

The proposed dividend cover is 1.7x (2017: 1.8x) on underlying earnings.

Pensions

As at 31 December 2018 the net defined benefit pension obligation in the consolidated statement of financial position was £364m (2017: £381m) of which £248m (2017: £283m) related to material funded defined benefit schemes. Net of related deferred tax balances, the Group's net pension obligation was £302m (2017: £318m).

The most significant of the Group's pension schemes is in the UK and accounts for over 86% (2017: 88%) of the Group's total material scheme obligations. The scheme has approximately 26,000 members and further details of the make-up of the scheme are given in note 31 on page 187.

	2018 £m	2017 £m
Scheme assets	2,219	2,345
Obligations	(2,432)	(2,595)
Net UK obligations	(213)	(250)

The UK scheme's pension liabilities decreased compared with the prior year reflecting the payment of scheduled deficit-repair contributions of £41m (2017: £40m) during the year, together with the impact of applying a higher discount rate assumption of 2.85% (2017: 2.55%) to the valuation of scheme obligations and adopting the latest mortality base-rate tables. These decreases were offset by an increase in the pension liabilities of £35m (2017: £nil) following the equalisation of historical guaranteed minimum pension obligations after a recent UK court ruling. The net reduction in the pension liabilities was partially offset by a loss incurred on the revaluation of the pension scheme assets.

The triennial valuation of the UK scheme is underway, during which we expect to agree the future deficit-repair contributions.

Interest-rate risk and interest-rate swaps

The Group's investments and borrowings at 31 December 2018 were a mix of fixed rates of interest and floating rates of interest linked to LIBOR and EURIBOR.

The March 2007 and July 2008 private placement notes and the May 2009, November 2016, June 2017 and May 2018 public notes were all issued at fixed rates, whilst the Group's investments and bank borrowings were all at variable rates of interest linked to LIBOR and EURIBOR.

The Group's interest-risk policy requires Treasury to maintain a proportion of the Group's debt at fixed rates within the range 25% to 75%, using the natural mix of fixed and floating interest rates emanating from the bond and bank markets and by utilising interest rate and cross-currency swaps. As at 31 December 2018 this percentage is 69% (2017: 73%).

Part of the proceeds of the private placement and public notes have been swapped to floating interest rates, and accounted for as fair value hedges, with a net loss in the hedges at 31 December 2018 of £6m (2017: £14m). The market value of the pay-fixed receive-variable swaps and the pay-fixed receive-fixed cross-currency swaps outstanding at 31 December 2018, accounted for as cash flow hedges and net investment hedges, was a net asset of £32m (2017: £73m).

Foreign currency hedging

The Group has many overseas subsidiaries and joint ventures, denominated in various different currencies. Treasury policy is to manage significant translation risks in respect of net operating assets and its consolidated net debt/Adjusted EBITDA ratio by holding foreign-currency denominated loans, cross-currency swaps and to a lesser extent forward currency contracts.

At 31 December 2018, the Group's US dollar and Euro net assets were approximately 74% and 84% respectively, hedged by foreign currency debt. As at 31 December 2018, net debt held in US dollars and Euros, and in those currencies officially pegged to these two currencies, equated broadly to a ratio of 2.5x Adjusted EBITDA generated from these currencies (2017: 2.3x Adjusted EBITDA).

Tax policy

The Group's tax policy is set out at g4s.com/tax.

Corporate governance

The Group's policies regarding risk management and corporate governance are set out in the Risk management section on pages 64 to 71 and in the Corporate governance report on page 96.

Business performance – Alternative Performance Measures (APMs)

Summary Group results

Year ended 31 December 2018 (at 2018 average exchange rates)

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Statutory
Revenue	7,289	118	105			7,512
Adjusted PBITA[b]	474	(5)	(9)			460
Profit before tax	365	(9)	(10)	(31)	(172)	143
Tax	(93)	–	(1)	7	32	(55)
Profit after tax	272	(9)	(11)	(24)	(140)	88
Earnings[e]	259	(9)	(6)	(24)	(138)	82
EPS[e]	16.7p	(0.6)p	(0.4)p	(1.6)p	(8.9)p	5.3p
Operating cash flow[f]	453	(11)	(3)	(26)	–	413

Year ended 31 December 2017 (at 2018 average exchange rates) – restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Constant currency[h]
Revenue	7,213	107	295			7,615
Adjusted PBITA[b]	474	–	8			482
Profit before tax	362	(16)	8	(19)	45	380
Tax	(87)	4	(10)	4	(36)	(125)
Profit after tax	275	(12)	(2)	(15)	9	255
Earnings[e]	258	(12)	–	(15)	1	232
EPS[e]	16.7p	(0.8)p	–	(1.0)p	0.1p	15.0p
Operating cash flow[f]	516	(12)	3	(19)	–	488

Year ended 31 December 2017 (at 2017 average exchange rates) – restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Statutory
Revenue	7,415	107	304			7,826
Adjusted PBITA[b]	484	–	8			492
Profit before tax	370	(16)	7	(20)	46	387
Tax	(89)	4	(10)	4	(37)	(128)
Profit after tax	281	(12)	(3)	(16)	9	259
Earnings[e]	263	(12)	–	(16)	2	237
EPS[e]	17.0p	(0.8)p	–	(1.0)p	0.1p	15.3p
Operating cash flow[f]	516	(12)	3	(19)	–	488

a. Underlying results are Alternative Performance Measures as defined and explained on page 40 and exclude the results from businesses disposed of during the current or prior year, the effect of onerous contracts and specific and separately disclosed items.
b. Adjusted PBITA is an Alternative Performance Measure as defined and explained on page 41 and excludes specific and separately disclosed items.
c. Disposed businesses include the results of all businesses that have been sold or closed by the Group between 1 January 2017 and 31 December 2018 and are excluded from underlying results to present current year and comparative underlying results on a like-for-like basis.
d. Other separately disclosed items include net (loss)/profit on disposal/closure of subsidiaries/businesses, the California class action settlement of £100m, the guaranteed minimum pension equalisation charge of £35m and the results of discontinued operations. The associated tax impact is included within the tax charge within "other separately disclosed items". In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are included within the tax charge within "other separately disclosed items". The accounting policy for specific and separately disclosed items is provided on page 42.
e. Earnings is defined as profit attributable to equity shareholders of G4S plc. Underlying Earnings and Underlying EPS exclude specific and other separately disclosed items as described on page 40 and are reconciled to statutory earnings and statutory EPS above.
f. Operating cash flow is defined on page 42 as net cash flow from operating activities of continuing operations and is stated after pension deficit contributions of £41m (2017: £40m). For the year ended 31 December 2017 it is presented at 2017 average exchange rates. Operating cash flow is reconciled to the Group's movements in net debt on page 54.
g. Restated for the adoption of IFRS15 – see note 3(u).
h. Constant currency amounts show the 2017 statutory results retranslated at 2018 average exchange rates as described on page 40. Constant currency amounts should not be considered as or used in place of the Group's statutory results. Constant currency operating cash flow is translated at 2017 average exchange rates.

Basis of preparation of underlying results

The following review discusses the Group's underlying results, which are an alternative performance measure as described on page 40 and are reconciled to statutory results on page 50. Throughout this review, to aid comparability, 2017 prior year results are presented on a constant-currency basis by applying 2018 average exchange rates, unless otherwise stated.

Underlying results

At 2018 average exchange rates[b]	**2018[a] £m**	2017[a] Restated[c] £m	YoY %
Revenue	**7,289**	7,213	1.1
Adjusted profit before interest, tax and amortisation (Adjusted PBITA[a])	**474**	474	–
Adjusted PBITA[a] margin	**6.5%**	6.6%	
Interest	**(109)**	(112)	(2.7)
Profit before tax	**365**	362	0.8
Tax	**(93)**	(87)	6.9
Profit after tax	**272**	275	(1.1)
Non-controlling interests	**(13)**	(17)	(23.5)
Earnings[a] (profit attributable to equity holders of the parent)	**259**	258	0.4
EPS[a]	**16.7p**	16.7p	–
Operating cash flow[a,b]	**453**	516	(12.2)

a. Underlying results, Adjusted PBITA, earnings, EPS and operating cash flow are Alternative Performance Measures ("APMs") as defined and explained on page 40. They exclude the effect of specific and other separately disclosed items, the results of onerous contracts and the results of businesses sold or closed since 1 January 2017, and are reconciled to the Group's statutory results on page 50.
b. 2017 comparatives are presented at 2018 average exchange rates as described on page 40, except for operating cash flow which is presented at 2017 average exchange rates.
c. The 2017 results have been restated for the effect of adopting IFRS 15 (see note 3(u)).

Revenue

The Group's revenue increased by 1.1% year-on-year. Secure Solutions revenues were 3.1% higher than the prior year, as explained on page 44. Cash Solutions revenue decreased by 9.3% reflecting the mobilisation of a large Retail Cash Solutions contract in North America in 2017.

Adjusted PBITA

Adjusted PBITA of £474m (2017: £474m) was in line with the prior year. This reflects Adjusted PBITA growth of 6.9% in Secure Solutions offset by lower revenue and increased business development and operating costs in Cash Solutions.

Interest

Net interest payable on net debt was £91m (2017: £90m). Net other finance costs were £7m (2017: £11m) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £11m (2017: £11m), resulting in a total net interest cost of £109m (2017: £112m).

Tax

A tax charge of £93m (2017: £87m) was incurred on profit before tax of £365m (2017: £362m) which represents an effective tax rate of 25% (2017: 24%). The effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value of deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities and (vi) the impact of one-off items including tax claims.

Non-controlling interests

Profit attributable to non-controlling interests was £13m in 2018, a decrease from £17m in 2017, reflecting the non-controlling partners' share of profit of certain businesses in Europe & Middle East.

Earnings

The Group generated profit attributable to equity holders ("earnings") of £259m (2017: £258m) for the year ended 31 December 2018.

Earnings per share

Earnings per share was in line with the prior year at 16.7p (2017: 16.7p), based on the weighted average of 1,547m (2017: 1,548m) shares in issue. A reconciliation of profit for the year to earnings per share is provided below:

Underlying earnings per share	**2018 £m**	2017 at constant exchange rates £m	2017 at actual exchange rates £m
Underlying profit for the year	**272**	275	281
Non-controlling interests	**(13)**	(17)	(18)
Underlying profit attributable to equity holders of the parent (earnings)	**259**	258	263
Average number of shares[a] (m)	**1,547**	1,548	1,548
Underlying earnings per share	**16.7p**	16.7p	17.0p

a. Stated net the average number of shares held in the Employee Benefit Trust of 5m (2017: 4m).

Onerous contracts

The Group's onerous contracts generated revenues of £118m (2017: £107m) for the year ended 31 December 2018. Adjusted PBITA from onerous contracts of £(5) million for the year (2017: £nil) mainly represents the write down of the value of the assets and the recognition of an onerous contract provision that were both individually below the threshold set to be classified as specific items, in respect of two UK Care & Justice Services contracts.

During the year the Group recognised a net £4m additional onerous contract provision recorded as a specific item. This includes a £9m charge related to two UK Care & Justice Services contracts, reflecting the estimated losses over the expected remaining contract terms. In addition, a £5m credit has been booked as a specific item following the implementation of operational efficiencies in respect of certain onerous contracts that has led to a reduction in expected future losses. It is expected that around 60% of the Group's total provision for onerous customer contracts of £51m will be utilised by the end of 2019.

In the year ended 31 December 2017 the Group recognised additional provisions of £19m, classified as specific items, primarily related to the anticipated total losses over the next 15-20 years in respect certain UK government contracts.

Disposed businesses

Businesses disposed of during the year ended 31 December 2018, including the Group's businesses in Hungary and the Philippines, an archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, generated revenue of £105m and Adjusted PBITA of £(9)m in the year ended 31 December 2018 (year ended 31 December 2017: revenue £174m and Adjusted PBITA £3m). Businesses sold during the year ended 31 December 2017 included the Group's businesses in Israel and Bulgaria and its Youth Services business in North America, and in total generated revenue of £121m and Adjusted PBITA of £5m for the year ended 31 December 2017.

Restructuring

The Group invested £31m (2017: £19m) in restructuring programmes during the year ended 31 December 2018, relating to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Global Cash Solutions. In addition, the Group incurred non-strategic severance costs of £9m (2017: £8m) which are included within Adjusted PBITA. We expect to invest around £20m in restructuring the Cash Solutions business in 2019 and estimate that the costs of the cash separation review and separation process will be between £25-50m.

Specific and other separately disclosed items

	2018 £m	2017 at constant exchange rates £m	2017 at actual exchange rates £m
Specific items - charges	**(23)**	(18)	(18)
Specific items - credits	**5**	–	–
Guaranteed minimum pension equalisation charge	**(35)**	–	–
California class action settlement	**(100)**	–	–
Net (loss)/profit on disposal/closure of subsidiaries/businesses	**(15)**	72	74
Acquisition-related amortisation	**(4)**	(9)	(10)
Specific and other separately disclosed items before tax	**(172)**	45	46
Tax credits/(charges) arising on specific and other separately disclosed items	**32**	(17)	(18)
Tax impact of the introduction of the US Tax Cuts and Jobs Act	**–**	(19)	(19)
Specific and separately disclosed items after tax	**(140)**	9	9
Profit/(loss) from discontinued operations	**2**	(6)	(6)
Non-controlling interests' share of specific and other separately disclosed items	**–**	(2)	(1)
Total specific and other separately disclosed items – (charge)/credit to earnings	**(138)**	1	2

Specific items

The specific items charges of £23m (2017: £18m) include £12m related to additional provisions in Asia in respect of historical employee gratuities and end of service benefits and £11m related to the reassessment of estimated settlement amounts in respect of historical workers' compensation claims in the Americas.

Specific items charges incurred during the year ended 31 December 2017 of £18m primarily comprised £6m related to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years, and £9m related mainly to the settlement of labour disputes in respect of prior years in the Americas.

The specific items credit of £5m (2017: £nil) relate to successful court claims made by the Group in the Americas.

Guaranteed minimum pension equalisation charge

Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group recorded a charge of £35m (2017: £nil) in respect of the equalisation of benefits for historical guaranteed minimum pension obligations between males and females in the UK.

California class action settlement

In January 2019 the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California. This settlement is subject to the final approval of the Superior Court of the State of California. The amount to be settled is between US$100m and US$130m with the precise amount to be determined during the settlement administration process. A provision of £100m has been established in the accounts for the year ended 31 December 2018 representing management's best estimate of the amount of the class action settlement and any related costs.

Net (loss)/profit on disposal and closure of subsidiaries/businesses

During the year, the Group recognised a net loss of £15m (2017: profit of £72m) relating to the disposal of a number of its operations including its businesses in Hungary and the Philippines, its archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia. Disposals in 2017 included the Group's businesses in Israel and Bulgaria and the Group's Youth Services business in North America.

Acquisition-related amortisation

Acquisition-related amortisation of £4m (2017: £9m) is lower than the prior year as certain intangible assets recognised on a number of legacy acquisitions became fully amortised in 2017.

Tax credits/(charges) arising on specific and other separately disclosed items

Tax credits arising on specific and other separately disclosed items were £32m (2017: charges of £17m which related primarily to the disposal of subsidiaries in the Americas region). The Group expects amounts owed to class members and their advisors under the proposed California class action settlement to be deductible for US Federal and State tax purposes when paid and, in reognition of this, a deferred tax asset has been established in the accounts for the year ended 31 December 2018.

Tax impact of the introduction of the US Tax Cuts and Jobs Act ("US tax reform")

The Tax Cuts and Jobs Act introduced significant changes in US tax laws with effect from 1 January 2018. For 2017, the changes in legislation resulted in a separately disclosed one-off charge to the income statement of £19m arising from the re-measurement and impairment of deferred tax assets due to the reduction in the US Federal tax rate, and from the impairment of foreign tax credits which are no longer expected to be recovered in future periods against foreign source income.

Reconciliation between statutory operating profit and net debt

A reconciliation between operating profit as presented in the Group's consolidated income statement to movement in net debt is presented below with 2018 amounts presented at actual rates for the year and the prior year amounts presented at 2017 average exchange rates.

	2018 £m	2017 Restated[1] £m
Operating profit	**253**	502
Adjustments for non-cash and other items (see page 148)	**240**	40
Net working capital movement	**(80)**	(54)
Net cash flow from operating activities before tax (page 148)	**413**	488
Adjustments for:		
Restructuring spend	**26**	19
Cash flow from continuing operations	**439**	507
Analysed between:		
Underlying operating cash flow	**453**	516
Disposed businesses	**(3)**	3
Onerous contracts	**(11)**	(12)
Investment in the business		
Purchase of fixed assets, net of disposals	**(102)**	(104)
Restructuring spend	**(26)**	(19)
Disposal/closure of subsidiaries/businesses (see note 17)	**45**	156
Acquisition of subsidiaries (see note 16)	**(4)**	(1)
Net debt in disposed businesses	**(9)**	(11)
New finance leases	**(10)**	(3)
Net investment in the business	**(106)**	18
Net cash flow after investing in the business	**333**	525
Other uses of funds		
Net interest paid	**(99)**	(78)
Tax paid	**(98)**	(86)
Dividends paid	**(170)**	(179)
Purchase of own shares	**(11)**	(10)
Transactions with non-controlling interests (see note 16)	**(1)**	(16)
Other	**7**	6
Net other uses of funds	**(372)**	(363)
Net (increase)/decrease in net debt before foreign exchange movements	**(39)**	162
Net debt at the beginning of the year	**(1,487)**	(1,670)
Effect of foreign exchange rate fluctuations	**(32)**	21
Net debt at the end of the year	**(1,558)**	(1,487)

1. Restated for the adoption of IFRS15 – see note 3(u).

Movement in net debt during the year

Cash flow from continuing operations before restructuring spend was £413m (2017: £488m) after pension deficit-repair contributions of £41m (2017: £40m) during the year. Cash outflow from businesses disposed of or closed was £3m (2017: £3m inflow), and cash outflow from onerous contracts was £11m (2017: £12), both of which were excluded from underlying operating cash flow. Underlying operating cash flow reduced to £453m (2017: £516m) and represents 95.6% (2017: 106.6%) of underlying Adjusted PBITA. The reduction compared with the prior year primarily reflects a lower level of operating cash flow generation in the Americas region, which was impacted by the US Federal Government shutdown in the run-up to the year-end, and in Europe & Middle East where the phasing of cash flows in respect of a small number of major contracts reduced cash conversion in the year.

The Group invested £102m (2017: £104m) in net capital expenditure and received net proceeds of £45m (2017: £156m) from the disposal of businesses. The Group made no significant acquisitions during the year.

Net cash inflow after investing in the business was £333m (2017: £525m). The Group's net increase in net debt before foreign exchange movements was £39m (2017: decrease of £162m) after net interest paid which increased to £99m (2017: £78m) primarily reflecting the initial annual interest payment in respect of the EUR500m bond issued in June 2017, tax paid of £98m (2017: £86m) and dividends paid of £170m (2017: £179m).

The Group's net debt as at 31 December 2018 was £1,558m (December 2017: £1,487m).

TIM WELLER
Group Chief Financial Officer

Reconciliation of prior period results from core businesses by segment to prior period underlying results by new segments – for the year ended 31 December 2017

	Revenue				Adjusted PBITA[i]			
Year ended 31 December 2017 (£m)	Core businesses as previously reported[a]	Cash Solutions[b]	Secure Solutions re-classification[c]	**Core businesses in new structure**	Core businesses as previously reported[a]	Cash Solutions[b]	Secure Solutions re-classification[c]	**Core businesses in new structure**
Africa	457	(70)	–	387	46	(18)	–	28
Latin America	693	(41)	–	652	29	(7)	–	22
North America	2,006	(225)	–	1,781	123	(25)	–	98
Americas	2,699	(266)	–	2,433	152	(32)	–	120
Asia Pacific	736	(223)	358	871	65	(32)	27	60
Middle East & India	845	(54)	(358)	433	58	–	(27)	31
Europe	1,356	(303)	–	1,053	104	(43)	–	61
United Kingdom & Ireland	1,334	(293)	–	1,041	120	(35)	–	85
Europe & Middle East	3,535	(650)	(358)	2,527	282	(78)	(27)	177
Cash Solutions	–	1,209	–	1,209	–	160	–	160
Total before corporate costs	7,427	–	–	7,427	545	–	–	545
Corporate costs	–	–	–	–	(49)	–	–	(49)
Total	7,427	–	–	7,427	496	–	–	496

Year ended 31 December 2017 (£m)	**Core businesses in new structure**	Re-class[d]	Portfolio businesses[e]	Onerous contracts	Disposed businesses[f]	IFRS 15[g]	**Underlying results at actual exchange rates**	Exchange differences[h]	**Underlying results at constant exchange rates[i]**
Africa	387	–	12	–	(5)	–	394	(13)	381
Americas	2,433	4	56	–	(27)	–	2,466	(134)	2,332
Asia Pacific	871	–	25	–	(25)	–	871	(40)	831
Europe & Middle East	2,527	–	102	12	(134)	(1)	2,506	(5)	2,501
Cash Solutions	1,209	(4)	87	–	(113)	(1)	1,178	(10)	1,168
Total revenue	**7,427**	**–**	**282**	**12**	**(304)**	**(2)**	**7,415**	**(202)**	**7,213**
Africa	28	–	1	–	(1)	–	28	(1)	27
Americas	120	3	–	–	(1)	–	122	(5)	117
Asia Pacific	60	–	–	–	–	–	60	(3)	57
Europe & Middle East	177	–	4	–	(6)	1	176	–	176
Cash Solutions	160	(3)	(10)	–	–	–	147	(1)	146
Total before corporate costs	545	–	(5)	–	(8)	1	533	(10)	523
Corporate costs	(49)	–	–	–	–	–	(49)	–	(49)
Total Adjusted PBITA	**496**	**–**	**(5)**	**–**	**(8)**	**1**	**484**	**(10)**	**474**
Other financial KPIs (£m)									
Profit before tax	383	–	(7)	–	(7)	1	370	(8)	362
Profit after tax	291	–	(14)	–	3	1	281	(6)	275
Earnings	277	–	(15)	–	–	1	263	(5)	258
Earnings per share – p	17.9	–	(1.0)	–	–	0.1	17.0	(0.3)	16.7
Operating cash flow	527	–	(7)	(1)	(3)	–	516	–	516

a. Results from core businesses as previously reported in the Group's results for the year ended 31 December 2017. Segment results were presented geographically with segments combining both Secure Solutions and Cash Solutions.
b. As reported in the 2017 Integrated Report and Accounts, in January 2018 the Group created a new 'Cash Solutions' division. This column shows the re-classification of the results from the Cash Solutions businesses that were previously included in geographical segments into the new Cash Solutions division.
c. With effect from 1 January 2018, the Secure Solutions division was consolidated into four regions: Africa, Americas, Asia and Europe & Middle East. Following this reorganisation, the results of certain businesses previously reported in the Middle East & India region (primarily India and Bangladesh) are now reported in the Asia region.
d. As part of the disposal of the Colombia Cash business in 2018, a small number of contracts that were previously reported in the Cash Solutions division were transferred to the Colombia Secure Solutions business and integrated into their operations. Results from these contracts have been re-classified to be reported within the Americas region in the Secure Solutions division and prior year comparatives have been restated accordingly.
e. The financial impact of portfolio businesses is no longer material and to simplify reporting moving forwards, the Group has ceased separate columnar disclosure of the results of these businesses.
f. To present results on a consistent and comparable basis, the results from any businesses sold or closed in either the current or prior years are excluded from the underlying results in both the current and prior years. These include the Youth Services business in North America, the children's homes business in the UK and the Group's businesses in Israel and Bulgaria that were sold in 2017 and the archiving business in Kenya, the Group's businesses in Hungary and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia that were sold in 2018.
g. With effect from 1 January 2018 the Group has adopted IFRS 15 – Revenue from Contracts with Customers, as explained in note 3(u) which has resulted in certain 2017 income statement line items being restated.
h. The results for the year ended 31 December 2017 were presented at average exchange rates for the year ended 31 December 2017 as described on page 40. The comparative results have been re-presented at average exchange rates for the year ended 31 December 2018.
i. Underlying results are an APM and are explained on page 40 and reconciled to the Group's statutory results on page 50.

2018 REGIONAL AND SEGMENTAL REVIEW – UNDERLYING RESULTS

At 2018 average exchange rates	Revenue 2018 £m	Revenue[a] 2017 £m	YoY %	Organic growth[b] %	Adjusted PBITA 2018 £m	Adjusted PBITA[a] 2017 £m	YoY %	Adjusted PBITA margin 2018 %	Adjusted PBITA margin[a] 2017 %
Africa	**405**	381	6.3	6.3	**32**	27	18.5	7.9	7.1
Americas	**2,443**	2,332	4.8	4.8	**129**	117	10.3	5.3	5.0
Asia	**881**	831	6.0	6.0	**63**	57	10.5	7.2	6.9
Europe & Middle East	**2,501**	2,501	-	(0.2)	**179**	176	1.7	7.2	7.0
Secure Solutions	**6,230**	6,045	3.1	3.0	**403**	377	6.9	6.5	6.2
Cash Solutions	**1,059**	1,168	(9.3)	(9.4)	**121**	146	(17.1)	11.4	12.5
Total Group before corporate costs	**7,289**	7,213	1.1	1.0	**524**	523	0.2	7.2	7.3
Corporate costs	**-**	-	-	-	**(50)**	(49)	2.0		
Total Group	**7,289**	7,213	1.1	1.0	**474**	474	-	6.5	6.6

a. Restated for the effect of IFRS 15 (see note 3(u)).
b. Organic growth is calculated based on revenue growth at 2018 average exchange rates, adjusted to exclude the impact of any acquisitions or disposals during the current or prior year. During 2018 we successfully renegotiated the shareholder agreements for certain businesses in Europe & Middle East and Cash Solutions, increasing our control and economic interest in those businesses with no incremental investment and the effect of this is excluded from organic growth.

Regional and service line financial performance

The Group's business performance for internal management reporting presents underlying results, onerous contracts and disposed or closed businesses, analysed between segments. The Group's segmental results are presented above, excluding onerous contracts and disposed or closed businesses. A reconciliation between underlying results and statutory results by segment is presented below. All commentary, results and tables on pages 57 to 62 are based on underlying results, with prior year comparatives presented at constant exchange rates, as described on page 40, unless stated otherwise.

Regional and segmental summary (see pages 58 to 62)

During 2018, Group revenues grew 1.1% to £7.3bn, with growth in Secure Solution of 3.1% offset by a 9.3% decline in Cash Solutions revenue.

Adjusted profit before interest, tax and amortisation (Adjusted PBITA) was unchanged at £474m, with the Adjusted PBITA margin 10 b.p. lower at 6.5% with the reduced margin in Cash Solutions offsetting strong performances in Secure Solutions.

Corporate Costs

Corporate costs comprise the costs of the G4S plc board and the central costs of running the Group including executive, governance and central support functions.

6.9%
Growth in Secure Solutions Adjusted PBITA in 2018

	For the year ended 31 December 2018				For the year ended 31 December 2017					
	Statutory results £m	Disposed businesses £m	Onerous contracts £m	Underlying results £m	Statutory results £m	Disposed businesses £m	Onerous contracts £m	Underlying results at 2017 average exchange rates £m	Exchange movements £m	Underlying results at 2018 average exchange rates £m
Revenue										
Africa	406	(1)	–	405	399	(5)	–	394	(13)	381
Americas	2,443	–	–	2,443	2,493	(27)	–	2,466	(134)	2,332
Asia	882	(1)	–	881	896	(25)	–	871	(40)	831
Europe & Middle East	2,644	(25)	(118)	2,501	2,747	(134)	(107)	2,506	(5)	2,501
Cash Solutions	1,137	(78)	–	1,059	1,291	(113)	–	1,178	(10)	1,168
Total Group revenue	7,512	(105)	(118)	7,289	7,826	(304)	(107)	7,415	(202)	7,213
Adjusted PBITA										
Africa	31	1	–	32	29	(1)	–	28	(1)	27
Americas	127	2	–	129	123	(1)	–	122	(5)	117
Asia	63	–	–	63	60	–	–	60	(3)	57
Europe & Middle East	175	(1)	5	179	182	(6)	–	176	–	176
Cash Solutions	114	7	–	121	147	–	–	147	(1)	146
Total Group before corporate costs	510	9	5	524	541	(8)	–	533	(10)	523
Corporate costs	(50)	–	–	(50)	(49)	–	–	(49)	–	(49)
Total Group Adjusted PBITA	460	9	5	474	492	(8)	–	484	(10)	474

SECURE SOLUTIONS

During 2018, our Secure Solutions business delivered organic revenue growth of 3.0%. Despite tightening labour supply and intense competition in manned security services in some geographies, our commercial discipline, productivity programmes and growing technology-enabled security revenues meant that we strengthened our Adjusted PBITA margin in all four regions and the overall Secure Solutions Adjusted PBITA margin rose from 6.2% to 6.5%.

AFRICA

SECURE SOLUTIONS – REGIONAL PRESIDENT MEL BROOKS

2018 HIGHLIGHTS:
UNDERLYING RESULTS

+6.3%
Organic growth

117,000
Employees

$8bn
Africa security market in 2017*

18.5%
Adjusted PBITA growth

Revenue £m			Adjusted PBITA £m		
2018	2017	YoY	**2018**	2017	YoY
405	381	6.3%	**32**	27	18.5%

* Freedonia Security Services Report, October 2018.

Key customer sectors – mining, oil and gas, retail, energy, agriculture and financial services. G4S is the largest provider of integrated security solutions in the region, with operations in 24 African countries. The region's largest countries by revenue are South Africa and Kenya.

Revenue growth across our Africa region was 6.3% and Adjusted PBITA increased by18.5%.

We made good progress developing and delivering integrated security offerings and strengthening our monitoring and response services. Our remote monitoring and response services for infrastructure are generating a positive response in our key markets. Our new contract awards in the telecoms, automotive and mining sectors provide us with positive momentum and we believe that the business is well positioned to make commercial and financial progress in 2019.

SDGs:

OUR VALUES IN ACTION - HELIOS TOWERS AND G4S ENSURING TELECOMS CONNECTIONS IN AFRICA

G4S Africa is working with customers such as Helios Towers, part of Helios Investment Partners that is connecting international capital and know-how to African talent and enterprise.

Protecting mobile phone masts in remote locations is an area of expertise for G4S Africa.

Helios Towers owns and operates telecommunications towers and passive infrastructure in four high-growth African markets. Their principal business lies in building, acquiring and operating telecommunications towers that are capable of accommodating and powering the needs of multiple tenants. Using a solution combining video monitoring with real time surveillance, G4S is providing a service that results in a reduction in theft and vandalism, real time monitoring of equipment status and fuel levels in the generators with significant cost savings and improved uptime of mobile phone towers.

AMERICAS

SECURE SOLUTIONS – REGIONAL CEO JOHN KENNING

2018 HIGHLIGHTS:
UNDERLYING RESULTS

+4.8%
Organic growth

117,000
Employees

$65bn
Americas security market in 2017*

10.3%
Adjusted PBITA growth

Revenue £m			Adjusted PBITA £m		
2018	2017	YoY	**2018**	2017	YoY
2,443	2,332	4.8%	**129**	117	10.3%

* Freedonia Security Services Report, October 2018.

G4S North America Secure Solutions is the Group's largest integrated security business. Key customer sectors – financial services, extractive, retail, government, embassies and manufacturing. In Latin America, G4S is a leading integrated Secure Solutions provider for commercial and government customers across 18 countries, with Brazil, Colombia and Peru our largest markets by revenue.

Revenues in our Americas region grew by 4.8% and Adjusted PBITA increased by 10.3% with the impact of tight labour markets more than offset by an improving revenue mix and the positive impact of our productivity programme.

Our Secure Solutions revenues in North America grew more than 5%, as our consultative approach to designing and delivering integrated security solutions continues to gain traction with large enterprise customers. We saw strong demand for our risk and security consulting services, security analytics, executive protection and investigative services. The United States remains close to full employment and our rate of revenue growth in North America was self-constrained as we continued to exercise appropriate commercial discipline.

In Latin America we continued to be disciplined in our bidding and our revenues increased by 2.8%.

Our on-going investment in sales, business development and customer service has enabled G4S to develop a substantial pipeline in the Americas, which provides good support for our commercial momentum in 2019.

SDGs:

OUR VALUES IN ACTION - G4S WINS FIVE YEAR CONTRACT TO SECURE PORT OF JACKSONVILLE - PROVIDING VITAL CONNECTIONS TO THE SOUTHERN UNITED STATES

In 2018, G4S won a new five-year contract for the Port of Jacksonville, Florida. Approximately 100 G4S security personnel secure the port, which is one of the largest in the southern United States, and is considered to be critical infrastructure for the US government, moving more than one million containers per year. The local knowledge of the team in Jacksonville, together with the subject matter expertise and leadership from the regional team located in Jupiter, Florida, allowed us to navigate successfully a challenging and highly competitive bid process.

This is G4S Secure Solutions USA's largest maritime operation, with the potential to influence the regional market and further substantiate why G4S is the company of choice for the critical infrastructure sector.

ASIA

SECURE SOLUTIONS – REGIONAL CEO SANJAY VERMA

2018 HIGHLIGHTS:
UNDERLYING RESULTS

+6.0%
Organic growth

172,000
Employees

$55bn
Asia Pacific security market in 2017*

10.5%
Adjusted PBITA growth

Revenue £m			Adjusted PBITA £m		
2018	2017	YoY	**2018**	2017	YoY
881	831	6.0%	**63**	57	10.5%

* Freedonia Security Services Report, October 2018.

Key customer sectors are banking, retail, manufacturing, government and energy. G4S is the leading security provider in the Asia region with operations in 16 countries. Our largest countries by revenue are India, Australia and Thailand.

Revenue growth in Asia was 6.0% with growth across all of our major security markets, including India, and Adjusted PBITA for the region increased by 10.5%.

We secured new and renewed contracts across a broad range of sectors including multinationals, property services, technology and transport and logistics. Across the region we have a diverse and substantial set of new business opportunities that supports a positive outlook for this region in 2019.

SDGs:

OUR VALUES IN ACTION - G4S WINS NEW INTEGRATED SECURITY CONTRACT IN SINGAPORE FOR ONE OF THE WORLD'S LEADING PHARMA COMPANIES

In 2018, G4S Singapore started providing manned security to Roche, one of the world's top pharmaceutical manufacturers, under a new two-year contract.

We won the contract because of our integrated security offering, getting the basics right (attendance and appearance) and emphasising our values, especially integrity and audit compliance.

EUROPE AND MIDDLE EAST

SECURE SOLUTIONS – REGIONAL CEO GRAHAM LEVINSOHN

2018 HIGHLIGHTS:
UNDERLYING RESULTS

-0.2%
Organic growth

108,000
Employees

$41bn
European security market in 2017*

1.7%
Adjusted PBITA growth

Revenue £m			Adjusted PBITA £m		
2018	2017	YoY	**2018**	2017	YoY
2,501	2,501	-0.2%	**179**	176	1.7%

* Freedonia Security Services Report, October 2018.

Key customer sectors – automotive, energy, financial services, aerospace, defence, chemicals, biotechnology, food, aviation and retail. G4S Europe Secure Solutions has activities in the UK & Ireland, Denmark, Benelux, Southern Europe and Eastern Europe. G4S Middle East Secure Solutions is the leading security provider in the Middle East, with operations in 11 countries.

Revenue in our Europe & Middle East region was broadly unchanged with good growth in UK & Ireland security and revenue stabilisation in the Middle East, offset by lower revenues in the Netherlands and Belgium, where we exited a number of large contracts, some of which no longer offer an appropriate risk-adjusted margin.

In the UK, we managed the COMPASS contract within existing provisions and we are making good progress towards an exit from this contract in August 2019.

The Adjusted PBITA margin improved to 7.2% (2017: 7.0%) reflecting the benefit of our productivity programme across the region.

Our Europe & Middle East pipeline has a large number of opportunities across a diversified range of customer segments including manned security and security systems contracts for the healthcare, government, multi-lateral agency and airlines sectors.

Our focus for 2019 is on restoring revenue momentum whilst maintaining commercial discipline.

SDGs:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

OUR VALUES IN ACTION - G4S ACADEMY DENMARK CONNECT SECURITY WITH CUSTOMERS' CORE BUSINESS STRATEGY

Initiatives such as the G4S Academy, which has produced a cadre of integrated security experts, have resulted in the G4S Denmark business now generating two-thirds of its revenues from security systems and one-third from manned security. The foundation of the Danish business was a consumer alarms business upon which, in recent years, we have very successfully built a complex security systems business.

The G4S Academy was established on the belief that, in an environment where security threats are dynamic, it is essential that our customers have access to our global knowledge of the newest, most sophisticated solutions that address these threats. Knowledge not only means creating a culture of awareness but also connecting security with core business strategies, making it an integrated and active part of a company's operations.

CASH SOLUTIONS

The G4S Global Cash Solutions division was formed in January 2018. In December 2018, the board announced that it was reviewing the separation options for the Cash Solutions business, believing that a separation has the clear potential to enhance the long-term strategic, commercial and operational focus of both the cash and secure solutions businesses and unlock substantial shareholder value.

CASH SOLUTIONS

DIVISIONAL CEO JESUS ROSANO

2018 HIGHLIGHTS: UNDERLYING RESULTS

-9.4%
Organic growth

32,000
Employees

$19bn
Value of global Cash-in-transit and other services market in 2017*

-17.1%
Adjusted PBITA growth

Revenue £m			Adjusted PBITA £m		
2018	2017	YoY	**2018**	2017	YoY
1,059	1,168	9.4%	**121**	146	(17.1%)

* Freedonia Security Services Report, October 2018.

G4S Cash Solutions has operations in 44 countries and has either the number one or two market position in 41 of them.

During 2018, we continued to experience very good demand for our Cash Solutions technology and the number of bank and business locations that we serve grew from 19,800 to 23,300. In North America, our operational scale grew in Retail Cash Solutions, resulting in our Adjusted PBITA margin expanding to c.15% (2017: 11%) for this business.

In 2017, the Retail Cash Solutions business posted very strong revenue growth as we mobilised a large cash technology and services contract in North America. Whilst we had a number of significant contract wins in 2018, we did not have a similar mobilisation to 2017, leading to a reduction in Cash Solutions revenues of 9.3%. Adjusted PBITA fell by 17.1% reflecting the impact of ATM and bank branch closures in some markets and higher security costs in Africa, principally South Africa, partially offset by a £5 million benefit from the early completion of a bullion centre contract in the UK. Excluding Retail Cash Solutions, Cash Solutions revenues grew by 0.5%.

We believe good growth opportunities exist in all of our markets where we possess the infrastructure, technology, licenses and a strong track record of reliable and efficient delivery, for banks and retailers to outsource more of their cash management activity to G4S. In addition, we expect our network and operational efficiency programmes to contribute to profitability through 2019 and 2020.

G4S RETAIL CASH SOLUTIONS
TECHNOLOGY

DELIVERING SIGNIFICANT BENEFITS TO RETAIL, BANKING AND OTHER BUSINESS PARTNERS

Cash is still the most widely used form of payment by far in all regions of the world. And cash in circulation is growing. For more information see the G4S Global Cash 2018 report online.

The payments landscape is changing and cash remains vital because choice of payment is important for consumers and citizens across society. G4S continues to invest in cash technology and to work with customers and payment institutions to improve the efficiency and ease of using cash.

Cash technology such as G4S Retail Cash Solutions, an integrated cash management system, combining hardware, in the form of cash recyling equipment, software and a managed service offers customers the opportunity to significantly reduce their cash handling costs and working capital related to cash management.

Our aim is to identify material risks that could impact us, and to focus management attention on effective mitigation of the significant risks to achievement of our strategic objectives and safeguard our reputation.

An evolving risk landscape

Evolution of the risk landscape in 2018 was similar to 2017 with political leadership in several countries causing uncertainty, continuing terrorism, weakening economic recovery, geopolitical shifts, and on-going instability in the Middle East. Environmental, cyber and data privacy risks have gained prevalence and their potential to disrupt business has increased.
These factors have created risks and opportunities for the security industry. G4S continues to face the operational and health and safety risks often associated with the security industry, along with financial and commercial risks common to all multinational companies. Regulations continue to be tightened with high penalties for non-compliance.

We continue to believe the risk to G4S from the UK's decision to leave the EU is unlikely to have a material direct impact on G4S as we mainly operate within national boundaries with around 80% of total Group revenues outside the UK and minimal cross-border trading. However, the continued political uncertainty over the terms of the UK's exit from the EU and the shape of any future trading relationship is one of a range of business factors that could affect us including the availability of labour, supply of product, wage and inflationary impacts, regulations and taxation. It is also possible that the continuing uncertainty will have an adverse impact on economic growth in the UK and Europe, further affecting both our customers and our competitors.

We continue to monitor global emerging risks through our risk and governance framework.

What we did in 2018

Progress continued to be made on increasing risk awareness and accountability for risk management on the part of business management teams. The Group's mandated control standards have been further enhanced to ensure they address our key risks, with appropriate training and challenge to facilitate their effective implementation. Control self-assessments were completed by all businesses. These are reviewed, challenged and best practice shared by region and group functional experts, with compliance tested through internal audits. Our quarterly Regional Audit Committees continued to focus on financial judgments and addressing internal and external audit findings, which enabled further improvement in financial control awareness and effective performance of risk mitigating controls.

What we will do in 2019

We will continue to refine our standards and controls, and through support and training, we will help businesses operate them effectively. Functional teams will use the results of control self-assessments to assist countries with achieving compliance. In addition, internal audits will continue to test the operational effectiveness of our standards and controls. Regional Audit Committees will continue to review, challenge and direct improvements in the performance of control standards, financial judgments and reporting. Through continued engagement and review by country, region and group management, we will enhance the quality and timeliness of the identification of emerging risks and the delivery of mitigating actions. Actions planned for 2019 for specific residual risks are included in the principal risk section below.

The review of separation options for our Secure Solutions and Cash Solutions businesses, to establish two independent businesses that are able to take advantage of their leading market positions to deliver sustainable profitable growth and unlock substantial shareholder value may introduce new challenges to G4S in the short term. These could include: not identifying a successful value-adding proposition; distracting management attention from delivering results; disruption to existing transformation projects; and reduced focus on control and risk mitigation. In order to manage these challenges we will obtain appropriate external advice, establish internal governance structures and maintain focus on trading reviews and close monitoring of other core aspects of business performance and service delivery.

Risk management and appetite

As in prior years we have undertaken a bottom-up review, with businesses completing an assessment of their major risks and developing mitigating actions to reduce the likelihood of those risks crystallising. These reviews require management teams to identify the key controls needed to mitigate high inherent risks to acceptable residual risk levels, in line with the Group's risk appetite, further encouraging effective compliance with the Group's core standards and controls. These risk assessments are reviewed, challenged and amended as necessary by regional teams, who are also responsible for monitoring delivery of required improvements. This is combined with a top-down review from Group functional leaders, to ensure that the risks captured are complete and appropriately assessed. The risks are then summarised and presented to the Risk Committee for consideration before being presented to the board for review. The resulting principal residual risks, with explanations and mitigating actions, are outlined on pages 67 to 71. The Group's risk appetite has remained unchanged from the prior year and this was reaffirmed by the Risk Committee and the board during the year. The residual risks in respect of growth strategy and laws and regulations has increased from last year but has remained relatively constant in other principal risk areas.

G4S operates in high-risk areas of business, in which our core competence and value-add to customers is managing those risks effectively. We have a higher risk appetite for growing and transforming our businesses where we have the expertise to deliver and to achieve a good commercial return for the risk we are accepting.

We have a low to very low risk appetite for non-compliance with laws and regulations, culture and values, health and safety and people risks, as these are priority areas for our stakeholders and failure in these key risk areas could have a material impact on our business.

ENTERPRISE RISK MANAGEMENT GOVERNANCE MODEL

BOARD

The board has responsibility for ensuring risk management processes are effective by reviewing the most critical risks and controls.

RISK COMMITTEE

The Risk Committee meets four times per year and reviews the Group's risk appetite, assesses the Group's principal risks and assesses the overall enterprise risk management process.

AUDIT COMMITTEE

The Audit Committee meets four times per year and ensures the Group's control framework is operating effectively.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee oversees the management of the Group's principal risks.

REGIONAL AUDIT COMMITTEES

The committees meet four times a year, also attended by the external auditor, and review:

1. The progress of closing internal and external audit findings; and
2. Reports on status of financial controls and significant accounting judgments.

GROUP AND REGIONAL ETHICS COMMITTEES

The committees are responsible for whistleblowing and related investigations across the regions.

Operating companies

We employ three lines of defence to control and manage risks across the Group.

OPERATING COMPANIES AND SHARED-SERVICE FUNCTIONS

Our operating companies and shared-service functions identify and assess the risks to achievement of their business objectives and plan appropriate mitigating actions. These are recorded in our Group-wide risk management tools. A thorough review is conducted as part of the annual business planning process with updates made in senior management team meetings and trading reviews. Self-assessments of compliance with Group control standards are completed annually (bi-annually for financial control standards).

1ST LINE: BUSINESS OPERATIONS AND SUPPORT

Responsibility for the first line sits with the managers of our businesses, whether line management or support. The senior management team within each business is responsible for implementing and maintaining appropriate controls across their business.

Result: Ensures standards expected by the Group, our customers and other stakeholders are met.

2ND LINE: CONTROL AND OVERSIGHT FUNCTIONS

The second line consists of oversight functions at both regional and Group level including: risk, finance, legal, human resources, operations, information technology, commercial and CSR.

Result: Provides support to business managers.

3RD LINE: INTERNAL INDEPENDENT ASSURANCE

The third line comprises the internal audit function. As part of its annual programme of work, internal audit conducts regular reviews of risk management processes and gives advice and recommendations on how to improve the control environment.

Result: Provides independent assurance over the design and operation of controls.

EXTERNAL AUDIT

Financial reporting risks are considered as part of the external audit.

Principal risk

HEALTH AND SAFETY (H&S)

Link to strategy

Risk

The provision of security services, often in hostile or dangerous circumstances, presents health and safety (H&S) challenges. In addition to the significant impact on individuals, serious H&S incidents could disrupt the Group's businesses, have a negative impact on our reputation and lead to financial and regulatory costs. In 2018, 24 (2017: 25) employees lost their lives in work-related incidents, of which 14 (2017: 8) were as a result of armed attacks and 7 (2017: 11) were road-traffic incidents, as the year-on-year improvement in road safety continued. There were 9 (2017: 3) non-natural deaths of people in our custody.

Risk mitigation

We are committed to protecting the health, safety and well being of our employees, people in our care or custody and third parties. G4S uses a systematic approach to managing H&S which is consistent with internationally recognised standards. We monitor H&S performance regularly and intervene if performance does not meet the continuous improvement targets set. The Group's mandatory standards target the critical safety risks in the Group including road and firearm safety, and are supplemented by controls and training for front line staff through to business leaders. The annual self assessment by countries of compliance with our standards is supported by site reviews from local, regional and group managers and is included in the scope of country internal audit visits.

During 2018 we continued the roll-out of safety induction training, which included a focus on the risks facing security officers. Four wide-ranging H&S reviews were conducted in high-priority businesses, as well as two follow-up audits to monitor improvement.

Safety improvement plans are required for all businesses, with business leaders being responsible for leading safety performance, developing and monitoring action plans and putting H&S at the forefront of their day-to-day activities.

Good practice and progress in delivering H&S improvements are recognised and rewarded, while poor practice and insufficient progress lead to close executive scrutiny, and can impact performance-related pay for business leaders.

Mitigation priorities for 2019

We will continue to refine our standards, policies and controls where we see an opportunity to reduce H&S risks further, using lessons learned from serious incidents to drive actions to prevent recurrence. Compliance with our standards will continue to be monitored through self assessments, region and Group reviews and internal audits. Topics which will be prioritised are risk assessment processes, training on road safety and improving controls to prevent attacks.

Principal risk

CULTURE AND VALUES

Link to strategy

Risk

G4S provides security for people, premises and valuable assets. The Care & Justice Services business provides services to detainees, victims of crime, people needing assistance, and other members of the public. We operate in many different countries with a diversity of local and national cultures. Having an appropriate set of values deeply embedded in our corporate culture is key to ensuring that employees meet our expectations including compliance with our ethical business conduct standards. Failure to do so risks not delivering on our commitment to our colleagues, customers and other stakeholders, and businesses failing to comply with legislation and international standards.

Risk mitigation

Our values, detailed on page 6, are continually reinforced through a variety of processes including recruitment, induction training and recognition schemes, as well as communication materials. Our values-based training materials for front-line employees have been developed to reflect common experiences or particular challenges which are identified through whistleblowing cases, internal grievances or feedback from the global employee engagement survey.

Nominated values ambassadors in businesses are helping to cascade values-related communications. For managers, the enhanced competency framework has helped guide the development of mandatory online training. This also uses realistic scenarios to guide managers in making value based decisions from a range of options in order to achieve the right outcomes in real-life situations. We continue to build awareness of the importance of living our values in our day-to-day activities, no matter how challenging the circumstances.

In the event that employees notice unethical behaviour contrary to our values we encourage them to use our confidential whistleblowing facility, Speak Out.

In 2018, we received 519 Speak Out reports (2017: 300) as we continue to raise awareness of this facility. While all calls are investigated, matters of a serious nature are investigated at a senior and independent level, with 105 investigations completed during 2018 (2017: 59).

Mitigation priorities for 2019

For our front-line employees, we will continue to provide updated training materials to reinforce the behaviours expected in line with our values and will use the global employee engagement survey, due to be completed in 2019, to assess levels of awareness and understanding. Where gaps are identified we will develop remediation plans.

All new managers will be required to complete the online training developed in 2018 and to confirm their understanding of and commitment to compliance with the Group's Business Ethics Policy. Further updated training on anti-bribery and corruption will also be made available to all managers and employees with responsibilities relating to financial transactions or supplier and customer relationships.

Our reward and recognition schemes will continue to be aligned with our values, to ensure they are promoted in everything we do. The Group-wide scheme will be enhanced to supplement local efforts and enable us to showcase the types of behaviour which exemplify our values and reflect the great work that our employees do.

People and values

Customers and service excellence

Technology and innovation

Operational excellence and productivity

Financial and commercial discipline

Principal risk

PEOPLE

Link to strategy

Risk

In a global and diverse security business such as ours, there are risks associated with recruiting, training, engaging, rewarding and managing people, as well as ensuring we retain critical talent to deliver increasingly sophisticated services through our 546,000 employees. Screening and vetting is a particular challenge in some territories which lack supporting infrastructure from the relevant authorities. Any incident where our people fail to meet the expectations of customers and other stakeholders could lead to financial and reputational damage. Whilst our controls are robust, we still face the risk of an employee not behaving in line with our values.

Risk mitigation

The Group's Human Resource (HR) standards cover core requirements for delivering the HR strategy, such as ensuring there are effective organisational structures in place, that employees are screened, inducted and trained to perform their jobs, and that there are appropriate mechanisms in place for managing ongoing performance and recognising service excellence. Compliance is self-assessed annually and reviewed by local, regional and Group teams. Additionally, core HR controls are tested by internal audit during visits to the businesses. The performance and potential of managers across the Group is reviewed to identify development needs and build succession plans. We also deliver regional leadership programmes to nurture talented individuals early in their careers, and help them develop into more senior roles as they move through the organisation. Feedback from our global employee survey is used to develop initiatives which support employee engagement and development at all levels of the organisation. Examples include the introduction of two health and wellbeing initiatives for employees in G4S Peru, the development of a new employee handbook in the UAE and the launch of a new quarterly briefing by managers for employees in the UK Cash Solutions business.

Staff turnover is a key indicator of employee satisfaction, and reducing it improves service standards and reduces recruitment costs. During the year staff turnover reduced from 25.3% in 2017 to 24.7% in 2018 (see page 20).

Mitigation priorities for 2019

Compliance with our core HR Standards will again be self assessed during 2019 and reviewed by local, regional and Group teams as well as tested by internal audit. Direct support will be provided as necessary to enhance compliance with our standards. Further, more detailed training is being prepared to ensure HR teams have a strong understanding of the core standards, why they are important and what actions they need to take to ensure compliance if there are any gaps.

Principal risk

MAJOR CONTRACTS

Link to strategy

Risk

The Group operates a number of long-term, complex, high-value contracts with multinational companies, governments or strategic partners. Key risks include; accepting onerous contractual terms; poor mobilisation of contracts; not transitioning effectively from mobilisation to on-going contract management; not delivering contractual requirements; inaccurate billing for complex contracts; ineffective contract-change management; and not managing sub-contractors appropriately.

Risk mitigation

We have strict thresholds for the approval of major bids, involving detailed legal and commercial review and senior management oversight. For a selection of our most significant contracts in the UK, independent reviews of all aspects of contract management and performance are completed with appropriate actions agreed and monitored to completion. We also perform a quarterly financial review of the top 25 and the low margin contracts in each region.

For our large multinational customers, account managers oversee performance of these contracts across relevant countries and have regular updates with customers to ensure we meet our contractual commitments.

We have embedded into the Salesforce opportunity management tool our updated approval requirements, to make compliance and monitoring more effective.

Mitigation priorities for 2019

While improvements have been made in reducing the risk of taking on onerous contracts, as the impact can be significant, we will continue to enhance the quality of the analysis used in the bidding process and ensure that lessons are learnt from underperforming contracts. Internal audit will perform more contract reviews to ensure the risks in those contracts are appropriately mitigated.

Principal risk

LAWS AND REGULATIONS

Link to strategy

Risk

G4S operates under many complex and diverse regulatory frameworks, some of which have extraterritorial reach and many where regulations change frequently. Risks include: new or changed restrictions on foreign ownership; difficulties obtaining relevant licences to operate; complying with employment legislation covering a wide range of requirements; complying with often complex and broad ranging local tax regulations; increasing litigation and class actions; bribery and corruption and complying with human rights legislation. Failure to meet the required standards can lead to higher costs from claims and litigation; inability to operate in certain jurisdictions, through either direct ownership or joint ventures; loss of management control; damage to our reputation; and loss of customer confidence.

The investigation opened by the Serious Fraud Office (SFO) in 2013 in respect of the Group's Electronic Monitoring contract remains on-going and the Group continues to engage and co-operate fully with the investigation. Based on currently available information, the Group is unable to make a reliable estimate of the financial effect of the SFO's investigation, and no provision has been made in respect of it.

Risk mitigation

Our policies and procedures clearly set out the requirement for local management teams to comply with relevant laws and regulations. Group and regional leadership, together with our Ethics Committees at Group and regional level provide oversight and support our businesses in mitigating the risks. Group legal and regional leadership closely monitor changes in foreign ownership laws and make appropriate plans to respond. G4S continues to liaise with relevant governments and authorities to influence positively the regulatory environments in which we work.

Mitigation priorities for 2019

Given the increased exposure and high penalties for non-compliance in respect of this risk, the board and Executive team will focus as a priority on the enhancement of compliance with laws and regulations across all jurisdictions we operate in. This will include direct enquiry and oversight by Group and region of local management to ensure awareness of these risks become fully understood and ensure that concerns are addressed appropriately with mitigation plans implemented promptly.

People and values

Customers and service excellence

Technology and innovation

Operational excellence and productivity

Financial and commercial discipline

Principal risk

GROWTH STRATEGY

Link to strategy

Risk

Our focus is on investing in the development of innovative and integrated products and services and improving business efficiency to strengthen service excellence and support improved margins. There are risks with adopting such a strategy: that we fail to create higher-value solutions that differentiate us from local commoditised competitors; that we fail to deliver our core services effectively and consistently; that we lose contracts or growth opportunities through price competition and market changes; that we fail to enter target markets successfully; that we become over reliant on large customers; and that our business transformation initiatives do not deliver as expected.

Risk mitigation

We continue to focus on delivering excellent service through the best-practice service delivery guidelines in place for both our Secure Solutions and Cash Solutions service lines. We have implemented a sales methodology focused on consultative selling which enables our sales teams to promote innovative integrated solutions. We use our centres of excellence to develop innovative solutions for customers, particularly in electronic security and Retail Cash Solutions. We leverage our global network to offer integrated solutions internationally and our global accounts programme supports and promotes our multinational accounts initiatives. Our consistent focus on delivering excellent service to customers helps to drive customer satisfaction, retention and growth.

Through the diversity of industries and markets we serve and the portfolio of products offering cost-efficient solutions, we are able to mitigate the risk of local reduced growth opportunities. We focus our investment on innovative products and transforming our cost base, with projects closely monitored by Group and regional teams.

Mitigation priorities for 2019

Secure Solutions and Cash Solutions are strong businesses with clear strategies and prospects. In 2019, we will review the options for separation of these into two independent businesses, ensuring even greater focus on customers and innovation.

The new sales methodology will continue to focus on customer need and how our innovative and integrated service will add value and drive increased win rates. To improve customer retention rates we will systematically leverage the existing structural approach we have to understanding customers requirements to proactively improve relationships and customer satisfaction. We will continue to innovate our product offering within each business, which will include: proprietary security systems, video and intelligent camera systems, video management systems, global security intelligence systems, and software tools including incident-management systems such as RISK360 in our Secure Solutions business. For Cash Solutions, our service offering will include Retail Cash Solutions and solutions for our SME customers.

Business transformation projects will be embedded to ensure efficiency and margin improvements are delivered.

Principal risk

GEOPOLITICAL

Link to strategy

Risk

We operate in many countries across the world, with wide-ranging government and political structures, different cultures with varying degrees of compliance with laws and human rights, particularly within conflict and post-conflict zones. Associated risk factors include: political volatility, including the outcome of elections and referendums affecting trade rules and regulations and changes in policies towards business, revolution, terrorism, and military intervention, and mistreatment of migrant workers and employees working for our suppliers. These risks impact us in many ways: the health and safety of our staff and customers; the continued operation of our businesses; and the ability to secure our assets and deliver good financial performance.

Risk mitigation

In markets where policy or trade agreements have a significant impact on our ability to trade we engage with governments to promote the benefits that G4S brings to a market and an economy, to ensure that we minimise potential adverse impacts of trade restrictions or trade policy.

We collaborate with local partners, conduct early risk assessments before and during security assignments, develop robust operating procedures and work closely with our local and global customers in managing the risks of operating in such environments.

Our Risk Management business has particular expertise in providing secure solutions in very high-risk, low-infrastructure environments.

We have a clear commitment to respect human rights. All business units are required to annually self-assess their compliance with human rights standards which are reviewed by the Group and included in internal audits for the higher risk countries. We have also built awareness of human rights responsibilities across the business and our partners and are increasing engagement with suppliers to ensure they are also complying with international human rights standards. This is governed by a mandatory supplier code of conduct which includes anti-bribery and modern slavery requirements.

Mitigation priorities for 2019

In markets where potential government policy or trade agreements may have a significant impact on our ability to trade we will continue to engage with governments to promote the benefits that G4S brings. We will continue to monitor the results of human rights control self assessments, providing support with training and guidance where needed to further embed awareness and understanding of expectations. We will also continue to increase engagement with suppliers to ensure their compliance with human rights standards.

Principal risk

INFORMATION SECURITY

Link to strategy

Risk

Increased regulations and sanctions relating to the potential failure to secure sensitive and confidential data, which we are entrusted with by customers, staff, suppliers and other stakeholders, have increased our risks in this area. Like all organisations, we face cyber attacks from a variety of sources which, if successful, could result in censure and fines by national governments, loss of confidence in the G4S brand and specific loss of trust by customers, especially those in government and financial sectors. Additionally, we face the risk of disruption to service delivery and data loss from system failures, incomplete backup routines, and inadequate business continuity and disaster recovery plans.

Risk mitigation

The IT function is centrally managed to control the way our systems are supported and run. We have 'defence-in-depth' technologies (i.e. multiple layers of defence) in key systems to protect information entrusted to us. This helps to ensure policies and standards are applied consistently across all operating businesses.

A programme of investment in cyber defence tools was delivered during 2018 which has strengthened the security of our IT systems and infrastructure, including managed cyber security products, centralised infrastructure management tools and cyber vulnerability assessments.

We have introduced standards and guidance to ensure compliance with the General Data Protection Regulation (GDPR) across the UK and Europe.

Mitigation priorities for 2019

We will augment the cyber toolset with new network management systems as well as a global programme to migrate legacy data processing systems to the Cloud. By moving our data processing systems to the Cloud we will establish a global standard for disaster recovery using the latest technologies available.
The programme of cloud migration will be complete by mid-2020.

Principal risk

CASH LOSSES

Link to strategy

Risk

We provide a wide range of cash management services, including cash processing, fit-sorting of notes for recycling, holding funds on behalf of customers, secure storage, ATM services, as well as transporting high values of cash and valuables including international shipments. Our Retail Cash Solutions offering can provide a full outsourcing of the cash cycle. Our cash business face risks related to external attacks, internal theft, gaps in cash reconciliations and weak management supervision, which could lead to loss of profit, increased cost of insurance and health and safety considerations for our staff and the public.

Risk mitigation

The introduction of the Global Cash Solutions division in 2018 has given us additional focus to drive improvement in the effective performance of physical security and cash reconciliations throughout our cash businesses, to reduce both the number and value of losses.

Our Reconciliation and Operational Cash Controls continue to be implemented across our cash businesses with direct support from regions and Group to ensure awareness and effective performance improvement. Self assessments against these standards are performed twice a year by each branch and country head office. Compliance is supported and monitored by regional teams and through internal audit. We also have clearly defined standards for physical cash security for our employees, vehicles and processing centres. The Group, region and local cash security teams are responsible for monitoring compliance with these through self-assessments of Mandatory Security Principles performed by local management There are processes in place for monitoring attacks and other cash losses to ensure lessons learned are communicated across the Group. Innovative security-defence products such as cash box tracking, vehicle protection foam and protective boxes are used in a number of businesses.

Mitigation priorities for 2019

The recently implemented merger of cash reconciliation and physical cash security teams, will provide greater focus on these key controls across our cash businesses. In addition we will refine both sets of controls to ensure they are relevant and efficient and there will be more reviews to check compliance by both regional teams and internal audit.

People and values
Customers and service excellence
Technology and innovation
Operational excellence and productivity
Financial and commercial discipline

JOHN CONNOLLY,
Chairman

BOARD AREAS OF FOCUS 2018

The board action plan for 2018 was informed among other things by the results of the board evaluation process and included:

- Annual review of and development of plans for execution of Group strategy
- Monitoring the effectiveness and performance of the organisation
- Application of technology in the business
- Induction and integration of new board members
- Board and management succession planning
- Maintaining understanding of the Group's stakeholders, including customers, employees and shareholders
- Continued focus on corporate culture

Progress made in 2018 in all these key areas is set out in the governance report.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

In respect of the year ended 31 December 2018, the company has complied with the provisions of the April 2016 edition of the UK Corporate Governance Code (the "Code"), which is available on the Financial Reporting Council's website (frc.org.uk).

The corporate governance report examines how we have applied these provisions.

CORPORATE GOVERNANCE SUPPORTING CHANGE

Focused on delivering value

During 2018 we made progress in developing our plans to position the company for the future and in December 2018 announced that we had commenced a review of the options for the separation of our Cash Solutions business. The board believes that a separation has the clear potential to enhance the focus and success of both Secure Solutions and Cash Solutions and unlock substantial shareholder value.

Strategic context

At a time of great political and economic uncertainty, we believe we have a clear plan and continue to make progress against our strategic priorities. More details on this progress can be found on pages 2 to 5. The review of the separation options for our Cash Solutions business is underway and we believe that this has the potential to create two strong, independent businesses, each able to take advantage of their strong market positions and service offerings to deliver sustainable shareholder value. This is consistent with the fundamentals of our strategy, which is to deliver industry leading, innovative solutions and outstanding service, for our customers, engaging and rewarding work for employees and sustainable growth and returns for stakeholders.

Supporting Progress

Planning for the future requires us to maintain our focus on ensuring that the board composition remains fit to support the Group, as it evolves. As noted in the Nomination Committee Report (page 90), board succession planning remains a priority for 2019, particularly in light of our ongoing separation review.

In addition, our Chief Executive and Group HR Director engage with the board each year on talent management and succession plans.

In promoting the success of the company for the benefit of its members, the board takes account of other stakeholders' interests. We will continue to engage with our stakeholders and we value greatly the feedback we received throughout the year. More information about the board's engagement with stakeholders is set out on pages 86 and 87.

Corporate Governance

The board is committed to ensuring that corporate governance is an integral part of our organisation. The board has reviewed the company's performance against the UK Corporate Governance Code (the Code) and has concluded that the company complied with the Code throughout the 2018 financial year. A copy of the Code is available from frc.org.uk. As part of our annual corporate governance review, the

Board also considered the new provisions contained within the 2018 Corporate Governance Code, which applies to the company with effect from 1 January 2019 (the "New Code") and is taking steps to address the new requirements. The board is supportive of the changes which continue to focus on principles of good governance and promote a more thoughtful and company-specific approach to governance.

As explained in the Strategic Report, the industries in which we operate are going through a period of significant change. The board has an important role to play in reviewing our strategy, plans and performance to ensure that the company is well positioned to address these changes in a way that is consistent with good governance and the interests of our stakeholders. The role of our separate Risk Committee remains important in supporting the board in setting the right level of risk appetite and reviewing key risks, major projects and contracts. The work of the Risk Committee is described on page 96.

Changes to the board

Broadening the board's capabilities and increasing the diversity of skills, experience and backgrounds of our board members was an important aspect of the work of the board through its Nomination Committee during 2018.

John Ramsay joined the board on 1 January 2018. His extensive experience in international businesses and his background in finance and accounting are proving very valuable to our board and in leading our Audit Committee.

As announced last year, after eight years on the board, Clare Spottiswoode stepped down after the company's annual general meeting on 15 May 2018. Clare was instrumental, as chair of the CSR Committee since 2014, in helping embed CSR and governance processes across our organisation. On 18 June 2018, Elisabeth Fleuriot joined the board and was appointed to the role of chair of the CSR Committee. Elisabeth brings wide international management experience in developed and emerging markets and an understanding of CSR matters together with a keen interest in sustainable development. The work of the CSR Committee is described on page 93.

As announced on 1 March, John Daly will step down after the company's annual general meeting on 16 May 2019. I would like to thank John for his contribution to the work of the board, Audit Committee and his leadership of the Remuneration Committee. The Nomination Committee has initiated a search to find a new non-executive director to join the board.

Performance evaluation

Our externally facilitated board performance evaluation conducted between September and December 2018 is described on page 84. As in prior years, I led the performance evaluation process with assistance from the company secretary. Again this year, the results were very useful and insightful and were incorporated into the board plan for 2019.

Underlying results

During 2018, our Secure Solutions business delivered organic revenue growth of 3.0% and Secure Solutions Adjusted PBITA margin rose from 6.2% to 6.5%. In Cash Solutions, our North American Retail Cash Solutions grew the number of locations served by 17% but did not have the same very large customer mobilisation as in 2017. Overall Cash Solutions revenues declined 9.3% and Adjusted PBITA declined 17.1%. Group organic revenue growth was 1.0% and Adjusted PBITA was unchanged at £474 million.

The Group's adjusted earnings per share was unchanged at 16.7 pence per share. Operating cash flow in 2018 was 96% of Adjusted PBITA (2017:107%). The Group's net debt to Adjusted EBITDA at the year end was 2.7x (2017: 2.4x).

In August 2018, the board declared an interim dividend of 3.59 pence (DKK 0.2969) per share which was paid on 12 October 2018. The board is confident that the business has the potential to deliver good revenue growth in the medium term. Mindful of the attractive opportunities to invest in developing new products, solutions and services in both Cash and Secure Solutions, the board proposes to recommend a final dividend of 6.11p (DKK 0.5321) per share, payable on 14 June 2019. This will bring the total dividend for the year to 9.70p per share, in line with last year's.

People

With 546,000 employees across more than 90 countries, our people remain at the heart of everything we do. The board continues to support our employee engagement programmes and to promote the application of our values across the Group.

We also promote the use of "Speak Out", our independent and confidential whistleblowing system, as an important tool to help us to monitor adherence to our values and to take steps to ensure values and behaviours are closely aligned wherever we operate. The board and I look forward to reviewing the results of our 2019 employee survey and in the meantime, we thank all our people for their continued hard work and dedication.

JOHN CONNOLLY
Chairman

OUR VALUES

We act with..
INTEGRITY AND RESPECT

We are passionate about...
SAFETY, SECURITY AND **SERVICE EXCELLENCE**

We achieve this through...
INNOVATION AND **TEAMWORK**

Integrity and Respect
Our business activities and relationships are built on trust, honesty and openness. We deliver on the promises we make and treat our colleagues, customers and those in our care with the utmost respect.

Safety, Security and Service Excellence
We work in a safe way and take great care to protect our colleagues and customers from harm. We are experts in security and use that knowledge to protect our customers' most valuable assets. We are passionate about delivering high levels of customer service.

Innovation and Teamwork
We invest in technology and best practice to improve continually our service offering. We challenge ourselves to find new ways of helping our customers. We work together as a team to achieve the best results for our customers and our business. Everyone has a valid opinion and their contribution is valued.

1


2


3


4


5


6


7


8


9


10


OUR BOARD

1. JOHN CONNOLLY

Non-Executive Director/ Chairman of the board

Appointment to the board: June 2012

Committee membership: Nomination Committee (chair) and Risk Committee

Skills and experience: A chartered accountant with extensive experience working in a global business environment and in sectors with strategic relevance to the Group.

Career experience: Spent his career until May 2011 with global professional services firm Deloitte, was Global Managing Director and then Global Chairman between 2007 and 2011. He was Senior Partner and CEO of the UK Partnership from 1999 until his retirement from the firm.

Current external commitments: Chairman of the Great Ormond Street Hospital Charity board of trustees and director of a number of private companies.

2. ASHLEY ALMANZA

Chief Executive Officer

Appointment to the board: May 2013

Committee membership: Risk Committee

Skills and experience: Extensive board and executive management experience in complex international businesses. Holds an MBA from the London Business School.

Career experience: Senior executive roles at BG Group from 1993 to 2012, including CFO from 2002 to 2011 and Executive Vice President from 2009 to 2012, during which he led BG Group's UK, European and Central Asian businesses and the group's commercial strategy in Central Asia. Formerly non-executive director (chair of Risk and Audit) of Schroders plc between 2011 and 2016 and Noble Corporation Inc between 2013 and 2018.

Current external commitments: Chairman of the International Security Ligue.

3. JOHN DALY

Non-Executive Director

Appointment to the board: June 2015

Committee membership: Remuneration Committee (chair) and Audit Committee

Skills and experience: Diploma in marketing and an MBA from the University of Dublin. Significant executive management experience in major international businesses with extensive knowledge of Asia and the Middle East.

Career experience: Worked in sales and marketing in the pharmaceutical industry before joining British American Tobacco (BAT) in 1994 and held various executive leadership positions worldwide over the next 20 years at BAT including COO & Regional Director for Asia Pacific.
Current external commitments:
Non-executive Chairman of Britvic plc and Vivo Energy.

4. ELISABETH FLEURIOT

Non-Executive Director
Appointment to the board: June 2018
Committee membership: CSR Committee (chair) and Remuneration Committee
Skills and experience: BA in Economy, Finance and Marketing and an MA in Economic Sciences from the Institut d'Etudes Politiques de Paris. Awarded the title of Chevalier de L'Ordre national de la Légion d'honneur.
Career experience: Over 20 years' experience as President and CEO in FMCG multinational companies based in Europe, the USA and Asia. Served as CEO of Thai Union Europe & Africa between 2013 and 2017. Prior to this, she spent 12 years with the Kellogg Company, in various roles including Regional President and Senior Vice President Emerging Markets. Earlier in her career she was General Manager, Europe for Yoplait, having spent the first 18 years of her career with the Danone group.
Current external commitments: Currently a non-executive director of Stora Enso Oyj, a company listed on the Helsinki and Stockholm stock exchanges, board member of a private company investing in foodtech start ups and board member of Fondation Caritas.

5. WINNIE KIN WAH FOK

Non-Executive Director
Appointment to the board: October 2010
Committee membership: CSR Committee and Remuneration Committee
Skills and experience: An auditor by training, with a Bachelor of Commerce degree from the University of New South Wales, Australia and fellowship or membership of accounting bodies in Australia, Hong Kong and England.
Career experience: International board and senior management experience with extensive knowledge of Asian markets and strong involvement in Scandinavia. Involved in management positions in finance, audit and corporate advisory work and has held a wide range of roles in private equity firms with a particular focus in Asia.
Current external commitments: Senior advisor to Wallenberg Foundations AB; non-executive director of Volvo Car Corporation and SEB AB; and investment committee member for the HOPU Investment Fund.

6. STEVE MOGFORD

Non-Executive Director/Senior Independent Director
Appointment to the board: May 2016
Committee membership: Audit Committee, Nomination Committee and Risk Committee.
Skills and experience: First Class BSc Honours Degree in Astrophysics, Maths and Physics from Queen Elizabeth College, University of London. Extensive experience of delivery of complex programmes in the defence, infrastructure and utilities market.
Career experience: Served a 30-year career with British Aerospace, later BAE Systems, during which time he held several senior management positions before becoming COO, with particular responsibility for programmes, major projects and customer support, and a member of the BAE Systems plc board. Chief executive of SELEX Galileo for four years prior to joining United Utilities Group plc in 2011 as CEO.
Current external commitments: CEO of United Utilities Group plc.

7. JOHN RAMSAY

Non-Executive Director
Appointment to the board: January 2018
Committee membership: Audit Committee (chair) and CSR Committee.
Skills and experience: A chartered accountant with extensive international experience in innovation-focused businesses.
Career experience: Began his career at KPMG and developed his experience in emerging markets, working in Malaysia and Latin America for the manufacturer ICI. In 1993 was appointed Finance Head, Asia Pacific for Zeneca Agrochemicals and later promoted to Global Financial Controller. In 2000 he joined Syngenta AG, as Group Financial Controller, later being promoted to CFO until his retirement in 2016. Whilst at Syngenta he also served as interim CEO for nine months.
Current external commitments: Member of the Supervisory Board of Koninkijke DSM N.V and a non-executive director of RHI Magnesita N.V.

8. PAUL SPENCE

Non-Executive Director
Appointment to the board: January 2013
Committee membership: Risk Committee (chair), Audit Committee and CSR Committee
Skills and experience: Degree in economics and decision science from the Wharton School, University of Pennsylvania. In-depth knowledge of outsourcing in both the public and private sectors and extensive international experience in emerging markets.
Career experience: Served a 30-year career with Capgemini, starting as managing partner of mid-Atlantic information and technology for Ernst & Young. He went on to gain significant international experience for 16 years as managing partner of Ernst & Young Consulting Australia, CEO of Capgemini Ernst & Young in Asia and then CEO in the UK. Then served on Capgemini's executive management committee for eight years as deputy group CEO and then CEO of Capgemini Global Outsourcing Services.
Current external commitments:
Non-executive director of Actual Experience plc.

9. BARBARA THORALFSSON

Non-Executive Director
Appointment to the board: July 2016
Committee membership: Nomination Committee and Remuneration Committee
Skills and experience: MBA in marketing and finance, Columbia University, New York and a BA in psychology, Duke University, North Carolina. International executive with experience using technology to meet customers' needs and develop new business models. Strong knowledge of North America, Latin America and Scandinavia.
Career experience: After an early career in marketing in North America, held senior management roles in the consumer goods and telecommunications sectors including CEO of NetCom ASA, Norway's second largest mobile network operator. Extensive non-executive experience with global companies including several international technology companies.
Current external commitments: Non-executive director of Svenska Cellulosa Aktiebolaget SCA (publ), Essity Aktiebolag (publ) and Hilti AG.

10. TIM WELLER

Chief Financial Officer
Appointment to the board: October 2016 having previously served as non-executive director since April 2013.
Committee membership: Risk Committee
Skills and experience: BSc (Hons) Engineering Science degree from the University of Exeter. An accountant by training and a Fellow of the Institute of Chartered Accountants in England and Wales with significant experience of the energy and utilities sectors.
Career experience: Joined KPMG in 1985, rising to partnership in 1997 before joining Granada plc as director of financial control. Held CFO positions with Innogy, a leading integrated energy company at the time, RWE Thames Water and United Utilities Group plc. Was CFO of Cable & Wireless Worldwide plc between 2010 and 2011 and CFO of Petrofac Limited between 2011 and October 2016.
Current external commitments:
Non-executive director of the Carbon Trust.

OUR EXECUTIVE COMMITTEE

1


2


3


4


5


6


7


8


9


10


11


1. ASHLEY ALMANZA
Chief Executive Officer
See page 74 for full biography

2. TIM WELLER
Chief Financial Officer
See page 75 for full biography

3. MEL BROOKS
Regional President, Africa
Appointed: May 2015
Skills and experience: Mel joined G4S in 2012 and his roles included Group Strategy & Commercial Director and CEO India and South Asia, where he led the transformation of the business, improving operations, customer service and sales. Prior to joining G4S, Mel held a number of senior line and functional roles in the defence and technology industries where he was responsible for service line and commercial strategies, technology development and leadership of a number of business unit turnaround programmes.

4. JOHN KENNING
Regional CEO, Americas
Appointed: January 2018
Skills and experience: John has extensive commercial experience. He holds a bachelor's degree in business from Miami University and prior to joining G4S in 2014, John's previous roles included Executive Vice President and President, Commercial Business for the global division of OfficeMax. He was also President, North America Commercial for ADT/Tyco Security Services, where he led the transformation of the business to a technology services leader. He is a member of Miami University Advisory Athletic Board and a past board member of the Make-a-Wish Foundation.

5. GRAHAM LEVINSOHN
Regional CEO, Europe and Middle East
Appointed: November 2017
Skills and experience: Graham has more than 20 years' experience in the security industry. He has held a number of commercial and line management positions in our cash and security businesses. Graham was responsible for the creation of the UK cash centres outsourcing business in 2001. He became Group Strategy and Development Director in 2008 and joined the executive committee in 2010. He was appointed Regional CEO, Europe in 2013 and the Middle East was added to his portfolio in 2017. He is a director of CoESS and a director of the International Security Ligue. Graham is a Fellow of the Chartered Institute of Marketing.

6. SØREN LUNDSBERG-NIELSEN,
Group General Counsel
Appointed: 2001
Skills and experience: Søren began his career as a lawyer in Denmark and has had a wide range of legal experience as general counsel for international groups in Europe and the US before joining the Group in 2001 as Group General Counsel. Søren has overall responsibility for all internal and external legal services for G4S Group and the Group's insurance programme. Søren is non-executive director of Basico A/S, a member of the Danish Bar and Law Society, a member of the advisory board of the Danish-UK Association and author of the book Executive Management Contracts, published in Denmark.

7. JENNI MYLES
Group HR Director
Appointed: July 2015
Skills and experience: Jenni has extensive experience in employee engagement, talent management and organisational development, having held HR leadership roles in G4S business units and regions across both developed and emerging markets. She also spent a number of years in head office as Director of Employee Engagement & HR, leading the Group's employee engagement and labour relations strategy. Prior to joining G4S in 1998, Jenni held HR positions in a variety of business sectors such as automotive, FMCG and consulting. She is a Fellow of the Chartered Institute of Personnel & Development (FCIPD).

8. JESUS ROSANO
Divisional CEO, Global Cash Solutions
Appointed: January 2018
Skills and experience: Jesus joined G4S in March 2014 as Chief Operating Officer, Latin America. In January 2016 Jesus joined the executive committee as Group Strategy and Commercial Director and was appointed to his current role, on 1 January 2018. Jesus holds a bachelor's degree in Engineering and Administration from ITESM University, Mexico. Prior to joining G4S he held senior line, functional and regional roles at DHL, in Latin America and North America. Before DHL, Jesus worked in strategy consulting and investment banking.

9. STEPHANE VERDOY
Group Sales and Marketing Director
Appointed: February 2018
Skills and experience: Stephane joined G4S in May 2014 in the role of Regional Sales Operations Director and moved in to the role of Sales Director, Europe shortly afterwards. Stephane holds a bachelor degree in Marketing and Distribution. Prior to joining G4S he held many different roles in sales, sales operations and field marketing at Fedex. His last position at Fedex was Vice President Global Sales and Sales Operations Europe.

10. SANJAY VERMA
Regional CEO, Asia Pacific
Appointed: January 2018
Skills and experience: Sanjay joined G4S in May 2017 as Regional President Secure Solutions – Asia Pacific. Sanjay has extensive business experience operating across Asia Pacific having been based in India, China and Hong Kong. Sanjay joined G4S from Cushman & Wakefield, a global real estate services firm. During his 17 years in that company he held a number of leadership roles including CEO, Asia Pacific and Chief Executive, Global Occupier Services, covering 16 countries in the Asia Pacific region. Sanjay is a graduate in electrical engineering and has a MBA in finance & marketing.

11. DEBBIE WALKER
Group Corporate Affairs Director
Appointed: March 2004
Skills and experience: Debbie is responsible for the corporate communications team which focuses on the Group's key audiences – media, government, employees and customers. She is also responsible for the Group's CSR and human rights strategies. Prior to the merger between Group 4 Falck and Securicor, she held a number of senior marketing and communications roles within the Securicor group, having joined in 1993.

OUR GOVERNANCE FRAMEWORK

The board oversees the Group's governance framework, reviews and approves the strategy, monitors management's performance against agreed targets and ensures appropriate controls are in place and operating effectively.

The board ensures leadership through effective oversight and review. Executive decisions, and development and implementation of strategy are delegated to management.

The board fulfils a number of its responsibilities directly (see the list of matters reserved to the board on page 79) and others through its committees.

BOARD

Role and responsibilities

- Review and approve the company's strategy
- Monitor management's performance against agreed targets
- Review, approve and promote the company's values and standards
- Review its own performance on a yearly basis

CHIEF EXECUTIVE OFFICER

GROUP EXECUTIVE COMMITTEE

NOMINATION COMMITTEE

Role and responsibilities

- Review board composition
- Lead the process for new board and committee appointments
- Review board succession planning processes

See page 90

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Role and responsibilities

- Review and approve the company's CSR strategy or recommend policies to ensure CSR remains an integral part of the Group's strategy
- Monitor compliance with CSR policies throughout the Group and the integration of CSR processes within the Group's risk management and approval processes

See page 93

RISK COMMITTEE

Role and responsibilities

- Advise the board on the Group's overall risk appetite and tolerance
- Oversee the company's risk management framework and review its effectiveness
- Review major contracts and projects

See page 96

AUDIT COMMITTEE

Role and responsibilities

- Oversee the financial reporting process and ensure the integrity of the company's financial statements
- Monitor internal audit
- Approve external audit scope and fee, review and monitor external auditor's independence

See page 98

GROUP RISK AND INTERNAL AUDIT FUNCTION

REMUNERATION COMMITTEE

Role and responsibilities

- Approve remuneration of chairman of the board, the executive directors, other members of the executive committee and the company secretary of the board
- Monitor level and structure of remuneration of other senior management of the Group

See page 105

MATTERS RESERVED TO THE BOARD

The board is responsible for a number of specific matters in the following areas:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Risk appetite, risk management and internal controls
- Material contracts
- Major acquisitions and disposals
- Communication with shareholders
- Board membership and other appointments
- Delegation of authority
- Corporate governance matters
- Tax and treasury policies
- Other matters – such as settling material litigation

The work of the board's committees is described below in this report and the terms of reference of each of the committees are available on the company's website at g4s.com/investors.

KEY ROLES IN OUR GOVERNANCE FRAMEWORK

To ensure a clear division of responsibilities

Chairman of the board

- Leads the board, promoting good corporate governance and ensuring board compliance with regulatory requirements
- Ensures board effectiveness on all aspects of its role
- Promotes a culture of challenge, debate, openness and support
- Ensures NEDs receive a comprehensive induction, on going training to support the performance of their duties and timely and clear information
- Maintains regular contact with major shareholders and conveys their views to the board

Chief Executive Officer

- Responsible for developing and implementing the Group's strategy and plans
- Responsible for the overall management and promotion of the Group
- Manages the Group's risk profile in accordance with the risk appetite set by the board
- Ensures effective communication between the board and the business

Chief Financial Officer

- Manages financial risks in accordance with the risk appetite set by the board and implements effective internal financial control processes across the Group
- Responsible for financial planning to support the company's strategic objectives
- Leads the Group's finance, internal audit, procurement, information technology, tax and treasury functions
- Provides regular financial reporting to the board

Senior Independent Director

- Acts as a sounding board for the chairman and as an intermediary for the other directors when needed
- Maintains a balanced understanding of the views of major shareholders
- Maintains regular and effective communication with other directors
- Leads the yearly appraisal of the chairman's performance
- Chairs the Nomination Committee when it is considering issues directly affecting the chairman

Independent non-executive directors (NEDs)

- Provide constructive challenge and support
- Monitor management's performance against agreed targets
- Satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and effective
- Determine appropriate levels of remuneration for executive directors
- Key role in appointing directors and in board succession planning

Company Secretary

- Secretary to the board and its committees
- Responsible for advising the board through the chairman on all governance, regulatory and legislative matters
- Ensures all directors have access to the advice and services of the company secretariat, and external advice if necessary
- Responsible for ensuring compliance with board procedures and processes
- Supports the chairman and chief executive officer in preparing and organising induction programmes for NEDs

BOARD BALANCE AND DIVERSITY

The Group's workforce reflects the wide range of countries, cultures and environments in which the Group operates.

The Group has long recognised that diversity can enhance decision making and performance and therefore it actively promotes diversity within the organisation.

More information about the Group's approach to diversity is set out on pages 22 and 23.

Mindful of its obligations under both DTR7.2.8A and Code Provision B.2.4, the board adopted, earlier this year, a formal board diversity policy to capture its approach to diversity and set out the principles it follows in considering board appointments, board composition, and succession planning.

The board diversity policy is available at g4s.com/investors and further information on how the board applies the principles set out in the policy is set out in the report of the Nomination Committee on pages 90 and 91.

The board's policy promotes diversity in terms of gender, ethnicity, nationality, skills, personal attributes and experience. Most board members have international experience, which is very important in a Group like G4S, with operations in over 90 countries.

Experience of a variety of industries, a mix of both long-serving and new members, gender diversity as well as five nationalities represented on the board, all contribute to greatly enrich debate in the boardroom, and bring fresh perspectives and understanding.

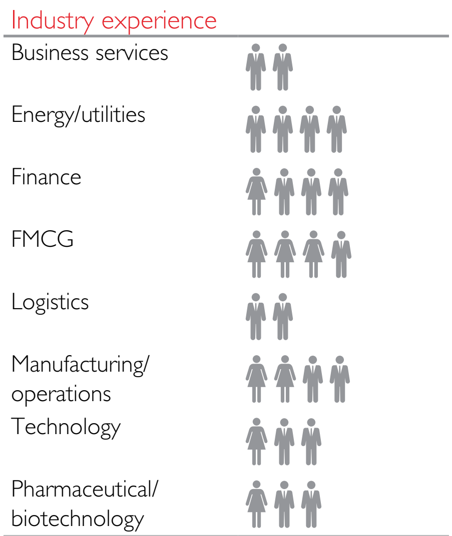
The board also considers diversity as part of its annual review of talent management and succession plans for the board and senior management team.

As part of this review, gender diversity, as well as initiatives in place or being developed to promote greater representation of women and an increase in cultural and ethnic diversity across the Group's global leaders are also discussed.

Board balance	
Non-executive directors	80%
Executive directors	20%

Gender	
Male	70%
Female	30%

Board tenure 2018	
2 years or less	20%
> 2 yrs < 4 yrs	30%
> 4 yrs < 6 yrs	30%
> 6 yrs < 8 yrs	20%



Board composition

As at the date of this report, the board comprises 10 members: the non-executive chairman (John Connolly), seven other non-executive directors and two executive directors.

The names of the directors serving as at 31 December 2018 and their biographical details are set out on pages 74 and 75.

All these directors served throughout the year under review, apart from Clare Spottiswoode, a non-executive director who retired from the board on 15 May 2018, and Elisabeth Fleuriot, who was appointed to the board on 18 June 2018.

Independence

The board considers all the non-executive directors to be independent and to bring objective oversight and challenge.

The board acknowledges the recommended term within the Code and is mindful of the need for planned and orderly succession whenever possible. Therefore clear records of the tenure and skill-set for each non-executive director are maintained. In addition, a review is undertaken by the Nomination Committee at least once a year.

Director re-election

The company's articles of association require that all continuing directors are subject to election by shareholders at the next annual general meeting following their appointment and that they submit themselves for re-election at each annual general meeting, in accordance with the Code's provision on re-election of directors. With the exception of John Daly who will step down at the end of the 2019 AGM, all the continuing directors intend to stand for election or re-election, as the case may be, at the company's upcoming AGM.

Potential conflicts

Each of the directors has disclosed to the board any situations which apply to them as a result of which they have or may have an interest which conflicts or may conflict with the interests of the company. In accordance with the company's articles of association, the board has authorised such matters. Should a director become aware that they may have an interest in an existing transaction with G4S, they should notify the board in writing or declare it at the next meeting. The company has procedures in place for managing such situations. The affected director will not vote on a matter in which they have an interest and the board may impose additional conditions if deemed appropriate. The board reviews such matters on a regular basis.

Board composition, roles and attendance (as at 31 December 2018)

	Meetings attended					
Chairman	Board*	Nomination	CSR*	Risk*	Audit	Remuneration
John Connolly[1]	9/10	2/2	n/a	5/6	n/a	n/a
Executive Directors						
Chief Executive Officer						
Ashley Almanza	10/10	n/a	n/a	6/6	n/a	n/a
Chief Financial Officer						
Tim Weller[2]	10/10	n/a	n/a	5/6	n/a	n/a
Non-Executive Directors						
John Daly[3]	9/10	n/a	n/a	n/a	4/4	3/3
Elisabeth Fleuriot[4]	5/6	n/a	4/4	n/a	n/a	2/2
Winnie Fok	9/10		6/6			3/3
Steve Mogford (Senior Independent Director)[5]	10/10	2/2		5/6	4/4	n/a
John Ramsay[6]	9/10	n/a	6/6	n/a	4/4	n/a
Paul Spence	10/10	n/a	6/6	6/6	4/4	n/a
Clare Spottiswoode[7]	4/4	n/a	2/2	n/a	n/a	1/1
Barbara Thoralfsson	10/10	2/2	n/a	n/a	n/a	3/3

* There were seven scheduled board meetings and three additional meetings during the year. Four meetings of the CSR Committee and the Risk Committee were scheduled during the year and two additional meetings for each committee also took place.

1. Mr Connolly was unable to attend one board meeting and one Risk Committee meeting due to a temporary indisposition.
2. Mr Weller was unable to attend one unscheduled meeting of the Risk Committee due to a prior conflicting engagement. Prior to the meeting, he had signified his approval of the matters being discussed to the committee chairman.
3. Mr Daly was unable to attend one unscheduled board meeting due to a prior conflicting engagement. Prior to the meeting, he had provided comments and feedback on matters to be discussed to the chairman of the board.
4. Ms Fleuriot was appointed to the board and as chair of the CSR Committee and member of the Remuneration Committee with effect from 18 June 2018. She was unable to attend one board meeting due to a conflicting engagement made prior to her joining the board
5. Mr Mogford was unable to attend one meeting of the Risk Committee due to a prior conflicting commitment. Prior to the meeting, he had signified his approval of the matters being discussed to the committee chairman.
6. Mr Ramsay was unable to attend one board meeting due to a conflicting engagement made prior to joining the board. Prior to the meeting, he had provided comments and feedback on matters to be discussed to the chairman of the board.
7. Ms Spottiswoode retired from the board and as chair of the CSR Committee on15 May 2018.

Board meetings

Seven scheduled board meetings and three additional meetings took place during the year ended 31 December 2018. Each year, one of these meetings is an extended two-day meeting at which, in addition to normal board business, the board and executive committee review the Group strategy.

Prior to each board meeting, comprehensive papers are circulated to the directors addressing not only the regular agenda items on which the executives will report, but also details of any matters requiring approval or decisions, such as significant transactions or other matters reserved to the board.

At each meeting, the board receives regular reports and in-depth presentations from line and functional executives and the board makes visits to business sites from time to time.

After meetings of the board committees, the respective chairs report to the board on the matters considered by each committee.

After each board meeting the chairman holds a meeting attended solely by the non-executive directors.

There are seven board meetings scheduled for 2019 including a two-day board and strategy meeting.

2018 BOARD ACTIVITIES IN FOCUS

- Held a two-day strategy forum with the Group Executive Committee, in October
- Approved the launch of the review of separation options for the Cash Solutions business
- Appointed one new non-executive director
- Discussed succession plans for board members
- Approved half-year results and year-end results
- Received regular reports from the chair of the nomination, CSR, risk, audit and remuneration committees
- Reviewed and approved the Group Business Ethics Policy, Market Abuse Regime framework, Group treasury policy and Group tax strategy
- Approved the Group's slavery and human trafficking statement
- Monitored and reviewed developments in corporate governance and reporting
- Conducted visits to a G4S cash centre and G4S managed custodial facilities in the UK, as well as to Group operations in Northern Europe (see below)
- Took part in various engagements with shareholders and investors during the year – see page 86
- Reviewed the 2018 AGM proxy voting figures

TWO-DAY STRATEGY SESSION AT G4S DENMARK

SAFETY, SECURITY AND SERVICE EXCELLENCE

In October 2018, the board and Group executive team held a two-day strategy session at the Group's Danish headquarters, located just outside Copenhagen. The board and Group executive team met with the Danish senior management team as well as a number of employees focused on research and development and innovation.

The board received an in-depth presentation on the business model adopted by the Danish business. By placing the customer at the heart of their offering and involving the customer every step of the way, the team ensures the development of integrated security solutions which generate tangible value for customers and promote greater and closer collaboration.

A demonstration of drone technology took place at which the board and executive team learnt more about how such technology was being deployed to support and supplement other security solutions.

In addition, the board and executive team had the opportunity of meeting the Danish senior management team informally.

INDUCTION, INFORMATION AND DEVELOPMENT

A tailored induction is provided to new directors joining the board. The induction is designed to ensure new directors have the necessary understanding of their role and how they can maximise their effectiveness. It is therefore tailored to individual needs and those of the role they will fulfil on the board.

To build on the induction programme, directors receive further briefings both to help in their own development and to enhance their awareness of the different elements of the business. In addition, non-executive directors learn about the Group's business and meet employees and management through site visits.

In 2018, induction programmes were run for two non-executive directors, namely Mr Ramsay who joined the board on 1 January 2018 and chairs the Audit Committee and Ms Fleuriot who joined the board on 18 June 2018 and chairs the CSR Committee.

Continued induction – Audit Committee chair

In addition to the steps set out one page 76 of the 2017 Integrated Report and Accounts, Mr Ramsay's induction also included several site visits, which were arranged throughout the year, including to two G4S run custodial facilities as well as the Group's largest cash centre in the UK. Mr Ramsay also attended a regional audit committee, thus gaining a better understanding of management processes, focus on controls and approach to judgmental areas.

Tailored induction – CSR Committee chair

Upon joining the board on 18 June 2018, a four step induction programme was prepared for Elisabeth Fleuriot, who also took on the role of chair of the CSR Committee.

Step 1 focused on promoting a good understanding of the company and the role and duties associated with the role of board director in the context of a UK quoted company. Access to information about the company, group structure, management team, board governance, minutes of board and committee meetings and risk management, briefing on directors' duties and other regulatory and legal matters was provided.

Step 2 sought to help Ms Fleuriot develop an understanding of the company's business, markets and main relationships. Over four days, Ms Fleuriot had individual sessions with members of the group executive team and senior managers. Areas covered included strategy, investor relations, governance, finance, legal and human resources.

Step 3 was designed to provide a deeper knowledge of corporate social responsibility matters from a G4S perspective. Ms Fleuriot met with her predecessor

Ms Spottiswoode, as well as the Group Corporate Affairs Director, the main executive sponsor for CSR matters. In addition, focused sessions with members of the senior management team with responsibilities or particular knowledge of CSR matters took place. These included a session with the Head of Government Relations & CSR. A series of meetings were also organised with the Group Director who has particular responsibility for the Group's health and safety programme. Such meetings included focused sessions with the Group Health & Safety Director who appraised Ms Fleuriot of the company's goal of zero-harm and related initiatives. Ms Fleuriot also met with the Head of Employee Relations, Diversity and Inclusion, to gain a better understanding of employee relations and engagement methods, as well as the Group's approach to diversity and inclusion.

Step 4 consisted of site visits and Ms Fleuriot together with other members of the CSR Committee visited the Gatwick Immigration Removal Centres in December 2018. Additional site visits are due to be arranged during the first half of 2019.

BOARD DEVELOPMENT PROGRAMME

Our board development programme focuses on promoting a greater awareness and understanding of our business and wider market issues as well as developing trends or topical issues relevant to their role as director of a UK quoted company with a secondary listing in Copenhagen.

Site visits, which allow directors to meet with local management and front-line staff, are organised once or twice a year. Some visits will involve the entire board, such as the visit to the Group's operations in Denmark. Others involve smaller groups, for example our CSR Committee visited a UK custodial facility during the year and another group of directors visited our largest cash centre in the UK. Meeting operational staff and local management is helpful both to gain a better understanding of challenges they face but also when reviewing succession planning below board level.

In addition, all non-executive directors are encouraged to visit our overseas businesses, if they happen to be travelling for other purposes.

During the year regular updates were also provided at board and committee meetings on developing trends and UK corporate governance changes which would need to be reflected in the Group's corporate governance arrangements.

April – UK cash centre visit

A group consisting of about half of the members of the board met with the management team of the cash centre and UK cash business and received a presentation on cash cycle management and outsourcing. Directors then toured the facility and watched a demonstration of vehicle security and protective solutions for cash transportation.

October – Denmark business visit

The two-day strategy session was held in Denmark (see case study opposite). This gave the board an opportunity to see the new products and services being developed by the Danish R&D teams.

December – UK immigration removal centre

The CSR Committee members visited Brook House, a G4S managed immigration removal centre (see page 94).

BOARD AND COMMITTEES PERFORMANCE REVIEW

In accordance with guidance from the Code, board and committees performance are assessed yearly with the support of an external facilitator. At least once every three years, the board conducts a fully externally facilitated exercise which was last carried out in 2017. In 2018, the board and committee evaluations were carried out by Oliver Ziehn of Lintstock. Oliver Ziehn and Lintstock have no other connection with the company.

The exercise consisted of tailored questionnaires sent to board members as well as a number of other internal and external stakeholders. The responses to the questionnaires were then compiled and analysed by Lintstock before they were shared with the board and each committee for consideration at meetings which took place in December.

Stage 1

The process started in September, with the development of tailored questionnaires in collaboration with the chairman of the board and each committee chair.

In late October, each of the directors, company secretary, Group HR Director, Group Corporate Affairs Director, Director of Risk and Internal Audit, Group Financial Controller, Director of Compensation and Benefits, other regular board committee attendees and external participants including audit partners from PwC (the Group's external auditor) and Deloitte (the Group's remuneration consultant) were invited to complete the questionnaires online.

The process was entirely confidential and designed to ensure open and valuable feedback was provided.

Stage 2

The Lintstock team compiled a report based on views gathered through replies to the questionnaires. Lintstock also reported on the performance of each of the directors and separately on that of the chairman.

Stage 3

The reports, conclusions and recommendations were considered and discussed by the board and each of the board's committees when reviewing their performance, and informed the planning for the board and committees' priorities in 2019.

As part of this process, the individual director reviews were used as the basis for the chairman's individual discussion with each of the directors about their performance and any training and development needs. The results of the board review were also considered as part of the review of the committees' composition by the Nomination Committee in December.

The report on the chairman was used to inform the discussion amongst the non-executive directors led by the senior independent director about the chairman's performance, without the chairman being present. The senior independent director also sought the views of the executive directors.

BOARD REVIEW OUTCOME

Board

The conclusions of this year's review confirmed that the board operates effectively, with the board dynamics enhanced by recent additions to the board. Other areas which received positive feedback included the board's relationship with the chief executive officer, time management of board meetings and board support.

A number of areas for further work were also identified. These included greater focus on succession planning, monitoring the implementation of strategy and the use of technology, gaining a better understanding of certain stakeholders' views, particularly those of customers, continued focus on corporate culture and directors' continuous development.

Committees

The effectiveness of the committees of the board was also reviewed and the results of the evaluation were also positive, with committees perceived to be running efficiently and making effective decisions.

Further information about the results of each committee review and how these results inform the following year's plan can be found in each of the board committee reports.

Chairman

The chairman's performance continued to be highly rated, in particular in managing individual directors' input. His relationship with the chief executive officer was also highly rated.

BOARD ACTION PLAN 2019

The board action plan for 2019 was informed among other things by the results of the board evaluation process and will include:

- Board oversight on execution of the strategy
- Maintaining the application of technology in the business
- Board and management succession planning
- Development of board members including interaction with executives
- Monitoring the effectiveness and performance of the organisation
- Implementing changes to the Group's corporate governance structure to comply with the New Code and reporting requirements
- Continued focus on corporate culture
- Maintaining an understanding of the Group's stakeholders, including customers, employees and shareholders

Stakeholders

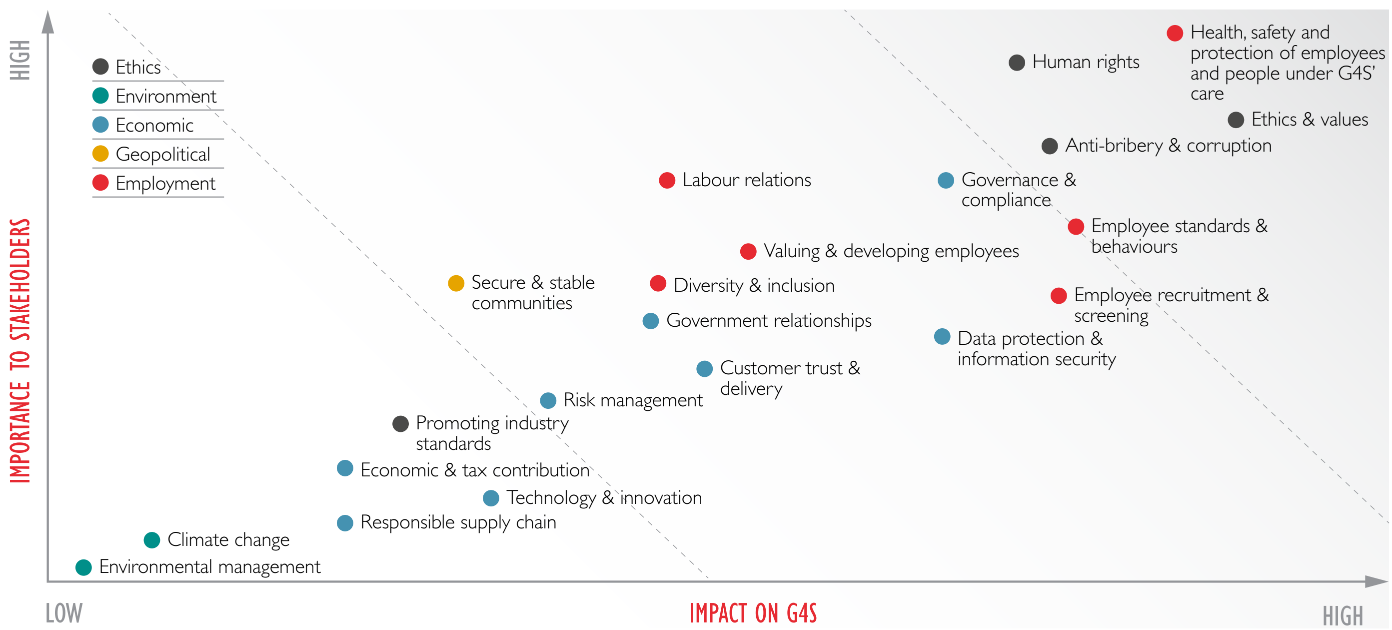
The board's engagement with the Group's stakeholders helps frame the Group's strategic direction, informs the board's decision making process and overall supports the board's duty to promote the success of the company as set out in Section 172 of the Companies Act 2006. Our formal engagement process for CSR matters is set out below. Other stakeholders engagement activities are described overleaf.

CSR Materiality Assessment

To ensure that G4S' approach to CSR remains focused on the areas that are most relevant to the business and its stakeholders, a wide-ranging materiality assessment of ethical and sustainability issues is undertaken every two years. The most recent assessment, completed in December 2017 confirms three core CSR priority areas during 2018 and 2019:

1. Health and Safety
2. Human Rights
3. Anti-Bribery and Corruption

Working in partnership with independent experts, we reviewed and identified issues and trends which may have the potential to have an impact on our business, our stakeholders and the wider security industry. Together with our partners, we conducted a series of interviews with the executive and non-executive members of G4S senior management team and a broad range of external stakeholders, including sustainability analysts, industry bodies, customers, suppliers, and NGOs. We sought views and opinions on which issues present the greatest risk or opportunity to the organisation's performance, strategy and reputation. The findings reinforce the importance that G4S' ethics, culture and values, and our employee's personal standards and behaviour have in preventing issues and poor performance across the core priorities and other CSR matters. Our next CSR materiality assessment is due in 2019.



ENGAGING TO DELIVER VALUE

Engagement activities with the Group's key stakeholders, what matters to each group and how we respond, are detailed on pages 16 and 17. This section focuses on how our board engages with stakeholder groups.

KEY STAKEHOLDERS	HOW THE BOARD ENGAGES
SOCIETY Our employees touch the lives of others every day, providing crucial services to help keep society safe and secure.	▪ As part of its decision making process, the board takes into consideration a broad range of issues which are reported to the board through a variety of means. ▪ During the year under review, the board received regular updates on corporate governance reform and broader societal issues that were considered by the Financial Reporting Council and UK government. ▪ The board reviewed and approved a number of policies including the Business Ethics Policy (g4s.com/ethics) as well as the tax strategy (g4s.com/tax). ▪ The Audit Committee reviewed the potential impact of Brexit on the Group and the Company. ▪ The CSR Committee sought to understand whether certain societal trends, such as the MeToo movement were reflected in the reports coming through whistleblowing and other reporting channels.
CUSTOMERS Through understanding our customers' needs we can offer value added, innovative, cost effective security solutions and build enduring relationships.	▪ The chief executive officer, chief financial officer and chairman attend a number of meetings with customers. ▪ The chief executive officer and other senior executives provide customer feedback and information to the board during the year. ▪ The board receives insights into customer constraints and requirements as part of its consideration of large contract bids or renewal. ▪ The board also reviews customers' changing expectations or needs as part of its strategy session every year. ▪ A number of major contracts were reviewed by the Risk Committee.
SHAREHOLDERS The company actively seeks to engage with shareholders on a regular basis.	▪ The primary means used by the board for communicating with all company shareholders are the annual report, annual results and half-year results announcements and the AGM. ▪ The section of the website dedicated to investor relations is also a useful tool, facilitating communication with institutional and private investors. It can be found at g4s.com/investors and includes material shared with institutional shareholders and analysts at company meetings. ▪ The board receives reports on investor relations at each scheduled meeting. **Analyst and investor meetings and presentations** ▪ Presentations as well as analyst and investor meetings are held following the release of the company's annual results and half-year results announcements. These are also streamed via live webcast for those unable to attend in person. ▪ After each such event, the presentation is made available in the Investor Relations section of the website. **Other shareholder meetings** ▪ Each year, the chairman, director of investor relations and company secretary meet with major shareholders as part of an annual round of governance meetings. The chairman reports on those meetings to the board. ▪ The chief executive officer and the chief financial officer also have contact via one-on-one meetings, group meetings and telephone conference calls with current and potential shareholders as well as with analysts. These meetings tend to be focused primarily on the Group's trading performance and the implementation of its strategy. ▪ In addition, the senior independent director and the chairman of the Remuneration Committee also met with some shareholders. **Annual general meeting** ▪ The company's annual general meeting is an important opportunity for communication between the board and shareholders, particularly private shareholders. ▪ The next annual general meeting is due to take place on 16 May 2019, at the Holiday Inn in Sutton, and details of the meeting and the resolutions to be proposed are set out in the Notice of Meeting available to download from the Group's website. It is intended that all the directors (other than Winnie Fok who has a conflicting engagement) will attend and be available to answer questions from shareholders. ▪ The meeting will be informed of the number of proxy votes cast and the final results of votes on the resolutions will be published subsequently on the website.

KEY STAKEHOLDERS	HOW THE BOARD ENGAGES
EMPLOYEES With 546,000 colleagues, G4S is one of the world's largest private sector employers. Our success is underpinned by the way we lead and engage with our people.	▪ The board's engagement with the Group's 546,000 employees is facilitated through a variety of initiatives and channels. **Board visits and other engagements** ▪ Throughout the year, board members had a number of opportunities to meet both front-line employees and managers in a number of geographies through various board visits. Board members met with staff working in UK custodial facilities as well as in immigration removal centres. Further details can be found on page 94. The board also met employees in the Cash Solutions division at the Group's largest cash centre in the UK. In October the board's visit to G4S' operations in Denmark afforded an opportunity for board members to meet the senior management team in Denmark, as well as employees focusing on integrated security solutions. Further details of the board's trip to the Danish business are on page 82. ▪ The board met with the members of the group executive team in October for a two-day strategy session. ▪ The chairman visited the headquarters of the North American business at the beginning of the year and provided an update to the board. **Health and Safety** ▪ The board received regular health and safety reports. Specific briefings were also provided to the board in relation to serious incidents such as the incident in Kabul, Afghanistan, which resulted in five of our colleagues losing their lives. **Surveys and other forms of engagement** ▪ The results of the employee surveys, as well as those of focus groups are reported and discussed by the board. ▪ The Remuneration Committee and the board reviewed and approved the Gender Pay Gap report.
SUPPLIERS We have a responsible purchasing policy consistent with our business ethics.	▪ The Group CFO is the executive with responsibility for management of the group procurement function. With a supplier base of about 40,000 suppliers of varying sizes spread across the 90 countries the Group operates in, engaging with suppliers takes place in many different ways. ▪ One of the main ways in which the board considers key suppliers is as part of large contract bid or renewal approvals. ▪ Supplier management initiatives are also discussed as part of the annual review and approval by the board of the Slavery and Human Trafficking Statement. ▪ The Treasury Policy which sets out the Group's approach to managing its bank and other suppliers of financial services to the Group is also reviewed and approved by the board.

RISK MANAGEMENT AND INTERNAL CONTROL

The directors acknowledge their responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness each year. The main features of these control systems include clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, written policies and procedures and the use of a single global consolidation system for internal management reporting, budgeting and planning as well as external reporting. While the Audit Committee has primary responsibility in this regard on the board's behalf, a separate committee of the board, the Risk Committee, was set up in 2013 as part of the Group's heightened focus on improving systems of internal control and risk management.

The board, through the Risk Committee, has carried out a robust assessment of the principal risks facing the company and of how those risks might affect the prospects of the Group. The principal risks, their possible impact and the mitigating actions taken, are set out on pages 67 to 71. Through the Audit Committee, the board conducted a review of the effectiveness of the systems of internal control during the year. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The enterprise risk management governance model, described on page 66 sets out some of the key features of the Group's risk management process which was in place throughout the year under review.

During the year, the Risk Committee reviewed the Group's risk appetite, which was considered and approved by the board. Further information on the work of the Risk Committee in relation to the risk management framework, including the Group's risk appetite, can be found in the report of the Risk Committee on page 96.

Whilst further improvement has been made in the effective performance of internal controls during the year, given the number of countries in which the Group operates and the variety of systems used there is still opportunity for improvement in the operational effectiveness of mandated controls and this will continue to be an area of focus during 2019.

The Audit Committee has confirmed that, although it is satisfied that the Group's risk management and internal control processes are appropriate and effective, given the decentralised nature of the Group and the number of internal controls and processes which are manual, the need for continued focus on enhancing the internal control environment remains. The work of the Audit Committee in this respect can be found in the Audit Committee report on page 98. The board has reviewed the Group's risk management and internal control systems for the year to 31 December 2018 by considering reports from the Audit Committee and the Risk Committee and has also taken account of events since 31 December 2018.

FAIR, BALANCED AND UNDERSTANDABLE

The preparation of the Integrated Report and Accounts is coordinated by the finance, investor relations and company secretariat teams with group-wide support and input from other areas of the business.

Comprehensive reviews were undertaken at regular intervals throughout the process by senior management and other contributing personnel within the Group.

The preparation process was reviewed by the Audit Committee and the board has reviewed a paper prepared by management setting out the governance process relating to the preparation of the Integrated Report and Accounts.

The board has separately considered the disclosures in the Integrated Report and Accounts and has concluded that they are fair, balanced and understandable.

The statement required to be given by the directors by Code provision C.1.1 can be found on page 131.

VIABILITY

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the viability of the Group over a three year period, aligned with that of the Group's bottom-up rolling planning cycle, taking into account the Group's current position, the potential impact of the principal risks documented on pages 67 to 71 and the Group's business model. Extension of viability testing beyond three years is seen by the Group as being of limited value because of the following factors:

- The majority of the Group's contracts are less than three years in duration;
- The correlation of demand for security services with the global economy; and
- The impact of the Group's on-going productivity programme.

The analysis of the viability of the Group has been performed following a two-stage approach considering firstly the assessment of the Group's prospects, followed by an assessment of the Group's viability.

ASSESSMENT OF PROSPECTS

The Group's prospects are assessed primarily through its bottom-up strategic planning process. In 2013 the overall strategy for the Group was refreshed comprehensively and the board has monitored progress closely against this strategy as well as the risks to its success. The portfolio management programme has created a focused Group with two principal business segments: Secure Solutions and Cash Solutions, which resulted in the establishment of the Global Cash Solutions division on 1 January 2018. In December 2018, the Group announced that it was reviewing options for the separation of the Group's Cash Solutions businesses from the Group and the rationale for this is set out on page 3 of the strategic report. Nevertheless, this viability analysis addresses the Group as it is currently constituted and does not consider the potential impact of a cash separation.

The 2018 planning process commenced in May with each country and business unit updating its rolling three-year strategic plan and considering the risks to achievement of that plan. These plans were reviewed and refined by regional management and then by the group executive committee before being reviewed by the board in October 2018. The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- A continued demand for security services and a growing demand for technology-enabled and integrated security, as set out on page 10 of the strategic report;
- An ability to continue to drive through our productivity programmes to drive efficiency and operational improvement and to flex the cost base, as set out on pages 30 to 31; and
- Continued delivery of operating cash flow conversion in line with our targets as set out on pages 32 and 33.

ASSESSMENT OF VIABILITY

The output of the strategic plan was used as the baseline for analysing covenant headroom under different scenarios. This analysis included assessing the sensitivity of the financial performance of the Group to changes in trading conditions, the capital needs of the business, as well as the potential impact of the principal residual risks.

The vast majority of the Group's risks exist at an individual country level and are individually immaterial. The principal residual risks described on pages 67 to 71 are an aggregate view of individual risks captured in country, region and group functional risk registers. These wide-ranging risks are highly unlikely to crystallise simultaneously and it is therefore unlikely that such risks would have a material impact on the Group's financial position. Nevertheless, the Group has sensitised its three-year financial projections for the following risks:

a. Potential loss of certain of the Group's top customers;

b. Potential adverse changes in foreign ownership legislation resulting in cessation of material business lines;

c. Potential working capital deterioration leading to operating cash flow being below expectation during the viability period;

d. Potential claims in respect of major contracts resulting in material settlement payments; and

e. Litigation or class action claims resulting in material legal costs and settlement payments.

The directors consider that this stress test assessment of the Group's prospects is reasonable in the circumstances. The directors have also considered the debt maturities in 2019 to 2021 as indicated on page 47 under the stress test scenarios and concluded that the Group would be able to meet its maturities as they fall due with the existing facilities currently in place, albeit with significantly lower levels of liquidity than are typically available to the Group, unless further debt capital market issuance takes place. In recent years the Group has had good access to the debt capital markets and the directors expect that such access will continue to be available, which mitigates the risk of tightening liquidity over the next three years in a stress test scenario.

VIABILITY STATEMENT

Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three financial years to 31 December 2021.

THE NOMINATION COMMITTEE

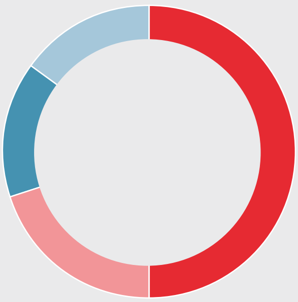
JOHN CONNOLLY,
Nomination Committee Chairman

Committee membership during 2018

	Member since
John Connolly (Chairman)	June 2012
Steve Mogford	May 2016
Barbara Thoralfsson	July 2016

The Nomination Committee meets on an ad hoc basis, when the need arises. In 2018, the committee met twice. In addition a number of decisions were made by written resolution.
Members' attendance at committee meetings is shown on page 81.

Main activities of the Nomination Committee during the year (%)



Recruitment of NEDs	50%
Independence and extending terms of appointment	20%
Reviewing board committee membership	15%
Succession planning	15%

Link to strategic priorities

During the year, the work of the Nomination Committee was focused on refreshing the board and reviewing its composition as well as laying the foundations to ensure that the attributes, skills and experience needed to ensure the board continues to be effective, as the business enters a period of change, are clearly understood.

Responsibilities

The Nomination Committee's remit covers broadly five areas, namely, board composition, making recommendations to the board on appointments with a view to maintaining a balance of skills and experience on the board and its committees, succession planning, board performance evaluation and annual reporting.

The committee's terms of reference are available at g4s.com/investors.

Board composition

Following the announcement in December 2017 that Clare Spottiswoode would step down from the board and as chair of the CSR Committee at the conclusion of the AGM on 15 May 2018, the Nomination Committee initiated the recruitment process for the appointment of a new non-executive director to succeed Ms Spottiswoode.

The Zygos Partnership (Zygos) was appointed to assist the committee with the recruitment. Zygos was provided with a candidate specification setting out the requirements for the role and the preferred attributes of potential candidates. In selecting the candidates, consideration was given to the skills and competencies required for the role, including an interest in, and enthusiasm for, the CSR agenda and a strong corporate conscience. The ability to make a broad contribution to the board was also key. In addition, consideration was given to the need to enhance board diversity and to continue to attract individuals with relevant skills and strong international experience, as well as corporate culture and fit. Shortlisted candidates were interviewed by the chairman, other members of the Nomination Committee, and the CEO. Zygos (now part of Russell Reynolds) has no connection with the company other than as provider of recruitment consultancy services to the Nomination Committee.

The process resulted in Elisabeth Fleuriot joining the board as non-executive director and chair of the CSR Committee on 18 June 2018. In addition, she was appointed as a member of the Remuneration Committee. Information about the induction programme undertaken by Elisabeth is provided on page 83.

Following the announcement in March 2019 that John Daly would step down from the board and as chair of the Remuneration Committee at the conclusion of the company's 2019 AGM on, a recruitment process has been initiated for a new non-executive director to succeed him. Russell Reynolds, which has no connection with the company other than as provider of recruitment consultancy services to the committee, was appointed to assist with the recruitment.

Directors' length of service

As part of its annual review of board composition, the Nomination Committee reviews the directors' length of service. In line with our Remuneration Policy, executive directors have a rolling service contract, whereas non-executive directors are appointed for an initial term of two years.

The table below sets out the date of appointment and (where applicable) unexpired term remaining for current members of the board.

Independence and re-election to the board

During 2018, the committee considered the terms of appointment of five directors which were due to expire either during the year or early in 2019. Two of these directors (Steve Mogford and Barbara Thoralfsson) had been appointed in 2016 and were coming to the end of their initial two-year term. In May 2018 the Nomination Committee considered the extension of their term of appointment and, concluded that they had successfully developed a deeper understanding of the business and made active contributions to the board. At the same meeting, the term of appointment of the chairman, John Connolly, who had been appointed in June 2012, was also considered. In light of his length of service, taking account of provision B.2.3 of the Code, a rigorous review of his contribution to the board was carried out and it was concluded that the chairman continued to lead the board effectively.

Messrs Connolly and Mogford and Ms Thoralfsson did not participate in the committee's deliberations regarding their respective term of appointment.

The matter of the extension of two directors' terms of appointment was considered later in the year. The term of appointment of Winnie Fok, who was appointed to the board in October 2010 and first elected at the 2011 annual general meeting was due to expire in September 2018. That of Paul Spence

Director	Date of appointment	Unexpired term[c]
Executive directors		
Ashley Almanza	1 May 2013[a]	n/a
Tim Weller	1 April 2013[b]	n/a
Non-executive directors		
John Connolly	8 June 2012	16 months
John Daly	5 June 2015	3 months
Elisabeth Fleuriot	18 June 2018	16 months
Winnie Fok	1 October 2010	18 months
Steve Mogford	27 May 2016	15 months
John Ramsay	1 January 2018	10 months
Paul Spence	1 January 2013	20 months
Barbara Thoralfsson	1 July 2016	17 months

a. Ashley Almanza was appointed to the board on 1 May 2013 as chief financial officer and took on the role of chief executive officer on 1 June 2013.
b. Tim Weller joined the board on 1 April 2013 as a non-executive director until 24 October 2016, when he became chief financial officer
c. Unexpired term calculated on the basis of the current two-year term for non-executive directors.

was due to expire in January 2019. In relation to Winnie Fok, in evaluating her contribution to the board, the committee noted that the combination of Winnie's position and experience relating to the Group's Chinese and Asian markets combined with her general business experience and expertise remained valuable to the board in supporting the development of the business in its fastest growing market. As for Paul Spence, the committee noted that his government and large outsourcing contracts experience as well as his experience and knowledge of the US, one of the Group's largest markets, remained very relevant to the business. The in-depth knowledge he had gained as chair of the Risk Committee since January 2016 and as chair of the Audit Committee during 2017 was also noted.

The committee recommended to the board that the appointments of Messrs Mogford, Spence, Connolly and Mses Thoralfsson and Fok be extended for a further two-year term.

The committee was satisfied that the non-executive directors continue to remain independent and committed to their role as directors of the company. With regard to Winnie Fok specifically, both the committee and the board are satisfied that she will continue to remain independent when her tenure exceeds nine years, for the reasons set out above. The board further believes that her knowledge and experience of the business will provide helpful continuity at a time of great change for the Group. The committee and the board are mindful of the need to refresh the board however, and will keep the matter under review as a part of the overall board succession plan.

Succession planning

At its December meeting, the Nomination Committee reviewed the board directors' length of tenure, board committees composition as well as the current skills and experience available on the board. The committee also considered what further skills or experience may be useful to enable the board to support the developing needs of the Group. The results of the board evaluation were also considered. Reviewing these various parameters helps inform future board recruitment.

Diversity

Diversity is a matter for the board as a whole and is an integral part of succession planning and recruitment for the board and senior management team. The board's approach to diversity is set out on page 80.

The Nomination Committee seeks assistance from executive search agencies which are signatories of the Voluntary Code of Conduct to help ensure the most diverse talent pools are reached and an approach in line with best practice is adopted.

Diversity is also expresly included in the specification provided to search agencies for each recruitment.

Consideration is also given to diversity when reviewing board composition and the result of the annual board performance evaluation. In doing so, the committee took account of the results of the third Hampton-Alexander review into gender diversity on boards of FTSE 350 companies published, as well as the recommendations of the Parker review on ethnic diversity.

Committees composition

The composition of board committees was reviewed at the time of the appointment of Elisabeth Fleuriot in June, and her experience as a current serving member on the remuneration committee of another quoted company was thought to naturally lend itself to her joining the Remuneration Committee in addition to chairing the CSR Committee. The review concluded that the committees' composition remained effective and will be further reviewed during the first half of 2019.

Committee performance

The performance of the Nomination Committee was reviewed as part of the process undertaken by each of the board committees, with assistance from Lintstock.

Although considered to be effective, the committee acknowledged the need for greater focus and a more structured approach to succession planning for the board and executive team. The committee will also support the work of the board in taking a more active interest in talent management to ensure initiatives are in place to develop the pipeline and to promote diversity and inclusion in appointments to the board, executive team and senior management.

THE CSR COMMITTEE

ELISABETH FLEURIOT,
CSR Committee Chair

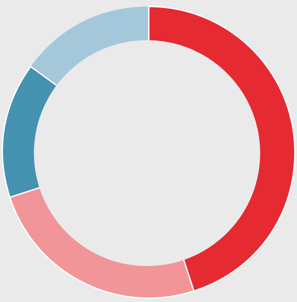
Committee membership during 2018

	Member since
Clare Spottiswoode (Chair)[1]	January 2012
Elisabeth Fleuriot (Chair)[2]	June 2018
Winnie Kin Wah Fok	January 2012
John Ramsay	January 2018
Paul Spence	January 2013

1. Clare Spottiswoode retired as a director on 15 May 2018.
2. Elisabeth Fleuriot joined the board and was appointed chair of the CSR Committee on 18 June 2018.

Other regular attendees include the Regional President for the Africa region, the Group Corporate Affairs Director and the Group HR Director.
There were four scheduled meetings and two additional meetings during 2018. Members' attendance at committee meetings is shown on page 81.

Main activities of the CSR Committee during the year (%)



Current issues	45%
Health and safety	25%
CSR reporting	15%
Values/culture ethics/whistleblowing	15%

Link to strategic priorities

This is my first report, having joined the board in June 2018 and taking over as chair of the CSR Committee from my predecessor Clare Spottiswoode. I would like to thank Clare, for her dedication and focus on ensuring the integration of CSR as part of the Group's overall strategy during her tenure. A lot of good work has been done, but there remains scope to embed CSR further throughout the organisation and I am committed to ensuring that we continue to take a holistic and integrated approach in this regard. There are few businesses in the world which have as wide a geographic footprint, scale and diversity of workforce as G4S, with service offerings touching the lives of millions of people. Of crucial importance to me and to our Group is our continued drive to improve health and safety, and during 2019 our committee will continue to support our goal of zero harm. We operate in countries where the political and social environment is challenging, so we need to make sure we operate in line with our corporate culture and values to ensure the integrity of our organisation, the safety of our employees and those in our care and, the sustainability of our business.

Responsibilities

The Group takes a holistic approach to corporate and social responsibility and is mindful of our societal impact. Our 546,000 employees deliver services in complex and challenging environments and contribute to creating a safer and more connected society in which millions of people live and work. The CSR Committee was established in 2011 to review and monitor the Group's CSR approach, which includes developing policies on various CSR-related matters for consideration by the board and to review and monitor how the Group performs against relevant policies. It oversees reporting on CSR matters and progress made during the year. Over the last seven years, this holistic and integrated approach to CSR has been promoted successfully throughout the Group and during the course of 2018, the committee reviewed and considered amending its terms of reference accordingly. However, in light of the New Code, which came into force in early 2019, it was agreed that amending the terms of reference would be deferred to 2019. Further details of the committee's responsibilities can be found in the committee's terms of reference which are available at g4s.com/investors.

Health and safety

The safety of our employees and those in our care is of paramount importance. As part of its normal cycle of work, the committee received regular health and safety reports, including updates on on-going initiatives, details of future plans and summaries of incidents. The committee monitored the global programmes raising awareness across the spectrum of health and safety risks as well as those focused on addressing and eliminating specific recurring incidents. In addition, particular focus was given to health and safety challenges faced in custodial facilities and a presentation on these aspects was received.

The CSR Committee supports the Group's goal of zero harm. However sadly, in 2018, 24 employees lost their lives in work related incidents. There has been a clear reduction in road traffic related deaths as a result of improved vehicle management and training. In addition, following the embedding of High Potential Incident reporting across the Group, there is improved visibility of incidents and compliance issues and efforts are continuing to ensure consistency in reporting such incidents.

Specific issues

Brook House

During 2018, the CSR Committee received regular updates relating to Brook House Immigration Removal Centre following allegations regarding the conduct and behaviour of a number of staff at the facility, which had come to light in late August 2017. As part of these update sessions, the committee provided oversight and challenge to the management team responsible for this part of the business.

In parallel and as previously reported, the CSR Committee commissioned Verita, a specialist consultancy, to carry out an independent review to understand the extent and root causes of the issues which had arisen at Brook House. The review examined G4S' management, operational and staffing arrangements and the practices and behaviour of G4S' staff. It also assessed how G4S oversees the care and welfare of detainees, including mental health issues, self-harm, violence prevention, use of force and proper reporting of incidents.

The review was led by Kate Lampard CBE, a former barrister and vice chair of the South of England Strategic Health Authority and of the Financial Ombudsman Services Limited. The CSR Committee met with Kate Lampard on three occasions to discuss progress, findings and recommendations. Members of the committee also visited Brook House and met with detainees, detainee custody officers and team leaders as well as the senior management team. While at Brook House, the committee was provided with an update on the action plan and initiatives to capture and share best practice across other similar facilities. In December 2018, G4S published the full report from Verita, as well as the action plan and progress to date. The CSR Committee continues to receive regular updates about the operational improvement plans implemented following the allegations and the findings and recommendations of the Verita investigation.

HMP Birmingham

Following a major disturbance at HMP Birmingham in December 2016, the inner city remand prison faced numerous challenges in returning to normal operation as a result of issues including drug usage by prisoners and increasingly high levels of violence towards staff and fellow prisoners. The CSR Committee was appraised of measures being taken following the incidents of 2016 to ensure the prison was fully operational, bearing in mind that the nature, age, condition and location of HMP Birmingham made it a particularly challenging environment.

In August 2018, G4S agreed with the UK Ministry of Justice (MoJ) that Her Majesty's Prison and Probation Service (HMPPS) would "step-in" and take over the management of the prison by appointing a Governor and providing additional resources. This status remains in place at the time of this report.

The CSR Committee led an internal review to assess the factors which led to the situation at the prison and ultimately to the "step-in" by HMPPS and identify any lessons that could be learnt and shared across the broader G4S custodial estate. The committee will continue to monitor the actions arising from the review.

Culture and values

Mindful that our values are integral to everything we do, the CSR Committee oversees the culture and values programme which is focused on embedding our values across the Group, to ensure that our culture and values are consistently reflected in behaviours and actions in all parts of the business. Values training is provided to new employees as part of the induction process and also to existing managers and front-line staff.

During the year, the committee reviewed the enhanced communication to all employees in respect of the whistleblowing facility, Speak Out, intended to create a culture in which people feel confident to report and raise ethical concerns. Data relating to whistleblowing trends and the usage of Speak Out is presented to the committee at each meeting and the committee supports the initiative to promote and encourage the use of Speak Out.

In addition, the committee has been keen to gain a better understanding of challenges faced by the Group in some geographies to ensure our culture and values are consistently applied. Reports on current situations and limitations in certain territories where the Group operates were discussed, with the committee seeking to provide constructive challenge and support to management initiatives to enhance the application of our culture and values in these geographies.

Integrated CSR reporting

In 2017, G4S set out to produce its first fully integrated annual report and accounts. Business leaders and governing bodies continue to promote integrated thinking and management in business practice and reporting. G4S has embraced this forward-thinking approach to highlight the Group's integrated and holistic approach to corporate social responsibility. In light of the success of the 2017 integrated annual report, which was highly commended for most effective integration of ESG at the UK IR Society awards and at the 2018 PwC Building Public Trust awards, the committee agreed that the fully integrated reporting approach will continue as best practice.

Committee performance

The assessment of the committee's performance, conducted as part of the overall board review process with assistance from Lintstock, concluded that the committee continued to provide challenge and good oversight over the Group's CSR strategy and the implementation of the global whistleblowing and case management system. This had resulted in the committee receiving a good level of information on whistleblowing cases and trends.

In addition to the positive enhancements to whistleblowing systems and processes, the committee believes there are further opportunities for the Group in identifying and understanding the early warning signs of potential issues within the business and in sharing best practice and learnings from incidents to prevent them recurring.

In 2019, in light of progress made since its creation in 2011 and the New Code, the committee will review the scope of its remit and activities and reflect any changes in its terms of reference.

The committee will also continue to support the communication of the Group's values and whistleblowing arrangements to enhance the environment for G4S employees and the people in our care and to support the various initiatives to achieve our goal of zero harm.

THE RISK COMMITTEE

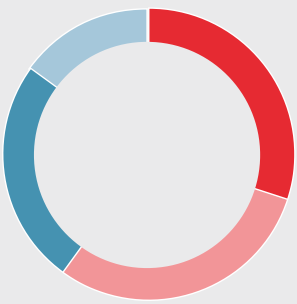
PAUL SPENCE,
Risk Committee Chairman

Committee membership during 2018

	Member since
Paul Spence (Chairman)	January 2013
Ashley Almanza	May 2013
John Connolly	January 2013
Steve Mogford	January 2018
Tim Weller	April 2013

Other regular attendees include the Group Director of Risk and Internal Audit.
There were four scheduled meetings and two unscheduled meetings held during the year ended 31 December 2018. Members' attendance at committee meetings is shown on page 81.

Main activities of the Risk Committee during the year (%)



Risk governance/internal control	30%
Contract risk ranagement	30%
In depth review of specific high risk contracts/projects	25%
Committee governance and reporting	15%

Links to strategic priorities

Robust risk management processes and systems are essential to ensure sustainable performance for all our stakeholders, and it is the role of the Risk Committee to oversee the substantive assessment of the principal risks facing the Group. Throughout 2018 the committee reviewed the principal risks and assessed the processes and controls in place to mitigate those risks.

Responsibilities

Formed in 2013, the Risk Committee advises the board on the Group's overall risk appetite, reviews and approves the Group's risk management strategy, advises the Audit Committee and the board on risk exposures and reviews the level of risk within the Group. The Risk Committee also assesses the effectiveness of the Group's risk management systems and reports thereon to the Audit Committee.

The committee's composition ensures that a broad set of skills and experience comes together to consider how the Group manages risk in the business. Further details can be found in the committee's terms of reference available at g4s.com/investors.

Risk governance

As part of its continued focus on risk governance, the committee reviewed the governance processes and controls in place, including the risk and control matrix and the assurance resources available, to ensure appropriate risk governance across the Group. This review also included approval of the Group's risk management policy, which defines G4S' strategic approach to risk management. The committee also reviewed both the process and results of control self-assessments (CSAs) completed by business units across the Group on a regular basis. The CSAs, which cover many of the control standards addressing the Group's high inherent risks, are seen as a positive way in which to ensure that key controls specified by the Group to reduce such risks, are embedded and compliance enhanced. During the process, regional functional leaders review and challenge the results of business unit self assessments. The internal audit function also performs tests to identify and correct any potential discrepancy between the results of CSAs and its findings. The committee also reviewed the Group's risk appetite and recommended its approval by the board.

The committee also reported to the Audit Committee to confirm that it was satisfied that the Group's risk management processes were appropriate.

Principal risks

During the year, the Risk Committee received regular updates on the progress of mitigating the Group's principal risks set out on pages 67 to 71.

Presentations on cyber security, GDPR, geopolitical and people risks covering the inherent risks, mitigations in place and management of the residual risk, were also received. This also included a review of risk management best practice and improvements. Further details of the significant risks and uncertainties facing the business are set out on pages 67 to 71.

Major contracts and projects

Contract risk management continues to remain a key area of focus for the company and the committee, which undertakes a review of a major contract at each of its meetings. Managers from the relevant business attend the meeting to present an overview of the particular contract due for review. These sessions tend to focus on the key risks relating to that particular contract, whether operational, strategic, relating to people or otherwise. Management reports on how such identified risks are mitigated, and on how assurance is obtained that controls are in place and operate effectively. The level of residual risk is also discussed where relevant. These sessions give the committee the opportunity to gain a better understanding of the particular risks associated with these large contracts and to interact with those who manage such risks on a day-to-day basis.

The committee has delegated authority from the board to review and approve the acceptance and execution of those major contracts that require board approval due to their size or level of risk, as defined in the risk management policy. During the year under review, the Risk Committee considered several major contract bids, both during scheduled meetings and during additional meetings held specifically for this purpose.

In addition, the committee continues to have particular oversight for the project developing lean order-to-cash processes through the development and implementation of a standard IT system for the manned security operations, Project Javelin. The committee receives regular reports on this project and oversaw the launch of the pilot project in Ireland in the last quarter of 2017 and is overseeing the implementation of the project in the UK. Further information about this project is set out on page 30.

Committee performance

The assessment of the committee's performance, conducted with assistance from Lintstock, concluded that the committee had good oversight of the company's controls over significant risks and in relation to the Group's overall risk management strategy and policy.

The review also concluded that there was good alignment of the Group's risk management policies with the Group's overall strategy. The assessment highlighted the committee's desire for 2019 to focus on mitigating and eliminating operational risks. Another key area of focus identified for 2019 was to review the effectiveness of our compliance processes in relation to labour laws.

THE AUDIT COMMITTEE REPORT

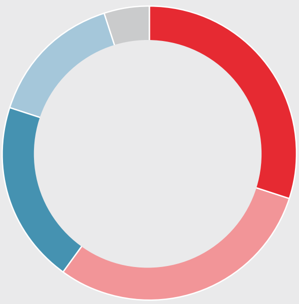
JOHN RAMSAY
Audit Committee Chairman

Committee membership during 2018

	Member since
John Ramsay (Chairman)	January 2018
John Daly	May 2015
Steve Mogford	May 2016
Paul Spence	January 2013

Regular attendees include the chief financial officer, the Group financial controller, the Group director of risk and internal audit, and representatives of the Group's external auditor.
There were four scheduled meetings held during the year ended 31 December 2018. Members' attendance is shown on page 81.

Main activities of the Audit Committee during the year (%)



Effectiveness of financial controls and risk management procedures	30%
Financial reporting	30%
Internal audit	20%
External audit and non-audit services	15%
Whistleblowing/fraud allegations	5%

Links to strategic priorities

This is my first year as chair of the Audit Committee and I am grateful for the support I have received, which has allowed me to settle rapidly into the role. In 2018, the committee continued to oversee the quality and integrity of the Group's financial reporting, financial control and compliance processes, with areas of particular focus including the use of Alternative Performance Measures, compliance with laws and regulations and financial results presentation. The adoption of IFRS 9 and IFRS 15 in 2018, as well as the preparation for the implementation of IFRS 16 in 2019 and related disclosures, were also reviewed.

Committee membership

The Audit Committee consists of four independent non-executive directors. The chief executive officer and chairman of the board also attend meetings when invited by the chairman. John Ramsay, who was appointed to the board and as chair of the Audit Committee with effect from 1 January 2018, is the member with recent relevant financial experience. Part of the induction process and on-going development for all directors seeks to ensure that committee members have knowledge relevant to the sector in which the company operates. Details of Mr Ramsay's further induction programme are set out on page 83. The board is satisfied that Mr Ramsay as well as the other members, taken together, bring significant and relevant experience gained at senior management level and that the committee's composition during the year met the requirements of both the Code and DTR7.1. Their skills and experience are set out on pages 74 and 75.

Responsibilities

The committee ensures that there is effective governance of the Group's financial reporting and internal controls to ensure the integrity of its financial statements and the adequacy of related disclosures, and assists the board in relation to its consideration of whether or not the annual report of the Group is fair, balanced and understandable. The committee also has oversight of the performance of both the internal audit function and the external auditor.

During the year, the terms of reference of the Audit Committee were reviewed. The terms are available at g4s.com/investors. The terms of reference will be reviewed again in 2019.

The committee has an annual agenda, which includes standing items that the committee considers regularly, as well as specific matters that require the committee's attention.

At the end of each meeting, a private session is held by the Audit Committee with representatives of the Group's external auditor or with the Group director of risk and internal audit, without members of the executive management team being present.

After each meeting, the chairman of the committee reports to the board on the matters which have been discussed.

SIGNIFICANT JUDGMENTS AND ISSUES CONSIDERED BY THE AUDIT COMMITTEE

The primary judgments and issues considered by the committee in respect of the 2018 financial statements, and how these were addressed, were:

ONEROUS CONTRACT PROVISIONS

Description

The Group delivers certain long-term outsourcing contracts that are complex in nature. Some of those contracts may evolve to become loss making, such that net unavoidable losses are expected over their life. In such a situation the net present value of estimated future losses needs to be determined in order to calculate an appropriate onerous contract provision. The identification and measurement of such provisions require significant judgment, given the extended time periods often involved and the number of variables that may impact on future losses.

In particular, judgment is required in assessing the future expected revenue and costs, including determining the expected impact of any profit improvement plans, the level of any related lifecycle funds and the estimated costs for the remaining life of the contract, and an appropriate discount rate to apply to future cash flows.

Details of the outcome of the assessment of contract provisions are set out in the Chief Financial Officer's Review on page 52.

Action taken

The committee discussed the process for the identification and assessment of onerous contracts and reviewed in respect of material low margin contracts as well as for each onerous contract, the critical assumptions made by management, and enquired about the robustness of the assumptions, the sensitivities to changes in the assumptions and the disclosure provided in relation to the key material judgments.

The committee also reviewed the disclosure provided in relation to these contracts.

Conclusion

The Audit Committee was satisfied that the level of provisions and the related disclosures as at 31 December 2018 were appropriate.

COMPLIANCE WITH FOREIGN OWNERSHIP RESTRICTIONS AND CONSOLIDATION OF UNDERTAKINGS

Description

In markets where foreign ownership restrictions (FORs) apply, the Group seeks to ensure that it complies with foreign ownership laws and regulations and relevant accounting standards (IFRS10). Professional advisors are typically retained to help establish and maintain contractual ownership structures, which comply with local laws and regulations relating to foreign ownership.

When restrictions apply to direct share ownership, the Group typically seeks to exercise influence or control through arrangements, including shareholder agreements.

Changes in FORs can limit the Group's ability to do business or invest in certain markets and may, in certain circumstances, result in a loss of management control.

Consolidation of any of these entities would be at risk if the Group's ability to enforce its rights of control were to be undermined by changes or different interpretations to FORs.

Action taken

The committee received reports in relation to FORs in a number of countries, which provided an update on relevant changes in law and regulations, their potential impact on the Group, and, where relevant, reviewed mitigation plans. During the year, the committee also reviewed the impact of changes in certain shareholder agreements and the accounting implications of these.

Conclusion

The committee was satisfied with the Group's processes and approach to foreign ownership and consolidation of undertakings.

This will remain an area of focus to ensure that the committee remains abreast of changes in laws, regulations and the relevant accounting standards.

ALTERNATIVE PERFORMANCE MEASURES

Description

The Group uses Adjusted PBITA and other alternative performance measures (APMs) for the purposes of consistent internal and external reporting, given that management views these measures as being more representative of the normal course of business and more comparable period to period. Adjusted PBITA excludes strategic restructuring costs, amortisation of acquisition-related intangible assets and specific and other separately disclosed items which the Group believes should be disclosed separately by virtue of their size, nature or incidence (see page 42 for further details). Judgment is required when defining those items to be disclosed separately and when applying the classification criteria to each period's results. Further details on separately disclosed items are set out in note 8.

Action taken

The Audit Committee reviewed guidance issued by the Financial Reporting Council (FRC) and the European Securities and Markets Authority (ESMA) together with management's response to the results of the FRC review of the 2016 Integrated Report and Accounts and enhanced disclosures that were included in the 2017 and 2018 Integrated Report and Accounts (pages 40 to 42) in relation to APMs. The committee assessed whether the Group's accounting policies were being applied consistently from year to year, and considered whether specific items were being identified in line with Group policies and that these items included both debits and credits as appropriate.

The committee also reviewed information from management to satisfy itself that changes in estimates related to items that were classified as specific items were treated consistently as specific items, for both increases and decreases.

Conclusion

The committee was satisfied that the Group's definition of APMs, and in particular in relation to specific and other separately disclosed items, had been applied correctly and that the designation of specific items was subject to objective and balanced criteria. The committee noted the enhanced disclosure and explanation on APMs and considered that these give a meaningful and balanced view of the operations of the Group.

GOODWILL IMPAIRMENT TESTING

Description

The total value of the Group's goodwill as at 31 December 2018 was £1.9bn (£1.9bn at 31 December 2017), a significant proportion of which was generated by the merger of the security services businesses of Group 4 Falck and Securicor in 2004, which was accounted for as an acquisition of Securicor by Group 4 Falck.

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that an impairment may have occurred. The impairment analysis consists of the estimation of the recoverable amount of goodwill supported by the Group's cash generating units. This analysis requires significant judgment, primarily in relation to the achievability of long-term business plans and future cash flows. Such achievability is dependent on circumstances both within and outside management's control, in relation to the discount rates adjusted to reflect risks specific to individual assets used, and in relation to the macro economic assumptions and related modelling assumptions underlying the valuation process.

For 2018, the Group reassessed cash generating units used to determine the level at which goodwill is assessed for impairment in light of the changes to the Group's segments at 1 January 2018 when Cash Solutions businesses were separated to form a new reporting segment. The result of the annual review of the carrying value of goodwill did not identify any impairment charge to goodwill as being required (see note 18 to the consolidated financial statements). The full methodology and results of the Group's impairment testing, including an analysis of the sensitivity of goodwill to the key assumptions, are provided in note 18.

Action taken

The Audit Committee reviewed the methodology for the reassessment of cash generating units as well as the methodology for and results of the impairment tests prepared by management.

The Audit Committee reviewed the assumptions used in relation to long-term growth, the resulting headroom and the sensitivities applied by management. In addition, these results were considered against alternative valuation bases such as reference to disposal values, less costs to sell, for similar assets in similar locations, both within the Group and external to the Group.

Finally, the Audit Committee considered the adequacy of the disclosures provided, particularly in respect of cash generating units where changes in key assumptions could give rise to an impairment.

Conclusion

The committee was satisfied with the carrying value of goodwill and related disclosures as at 31 December 2018.

TAXATION

Description

The Group operates in around 90 countries and is therefore subject to numerous reviews by individual tax authorities in the ordinary course of business. In some countries, tax legislation is not consistently applied and under some complex contractual structures, the responsibility for tax arising is not always clear. Judgments and estimates are required to determine the appropriate level of tax provisions and any required disclosure around contingent tax liabilities at each period end.

Provisions for tax liabilities are established for existing matters under dispute with local tax authorities, as well as for matters which it is considered may be disputed by them, where it is probable that a future liability will arise. In some instances, tax reviews may result in claims being raised by tax authorities. Any claims are handled by the local legal entity in the first instance. More complex cases are reviewed by the Group tax function and provisions are made, based on the best estimate of the likely outcome.

The Group recognises deferred tax assets in respect of temporary timing differences, mainly in relation to pension arrangements, fixed assets and carried forward losses. At 31 December 2018, total deferred tax assets were £248m (2017: £242m). Recognising such assets requires an assessment of their likely recovery through utilisation, which includes an assessment of the taxable profits expected to be made in each of the relevant jurisdictions in the future. Deferred tax assets can be affected by changes in legislation and in tax rates.

Action taken

The Audit Committee reviewed the Group's tax strategy, including the tax report and tax risk management processes, and the board approved the tax policy, which complies with the UK Confederation of British Industry's seven tax principles.

The committee also reviewed information prepared by management in relation to existing or potential tax exposures, the adequacy of the provisions recorded, their treatment and disclosure in the financial statements and emerging matters arising from the OECD's Base Erosion and Profit Shifting framework.

The committee reviewed information prepared by management supporting the recoverability of deferred tax assets, considered the period of time under which these assets would be recovered and made enquiries of the external auditor on the appropriateness of the Group's tax position.

Conclusion

The committee was satisfied with the Group's approach to tax, with the assessment of recoverability of deferred tax assets and with the accounting treatment and disclosure in respect of tax exposures.

LAWS AND REGULATIONS

Description

The Group operates in many jurisdictions globally, with complex and diverse regulatory frameworks. As a result, the Group faces many associated risks, including litigation including class actions; bribery and corruption; obtaining and retaining operating licences; complying with local tax regulations; changes to and application of employment and employee remuneration legislation; complying with human rights legislation; and new or changed restrictions on foreign ownership. Furthermore, the Group may face new or changing regulations which may require modification of its processes and staff training. Not being compliant with applicable laws and regulations can have far reaching consequences, including higher costs from claims and litigation; inability to operate in certain jurisdictions; loss of management control; and damage to the Group's reputation.

Action taken

During the year the committee received regular updates on significant areas of exposure to claims and areas where labour laws and regulations are complex and there is therefore an inherent risk to the judgment made when determining how to ensure compliance with those laws and regulations. In light of the quantum of the California class action settlement, a review of on-going labour litigation across the Group was carried out and the level of provisioning required was confirmed with management.

Conclusion

The committee was satisfied that the provisions booked at 31 December 2018 were appropriate. The committee was satisfied that the enhanced disclosure around the judgments made in relation to contingent liabilities was clear and appropriate.

RISK OF ACCOUNTING ERRORS AND MANAGEMENT OVERRIDE OF INTERNAL CONTROLS

Description

The Group operates in around 90 countries and has around 600 legal entities, with a significant number of local financial systems and processes. This leads to an inherently diverse set of processes and controls that rely on local capabilities for implementation and maintenance of control. As set out on page 66, the Group has adopted a three-lines-of-defence model to control and manage risks across the Group.

Over the course of the last five years the Group has made significant investment in strengthening capability in finance, internal audit and risk, and has introduced additional internal controls and enhanced Group oversight to mitigate these risks. These include monthly reviews of the quality of earnings, a comprehensive internal audit plan and a regular cycle of reviews of local business unit or country balance sheets and controls.

Action taken

The committee oversaw the progress made in embedding the Group's Minimum Financial Controls and received regular updates on the overall control environment of the Group, including results of internal audits, training and up-skilling of capabilities across the Group, as well as regular reports from the external auditor and the Group's whistleblowing process.

The committee also considered progress made in reducing reliance on manual controls, by developing and integrating financial and operational systems across the Group.

Conclusion

The committee acknowledged the progress made in relation to the strengthening of controls and the plans in place to reduce the number of systems and reliance on manual controls across the Group, but noted that, although good progress has been made to date, significant work remains to be done.

Viability statement

At the February 2019 meeting, the committee reviewed a paper prepared by management which examined the longer-term solvency and viability of the Group. The committee tested the underlying assumptions and analysis performed by management, reviewed assurance work carried out and considered the appropriateness of the timeframe of the assessment. The committee also considered the work being performed in relation to the review of separation options for the global cash division and acknowledged that any decisions that may be made during 2019 as a result of this review might be expected to lead to a stronger Group.
The committee was satisfied that the three-year period covered by the viability statement remains appropriate in that it aligns with the Group's regular business planning period, over which management has a reasonable level of confidence in its projections reflecting the life cycle of the majority of the Group's contracts, and takes account of the limited visibility on material bidding opportunities in the pipeline beyond that period. The committee also reviewed and challenged the outcome of the stress testing of projections by management.

The committee recommended to the board that the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment, as set out on page 89.

Fair, balanced and understandable

One of the key compliance requirements in respect of a group's financial statements is for the annual report, taken as a whole, to be fair, balanced and understandable. Guidelines on APMs were issued by the ESMA and have been applicable since July 2016. In addition, the FRC issued a "Frequently Asked Questions" guidance document and published the results of its thematic review on this matter in November 2017. Attention was also paid to guidance on disclosure of judgments and estimates and other key areas of interest set out in the FRC's Annual review of corporate governance and reporting 2017/2018 published in October 2018. The committee considered each of the above in assessing whether the Group's annual report was fair, balanced and understandable.

The committee reviewed a paper setting out the approach taken by management in the preparation of the annual report to ensure it met the requirements of the FRC's Code and the ESMA guidance, including the reasons for and clear explanation of the non-GAAP measures used by the Group in reporting its results for the year. The paper described the process and procedures followed and detailed the steps taken in each of the sections of the annual report to ensure that the information presented was complete and accurate. This paper also described the review processes carried out internally to ensure that the annual report is fair, balanced and understandable. In addition, an external verification exercise was carried out to confirm that the information contained in the annual report is supported either by factual evidence, or by confirmation from management where such information is a statement of belief or intent.

The committee was satisfied with the work performed and advised the board that the annual report, taken as a whole, presents a fair, balanced and understandable view of the business and its performance for the year under review.

Internal control

Since 2013, the Group has had a heightened focus on improving its systems of internal control and risk management for financial reporting. The main features of these control systems include clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system, written policies and procedures and the use of a single global consolidation system for internal management reporting, budgeting and planning as well as for external reporting.

The system is designed to ensure the integrity of financial reporting and the committee's responsibility is to ensure that these internal controls remain effective. The committee does this primarily through receiving reports from management, from the internal audit function and from the external auditor.

The committee received an update on initiatives being implemented by the Group to continue its progress in strengthening internal controls and reviewed progress made. During 2018 Group Internal Audit followed a targeted audit plan for those areas where control issues had been identified.

Further details on internal controls are set out on page 66. The Audit Committee confirmed to the board that it is satisfied that progress continues to be made in improving the Group's risk management and internal control processes and procedures and that these are appropriate and effective. However, strengthening of the internal control environment remains a key area of focus for the Group.

As such, in January 2019 the Group reviewed and relaunched its financial controls. The new Group Financial Controls are a more comprehensive suite of controls that are expected to provide a higher degree of transparency to management, enabling a more effective control environment and decision making.

Internal audit

During 2018, the internal audit function continued to provide support and guidance to business units to improve awareness of and compliance with Minimum Financial Controls.

In addition internal audit also assessed the effectiveness of a broader set of mandated controls including HR core standards on screening, health and safety, driver and firearms controls, payroll and IT. A risk-based approach was used to determine coverage for HR core standards and human rights. The goal remains to focus local management on the most material control issues specific to their local environment.

The Group finance function and regional audit committees also provided support to assist in driving improvements where appropriate.

In 2019, internal audits will continue to test the operational effectiveness of the Group's standards and controls. This will include assessing compliance with the Group Financial Controls, which were relaunched in January. Precise coverage in each country will continue to be determined through risk assessment.

External audit

Following an audit tender process during 2014 PricewaterhouseCoopers LLP (PwC) was appointed as the Group's new external auditor for the 2015 financial year. PwC was subsequently reappointed at the 2018 AGM to hold office until the next AGM. Richard Hughes has been lead audit partner since the beginning of 2015.

During the year, the committee reviewed PwC's Group audit plan including the scope to be undertaken as well as their reports on external audit findings, with particular focus on the areas set out above. The committee had private sessions with the external auditor both during the year and at the end of a number of Audit Committee meetings, and approved the fee for the external audit. The committee also considered and approved the representation letter to be issued to the auditor.

In addition, PwC updated the committee on current trends in the auditing market, including the Competition and Markets Authority's market study of the audit sector and the Kingman review of the FRC.

Non-audit services

To ensure that the independence of the external audit is not compromised, the committee has a policy in place covering the non-audit services that can be provided by the external auditor, the relevant approval process for certain services, and detailing those services which the auditor is prohibited from providing.

In essence, the external auditor is prohibited from providing services that could create a conflict of interest, result in the audit firm auditing its own work, or result in the performance of management functions. Examples of non-permitted services are actuarial services, book-keeping services, internal audit services and legal services.

The committee has pre-approved certain services which can be provided by the auditor subject to specified fee limits, above which further approval is required. All other services would require prior approval by the committee. The Audit Committee reviewed its policy on the provision of non-audit services by the external auditor in 2018 and concluded that no changes needed to be made. The committee will monitor any future changes which may be required in light of the results of the on-going audit sector reviews.

Details of the fees paid for audit services, audit related services and non-audit services can be found in note 10 to the consolidated financial statements.

Effectiveness of the external auditor

A combination of formal and informal processes is used in the assessment of the effectiveness of the external audit process.

A formal questionnaire is completed at the end of the audit by members of the Audit Committee, the Group Finance department and the finance directors of significant operations across the Group. The results of those questionnaires are reviewed by the Audit Committee. The assessment of the external audit for 2018 concluded that it remained effective and that the external auditor is independent. The auditor, PwC, has written to the Audit Committee confirming that, in its opinion, it was independent for the period through to 12 March 2019.

Regulators and our financial report

As previously reported, in 2017 the Group received a letter from the FRC confirming that the Annual Report for the year ended 31 December 2016 had been subject to a review by its Conduct Committee, which is responsible for reviewing and investigating the annual accounts, directors' and strategic reports of UK public companies for compliance with relevant reporting requirements and with a view to stimulating improvements in the quality of corporate reporting. Such reviews are based on the annual report and accounts and are conducted by staff of the Conduct Committee who have an understanding of the relevant legal and accounting framework but do not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into.

As a result of the correspondence with the FRC as part of its review, changes were made in the 2017 Integrated Report and Accounts, among other things, to improve reporting on Alternative Performance Measures and the commentary on IFRS measures in the Strategic Report. These changes have been maintained and, where possible enhanced, in the 2018 Integrated Report and Accounts. Enhanced disclosure and explanations can be found on pages 40 to 42. Subsequent to the issue of the 2017 Integrated Report and Accounts, the FRC confirmed that their enquiries into the 2016 Integrated Report and Accounts were closed.

CMA Order Compliance

The G4S group audit was put out to tender in 2014, following which PwC was appointed with effect from 2015.

The committee confirms that the company has complied with the Audit Services for Large Companies (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Committee performance

Again this year, the assessment of the committee's performance, conducted with assistance from Lintstock, concluded that the performance of the committee was rated highly overall, in particular in assessing the system of internal controls as well as in reviewing and assessing the work of the external auditors. The committee's oversight of the Group's whistleblowing arrangements was also positively rated.

In addition the good relationship and communication between the Audit Committee and key individuals in the company, such as the chief financial officer and the Group financial controller was commended again in 2018.

In 2019, the committee will continue to focus on the progress of Group Financial Controls and the quality of the Group's financial reporting.

JOHN RAMSAY
Audit Committee Chairman

THE REMUNERATION COMMITTEE

JOHN DALY
Remuneration Committee Chairman

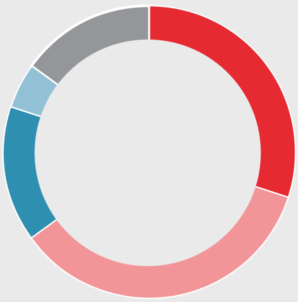
Committee membership during 2018

	Member since
John Daly (Chairman)	May 2015 (chair since May 2016)
Winnie Fok	January 2013
Clare Spottiswoode[1]	June 2010
Barbara Thoralfsson	July 2016
Elisabeth Fleuriot[2]	June 2018

1. Clare Spottiswoode retired as a director on 15 May 2018.
2. Elisabeth Feluriot joined the board and Remuneration Committee on 18 June 2018.

There were three scheduled meetings held during the year ended 31 December 2018.
Members' attendance at committee meetings is shown on page 81.

Main activities of the Remuneration Committee during the year (%)



Performance and incentives	30%
Governance	35%
Reporting	15%
Executives' base pay/Chairman fee	5%
Below board level	15%

Links to strategic priorities

Our remuneration framework is aligned with the Group's strategic objectives, by rewarding the creation of sustainable value, with particular focus on our customers, shareholders, people and values.

The committee consists entirely of independent non-executive directors. Biographies of the members of the committee are set out on pages 74 and 75. Following Clare Spottiswoode's retirement from the board in May 2018, Elisabeth Fleuriot joined the committee upon her appointment to the board in June. Elisabeth is a welcome addition to the committee, bringing a wealth of international business experience.

Responsibilities

The Remuneration Committee is responsible for determining all elements of the remuneration of the executive directors, other members of the Group Executive Committee and the chairman of the board.

It also agrees, with the board, the framework and policy for the remuneration of other senior managers of the Group and reviews and recommends to the board the remuneration of the company secretary. From 2019, to comply with the new UK Corporate Governance Code, the committee will also be responsible for setting the remuneration of the company secretary.

In determining the executive remuneration policy, the committee takes into account the Group's need to attract, retain and incentivise executive talent, a variety of legal and regulatory requirements, the relevant provisions of the UK Corporate Governance Code and the pay policies and practices throughout the Group.

The committee also determines the policy on the duration, notice period and termination payments under the members of the Group Executive Committee' contracts, with a view to recognising service to the company whilst ensuring that failure is not rewarded and that the need to mitigate loss is recognised.

The committee approves the design and determines the measures and formulae for performance-related pay schemes operated by the company. It approves the eligibility of executive directors and other Group Executive Committee members for annual bonuses and awards under long-term incentive plans and the methods for assessing performance against the objectives of those plans. No individual determines their own remuneration.

The committee's terms of reference are available on the company's website at g4s.com/investors.

FIXED PAY

- Base pay
- Retirement benefits
- Other benefits

SHORT-TERM INCENTIVES

- Annual bonus plan (one year) with deferred element (three years)

LONG-TERM INCENTIVES

- Long-term incentive plan (three years)

Our remuneration approach

We seek to attract and retain the best people whilst ensuring that the remuneration policy and practice drive behaviours that are in the long-term interests of the company and its shareholders.

Business context and performance

The Group has two principal business segments; Secure Solutions and Cash Solutions.

In Secure Solutions, the Group delivered 3.1% underlying revenue growth and improved Adjusted PBITA margins from 6.2% to 6.5%. This performance was delivered in the context of tightening labour supply and intense competition in manned security services in some geographies.

In Cash Solutions the company continued to experience good demand for its cash solutions technology and ended the year with these products and services deployed at 23,300 locations across the world, up from 19,800 at the end of 2017. This progress was more than offset by the impact of bank branch and ATM closures in the UK and Europe and Adjusted PBITA for the year was 17.1% lower than in 2017.

The net effect of the results of the two business segments was that Group underlying revenues rose by 1.1% and that Adjusted PBITA of £474 million was in line with 2017.

Further details are set out in the chief executive officer's introduction to the Strategic Review on pages 2 to 15.

Good progress was made in the development of the Group's strategy during the year. In January 2018, management established a Global Cash Division and in December 2018 the Group announced a review of the Group's options to create two strong, independent companies via the separation of Secure Solutions and Cash Solutions. The board believes that this has the potential to strengthen strategic, commercial and operational focus to the benefit of customers, employees and shareholders.

2018 Remuneration outcomes

Pay review – As reported last year, the salaries of both the CEO and CFO were increased by 2% effective from 1 January 2018. The increase awarded to the executive directors was in line with the increase applicable to Group employees and most managers based in the UK.

Annual bonus – The annual bonus is determined by reference to the Group's financial performance, together with individual performance against strategic objectives.

During 2018 the Group faced strong competition and management maintained commercial discipline and increased profits and margins in the Group's largest business segment, Secure Solutions. However, this was partially offset by challenging market conditions in a number of Cash Solutions markets, which weighed on the overall financial performance of the Group. As a result, despite meeting a number of important strategic objectives, the executive directors notified the Committee of their wish to waive their entitlement to a bonus for 2018. The committee approved this recommendation from the executive directors and consequently no bonus is payable in respect of 2018.

Long-term incentive plan (LTIP) – In line with our commitment to ensure that our remuneration framework aligns with our strategy and promotes the long-term success of G4S, a significant part of performance-related reward is delivered through shares. Over the past three years (2016 to 2018), the Group has delivered strong growth in underlying earnings and strong operating cash flow and a portion of the awards which were granted in 2016 have therefore vested at a level of 55.8%.

Further information on the levels of executive remuneration earned in 2018, including performance against the relevant targets, is given on pages 116 to 119.

Total single figure - The overall change in the total single figure for 2018 compared with 2017 is a reduction of 21.9%.

Key areas of focus in 2018

Remuneration Policy and approach
Our remuneration policy, which received a high-level of support from shareholders at our 2017 AGM, continues to operate effectively. In light of the announcement of strategic changes to the business, the committee has chosen to defer a review of our remuneration policy until the required renewal at our AGM in 2020, in line with the usual three-year cycle.

However, the committee is cognisant of evolving investor views and changes to the UK Corporate Governance Code and in order to align our practice with these latest developments, the committee and board have agreed to make a number of changes to the executive remuneration framework;

- **Introduction of a holding period** – for all long-term incentive awards granted to executive directors and the group executive committee after the 2019 AGM, a two-year holding period will apply following the completion of the performance period. This extends the total time horizon to a period of five years.
- **Reduction in pension for future hires** – for future external executive director appointments, pension contributions will be reduced to 15% of salary in line with senior management in the UK and recent appointments to the group executive committee.

- **Increase in share ownership requirements** – our share ownership requirement for the CEO is already 200% of salary. The requirement for the CFO has been increased from 150% to 200%, so the minimum share ownership requirement is now 200% for both executive directors.
- **Introduction of a post-employment shareholding policy** – to reflect the requirement in the New Code and the views of shareholders, we are introducing a post-employment shareholding policy. Executive directors will be expected to retain shares equal to the share ownership requirements (or their actual shareholding at the date their employment ends if lower) for a period of two years post-departure.

The committee considers that the introduction of these changes will strengthen the alignment of the executives with the interests of our other stakeholders.

Our workforce

The committee recognises the need to consider workforce remuneration and related policies when determining remuneration arrangements for senior management. The committee has reviewed its approach during 2018 to ensure it has greater oversight of the most relevant information, which will include visibility of pay rates and trends, benefits policy and variable compensation across different organisational levels and geographies.

Governance

With a view to reflecting changes made by the 2018 UK Corporate Governance Code, the committee is in the process of reviewing its terms of reference. The current committee's terms of reference are available on the company's website at g4s.com/investors.

UK Code Compliance

The committee is conscious of the Code's requirement that executive directors' remuneration should be designed to promote the long-term success of the company - and that performance-related elements of remuneration should be transparent, stretching and applied rigorously.

As described above, the committee has introduced a number of features to the remuneration framework to ensure compliance with the New Code: new holding periods will apply consistently to the LTIP awards made to both the executive directors and to the Group Executive team after the 2019 AGM. The inclusion of deferral, share ownership requirements and malus and clawback within the policy provides suitable long-term alignment of interests between our senior executives and our other shareholders.

Implementation of remuneration in 2019

Pay review
The executive directors have recommended to the committee that no increases be made to their salaries with effect from 1 January 2019.

Incentives
The annual bonus opportunity and LTIP award levels remain unchanged for 2019, both of which are subject to maximum award sizes as set out in the Remuneration Policy on pages 108 to 115.

In relation to the annual bonus, the committee seeks to set targets that support the overarching strategy, reflecting the business context for the relevant period. Targets are also intended to be stretching whilst remaining achievable and are compatible with the Group's risk appetite. The committee is confident that the 2019 targets meet these criteria.

The long-term incentive plan introduced in 2014 received overwhelming support from shareholders and will continue to operate in 2019, with the addition of a two-year holding period for awards made after the company's 2019 annual general meeting.

The committee's performance

Consistent with our practice every year, a formal review of the committee's performance was carried out at the end of 2018.

Details of the process for board and committee performance evaluations are set out on page 84.

Overall, the review concluded that the committee continues to be effective and to perform well. It also highlighted the committee's role in ensuring pay appropriately reflects performance of the Group, taking account of our shareholders' views and expectations. In 2019, the committee will have a key role to play in ensuring that our remuneration practices continue to focus on and support the delivery of our strategic objectives, while retaining and rewarding the high calibre individuals and talent needed to deliver long-term sustainable success.

Voting on remuneration

The annual report on remuneration will be put to an advisory vote at this year's AGM, and we look forward to receiving shareholders' support once again this year.

I will be available to answer questions and listen to the views of our shareholders at the forthcoming AGM.

JOHN DALY
Remuneration Committee Chairman

12 March 2019

Remuneration policy

The company's remuneration policy for directors is set out on pages 108 to 115 of this report and on the company's website at g4s.com/investors/corporate-governance. It was approved by shareholders at the company's annual general meeting held on 25 May 2017 with 97.26% of all votes cast in favour. The long-term incentive plan referred to in the policy was approved at the 2014 annual general meeting with 96.88% of all votes cast in favour. The remuneration policy came into effect on 26 May 2017 and will continue to apply for up to three financial years unless a new or revised policy is approved by shareholders in the meantime.

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy approved by our shareholders at our 2017 AGM is reproduced below. However, we are making a number of changes to the executive remuneration framework within this policy as described in the letter from the Remuneration Committee chairman at the start of this report.

Remuneration policy for executive directors

BASE PAY

Purpose and link to strategy

Base pay is set at competitive levels in order to recruit and retain high calibre executives with the skills required in order to manage a company of the size and global footprint of G4S.

The level of pay will reflect a number of factors including individual experience, expertise and role.

Operation

Reviewed annually and fixed for 12 months commencing 1 January. Interim salary reviews may be carried out following significant changes in role, scope or responsibility or at any other time at the committee's discretion.

The final salary decision may also be influenced by role, experience, individual and company performance, internal relativities and increases for Group employees.

Maximum opportunity

Actual base pay for each executive director is disclosed each year in the Directors' remuneration report.

In determining salary increases, the committee considers market salary levels including those of appropriate comparator companies.

Ordinarily, annual salary increases would be no more than the average annual increase across the Group. However, in exceptional circumstances a higher level of increase may be awarded, for example:

- following a significant change to the nature or scale of the business;
- following a significant change to the nature or scope of the role; or
- for a new appointment, where the base pay may initially be set below the market level and increased over time, as experience develops and with reference to the individual's performance in the first few years in the role.

Where exceptional increases are made we will fully disclose and explain the rationale for such increases.

Performance measures and clawback

None, although individual performance may have a bearing on salary increases.

BENEFITS

Purpose and link to strategy

As with base salary, a suitable range of benefits is made available in order to recruit and retain high calibre executives.

Operation

Executives are entitled to a number of benefits comprising paid holiday, healthcare for themselves and their family and life insurance of up to four times base salary, car allowance, business related transport, limited financial advice from time to time and expatriate benefits where relevant. A relocation allowance reflecting reasonable costs actually incurred will be paid.

Other benefits may be granted at the discretion of the Remuneration Committee.

Reasonable business expenses in line with G4S' expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.

Maximum opportunity

Maximum benefits per director per annum:

- holidays – 30 days
- car allowance – £20,000
- business related local transport – £40,000
- for financial advice, expatriate benefits and relocation expenses, the expense will reflect the cost of the provision of benefits from time to time but will be kept under review by the committee
- other benefits granted at the discretion of the committee up to 3% of base pay per annum per director
- reasonable business expenses are not subject to a maximum, since these are not a benefit to the director

Any allowance in relation to relocation will provide for the reimbursement of reasonable costs incurred.

Performance measures and clawback

None.

ANNUAL BONUS

Purpose and link to strategy

Rewards the achievement of annual financial and strategic business targets and delivery of personal objectives.

Deferred element encourages long-term shareholding and discourages excessive risk taking.

Operation

Awarded annually based on performance in the year. Targets are set annually and relate to the Group and/or the business managed by the executive.

Bonus outcome is determined by the committee after the year end, based on annual performance against targets.

Bonuses are paid in cash, but executives are required to defer any bonus payable in excess of 50% of their maximum bonus entitlement into shares. Deferral is for a minimum period of three years. Dividends or equivalents accrue during the deferral period on deferred shares.

Bonuses are not pensionable.

Maximum opportunity

Maximum opportunity of 150% of base pay per annum for the CEO and the CFO.

125% of base pay per annum for any other executive director.

Performance measures and clawback

Typically, executive directors' bonus measures are weighted so that:

- between 70% and 85% of the bonus is based on achievement of challenging financial performance measures (e.g. profit before tax and amortisation, organic growth, cash-flow measures, etc.), with each measure operating independently of the others; and the remainder is linked to personal and/or non-financial measures, which are strategic or operational in nature.

Each year, the committee may use its discretion to vary the exact number of measures, as well as their relative weightings, and this will be disclosed in the annual remuneration report.

As a result of the number of factors taken into account in determining bonus, there is no minimum pay-out level.

For illustrative purposes, in the event that only threshold has been achieved, pay-out would be 35% of maximum, rising to full pay-out should achievement of a stretch performance level be achieved for all measures assuming the non-financial performance measures were satisfied.

The deferred element of the bonus is not subject to any further performance measures but is subject to clawback in certain circumstances. The non-deferred part of the bonus, which is settled in cash, is also subject to clawback (see separate section on page 112).

LONG TERM INCENTIVE PLAN

Purpose and link to strategy

Incentivises executives to achieve the company's long-term financial goals, as well as focus on value creation, whilst aligning the interests of executives with those of shareholders.

Operation

Executive directors are granted awards on an annual basis, which vest over a period of at least three years subject to continued service and the achievement of a number of key performance measures.

The Remuneration Committee reviews the quantum of awards to be made to each executive each year to ensure that they remain appropriate.

Dividends or equivalents accrue during the vesting period on awards that vest.

The award is settled by the transfer of market-purchased shares to the executive directors.

All the released shares (after tax) must be retained until the minimum shareholding requirement is met. Currently, the minimum shareholding requirement is 200% of base salary for the CEO and 150% for the other executive directors.

Maximum opportunity

Maximum opportunity of 250% of base pay per annum for the CEO.

Maximum opportunity of 200% of base pay per annum for other executive directors.

Performance measures and clawback

Awards vest based on performance over a period of at least three financial years commencing with the financial year in which the award is made.

Performance will be measured based on a combination of earnings per share growth, total shareholder return against a comparator group and average operating cash flow. For awards made in 2017, these were in the proportion of 40%, 30% and 30% respectively. However, the committee retains the flexibility to amend these proportions, provided that no single measure will be a significantly greater proportion than the others.

At threshold, 25% of the relevant portion vests. This increases on a straight-line basis up to 100% for performance in line with maximum. Targets are set out on page 119.

Awards are subject to clawback in certain circumstances (see below on page 112).

RETIREMENT BENEFITS

Purpose and link to strategy

As with base salary and other benefits, making available a suitable retirement benefits package aids the recruitment and retention of high calibre executives, allowing such executives to provide for their retirement.

Operation

G4S operates a defined contribution Group-wide personal pension plan in the UK in which executives may participate. Alternatively, G4S may provide a cash allowance in lieu of a contribution into such plan.

The current executive directors receive cash allowances. The CEO receives 25% of base pay as a cash allowance; the CFO and other executive directors receive 20% of base pay.

The level of award is kept under review by the committee and is intended to be broadly market comparable for the roles.

Maximum opportunity

Maximum opportunity of up to 25% of base pay for the CEO and 20% for other executive directors.

Performance measures

None.

Remuneration policy for non executive directors

CHAIRMAN'S FEE

Purpose

To attract and retain a high calibre chairman by offering a market-competitive fee, which also reflects the responsibilities and time commitment. There are no performance-related elements.

Operation

The chairman's fee is disclosed each year in the Directors' remuneration report. The fees are reviewed annually by the committee. The annual fee is an all-inclusive consolidated amount. The committee retains the discretion to review the chairman's fee at any other time if appropriate. The chairman's fee is reviewed against other companies of a similar size.

Maximum opportunity

Ordinarily, any increase in the chairman's fee would be in line with other increases for similar roles in other companies.

Fees payable to the chairman and other non-executive directors in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

NON-EXECUTIVE DIRECTORS' FEES (EXCLUDING THE CHAIRMAN)

Purpose

To attract and retain high calibre non-executive directors (NEDs) by offering market-competitive fees which should reflect the responsibilities and time commitment. There are no performance-related elements.

Operation

NED fees including any additional fee for any additional role listed below are disclosed each year in the Directors' remuneration report.

With the exception of the chairman, the fees for NEDs are structured by composition build-up consisting of:

- a base fee
- an additional fee for chairing a committee
- an additional fee for the role of senior independent director

The NED fees are reviewed annually by the executive directors. The board retains the discretion to review the NED fees at other times, as appropriate, to reflect any changes in responsibilities or commitment.

The basic fee covers committee membership and each NED is expected to participate in one or more board committees. All the fees are reviewed against other companies of a similar size.

Maximum opportunity

Ordinarily, any increase in the NEDs' fees would be in line with other increases for similar roles in other companies.

Fees payable to NEDs (including the chairman) in aggregate per annum shall not exceed the maximum specified in the company's articles of association for the relevant year.

BENEFITS

Purpose

Benefits may be provided from time to time in connection with the chairman and other NEDs performing their roles, such as business travel, subsistence and entertainment, accommodation and professional fees for tax and social security compliance, and other ancillary benefits.

Operation

Reasonable business expenses in line with G4S expenses policy (e.g. travel, accommodation and subsistence) will be reimbursed and in some instances the associated tax will be borne by the company.

Maximum opportunity

Reasonable business expenses are not subject to a maximum, since these are not a benefit to the director.

Benefits and expenses will reflect the actual cost of provision.

Notes to the directors' remuneration policy

1. Performance measures

Annual Bonus Plan – The actual performance measures and targets are set by the Remuneration Committee at the beginning of each year. The performance measures used for our annual bonus plan have been selected to reflect the Group's key performance indicators.

The committee aims to ensure that the measures appropriately encourage the executive directors to focus on the company's strategic priorities, whilst the targets are set to be stretching but achievable.

The aim is to strike an appropriate balance between incentivising annual financial and strategic business targets, and each executive director's key role-specific objectives for the year.

Long Term Incentive Plan – In choosing the performance measures for the Long Term Incentive Plan, the committee aims to find a balance of measures which reflect the company's long-term financial goals as well as incentivise executives to create sustainable, long-term value for shareholders.

Legacy Plans – The committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed

i. before 5 June 2014 (the date the company's first shareholder-approved directors' remuneration policy came into effect);

ii. before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or

iii. at a time when the relevant individual was not a director of the company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the company.

For these purposes, payments may include the committee satisfying awards of variable remuneration. In cases where all or part of the variable remuneration award was in the form of shares, the payment terms are those agreed at the time the award was granted.

Details of the vesting of the awards will be published in the annual remuneration report each year.

The non-executive directors do not participate in any incentive schemes nor do they receive any benefits other than those referred to in the above table.

2. Malus and claw-back mechanisms

Since 2010, any cash and/or shares awarded under the annual bonus plans and the previous Performance Share Plan may be subject to clawback.

The Long Term Incentive Plan and the annual bonus plan may be subject to malus or clawback from the executive director concerned if the Remuneration Committee so determines and, in the case of misstatement of accounts, where the Audit Committee concurs.

The time period in which the clawback can be operated depends on the reason for the overpayment as set out in the table below.

The amount to be clawed back directly from the executive director will be the overpaid amount, but the Remuneration Committee retains the discretion to claw back the "net" (i.e. post-tax) amount of the award received by the executive director.

Malus and claw-back	Annual Bonus Plan (including deferred elements)	Long term incentive plan (LTIP)	
	Since 2015 plan	PSP (previous)	Current LTIP
Material misstatement of group financial accounts	up to 2 years after the payment of the cash element	up to 2 years after vesting (except where due to fraud or reckless behaviour when it shall be 6 years after vesting)	up to 2 years after vesting
Misconduct	up to 6 years after the payment of the cash element		up to 6 years after vesting
Fraud	unlimited		unlimited

Principles and approach to recruitment and internal promotion of directors

When hiring a new executive director, or promoting to the board from within the Group, the committee will offer a package that is sufficient to retain and motivate and, if relevant, attract the right talent whilst at all times aiming to pay no more than is necessary. Ordinarily, remuneration for a new executive director will be in line with the policy set out in the table summarised above. However, discretion may be required for exceptional circumstances such as dealing with remuneration relinquished in a previous job.

The maximum level of on-going variable pay that may be awarded to new executive directors on recruitment or on promotion to the board shall be limited to 400% of base salary as set out in the policy above (calculated at the date of grant, excluding any buy-out awards – see below). Remuneration and any buy-out arrangements will be announced as far as possible at the time a new executive director or chairman is appointed, or in the following Directors' remuneration report.

When determining the remuneration of a newly-appointed executive director, the Remuneration Committee will apply the following principles:

- The on-going remuneration package to be designed in accordance with the policy above.
- New executive directors will participate in the annual bonus scheme and Long Term Incentive Plan on the same basis as existing executive directors.
- The Remuneration Committee has discretion to grant one-off cash or share-based awards to executive directors where it determines that such an award is necessary to secure the recruitment of that executive director and where it is in the best interests of the company to do so. Such awards would only be made as compensation for remuneration relinquished under a previous employment (i.e. buy-out arrangements) and would be intended to mirror forfeited awards as far as possible by reflecting the value, nature, time horizons and performance measures attached. In such circumstances, the company will disclose a full explanation of the detail and rationale for such one-off awards.
- In certain circumstances, it may be necessary to buy out long notice periods of previous employment.
- With regard to internal promotions, any commitments made before promotion and unconnected with the individual's promotion may continue to be honoured even if they would not otherwise be consistent with the policy prevailing when the commitment is fulfilled.
- For external and internal appointments, the Remuneration Committee may agree that the company will meet certain relocation expenses (including legal fees), as set out in the policy.
- In determining the approach for all relevant elements, the Remuneration Committee will consider a number of factors, including (but not limited to) external market practice, current arrangements for existing executive directors and other internal relativities.

Service contracts

Shareholders are entitled to inspect a copy of executive directors' service contracts at the company's head office and at the AGM.

Executive directors' service contracts all have the following features:

- Contracts are drafted in line with best practice at the time the executive directors were appointed.
- Terminable on 12 months' notice by either party.

Specific provisions for Ashley Almanza and Tim Weller's contracts (dated 2013 and 2016 respectively) include:

- Messrs Almanza and Weller are each allowed to hold one external non-executive appointment and retain the fees paid to them for such appointments. Mr Almanza has no external non-executive appointment having stepped down from the board of Noble Corporation in June 2018 and Mr Weller is a non-executive director of the Carbon Trust.
- Mitigation obligations on termination payments are explicitly included in the executive directors' contracts. Notice payments for Ashley Almanza and Tim Weller are payable monthly.

Non-executive directors' letters of appointment:

- Appointment is subject to the provisions of the articles of association of the company, as amended from time to time regarding appointment, retirement, fees, expenses, disqualification and removal of directors.
- All continuing non-executive directors are required to stand for re-election by the shareholders at least once every three years, although they have agreed to submit themselves for re-election annually in accordance with the Code.
- Initial period of appointment is two years.
- All reasonably-incurred expenses will be met.
- Fees are normally reviewed annually.

Loss-of-office payment

The duration of the notice period in the executive directors' contracts is 12 months.

The Remuneration Committee would consider the application of mitigation obligations in relation to any termination payments.

The contracts do not provide for the payment of a guaranteed bonus in the event of termination.

Neither Ashley Almanza nor Tim Weller will be eligible for bonus accrual during any period of garden leave.

In relation to Mr Almanza, the value of the termination payment would cover the balance of any salary and associated benefits payments due to be paid for the remaining notice period, the value of which will be determined by the Remuneration Committee.

In relation to Mr Weller, the value of the termination payment would amount to the balance of any salary due to be paid for the remaining notice period multiplied by 1.25 to reflect the value of contractual benefits during such period.

The Remuneration Committee would also retain the discretion to make appropriate payments necessary to finalise any settlement agreement, but in exercising such discretion the Remuneration Committee would remain mindful to ensure that there was no reward for failure.

The fees for outplacement services and reasonable legal fees in connection with advice on a settlement agreement may be met by the company.

The table below illustrates how each component of pay would be calculated under different circumstances:

Plan	Automatic "good leaver" categories	Treatment for "good leavers"	Treatment for other leavers
Annual bonus (cash element)	All leavers other than voluntary resignation and summary dismissal.	Executive directors may receive a bonus to be paid on the normal payment date and in accordance with the agreed performance measures but reduced pro-rata to reflect the time employed.	Bonus opportunity will lapse.
Annual bonus (deferred share element)	▪ Injury, disability or ill health ▪ Redundancy ▪ Retirement ▪ Death ▪ Termination without cause ▪ Change of control or sale of employing company or business ▪ Any other circumstances at the discretion of the Remuneration Committee	Deferred shares may be released if the executive director ceases employment prior to the third anniversary as a result of one of the good leaver reasons.	Deferred share awards will lapse.
Long Term Incentive Plan	▪ Injury, disability or ill health ▪ Redundancy ▪ Retirement ▪ Death ▪ Change of control or sale of employing company or business ▪ Any other circumstances at the discretion of the Remuneration Committee	Awards will vest on the relevant vesting date on a time-apportioned basis, unless the Remuneration Committee determines otherwise, and subject to the achievement of performance measures at the relevant vesting date. The vesting date for such awards will normally be the original vesting date, unless otherwise determined by the Remuneration Committee.	Awards will lapse.

As directors may leave employment for a wide range of reasons, the committee retains discretion to approve payments where the reason for leaving does not fall precisely within the prescribed "good leaver" category.

The committee will take account of the director's performance in office and the circumstances of their exit. The committee will seek to balance the interests of shareholders, the departing director and the remaining directors.

Any awards subject to performance conditions would be assessed at the end of the relevant period and be subject to time apportionment.

Corporate Action

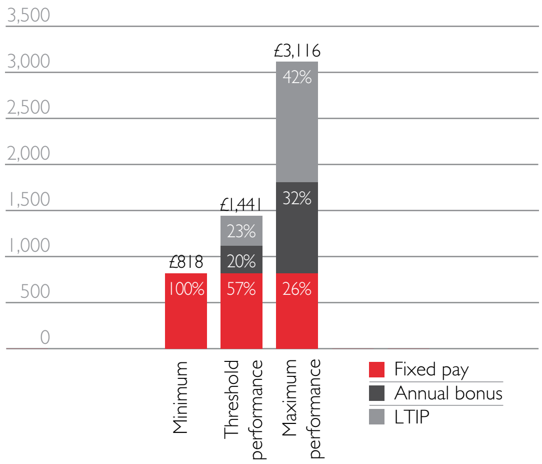
If the company is subject to a change in control, the Long Term Incentive Plan provides that awards will vest subject to the performance targets having been satisfied up to the date of the change of control and, unless the committee determines otherwise, time pro-rating.

On a variation of share capital, other reorganisation of the company, or a demerger of a substantial part of the Group's business, the committee may make such adjustment to awards as it may determine to be appropriate.

Illustrations of application of remuneration policy

Ashley Almanza, Chief Executive Officer (£000)

Tim Weller, Chief Financial Officer (£000)



2019	CEO	CFO
Base pay	£958,550	£656,625
Benefits	£110,000	£30,000
Pension	£239,638	£131,325
Total Fixed Pay	£1,308,188	£817,950

The benefits figures include taxable business expenses and associated tax and NIC payable by the company.

The bar charts above set out the effect of the executive directors' remuneration policy as it will apply in 2019 and based on the assumptions set out below:

	Minimum	Threshold	Maximum
Fixed pay	Consists of total fixed pay including base salary, benefits and pension benefits ▪ Base salary – salary effective as at 1 January 2019 ▪ Benefits – amount received by the Executive Directors respectively in 2018 including business expenses classified by HMRC as benefits but which the company does not consider to be benefits in the ordinary sense ▪ Retirement benefits – 25% of salary for Ashley Almanza, 20% of salary for Tim Weller		
Annual bonus	No payout	30% of the maximum payout (i.e. 45% of salary for Ashley Almanza and Tim Weller)	100% of the maximum payout (i.e. 150% of salary for Ashley Almanza and Tim Weller)
Long-term incentives	No vesting	25% vesting under the LTIP (i.e. 62.5% of salary for Ashley Almanza and 50% of salary for Tim Weller)	100% of the maximum payout (i.e. 250% of salary for Ashley Almanza and 200% of salary for Tim Weller)

Statement of consideration of employment conditions elsewhere in the Group

The structure of the executive directors' pay policy is generally in line with the policy for remuneration of the senior management within the Group, although the levels of award will be different.

The performance measures that apply in the variable element of remuneration will reflect the relevant areas of responsibilities. There may be one-off awards for retaining scarce and critical individuals below board level. Remuneration of employees globally will depend on local regulation and practice, taking any collective bargaining agreements into account, where they exist.

Elements of remuneration		Availability
Fixed pay	Pay	Available to all employees worldwide
	Pensions	Available to most employees in developed markets
Variable	Annual bonus	Available to all senior managers worldwide
	Long term incentive plan	Available to some senior managers worldwide
Benefits	Car or car allowance	Available to all senior managers worldwide
	Life/Income protection insurance	Available to most employees in developed markets
	Private Healthcare	Available to all senior managers in markets where it is commonly provided

Across the Group the company seeks to pay competitively, taking into account external benchmarking and internal moderation at each level to ensure that remuneration is in line with market practice. When determining base salary increases for executive directors, the Remuneration Committee pays particular attention to the data at senior manager level.

At G4S, the committee does not normally consult directly with employees as part of the process of determining the remuneration policy and pay decisions for executive directors and has not therefore done so in setting this remuneration policy. However, employee surveys are carried out biennially which help determine employees' views of their own pay and benefits, as well as those of colleagues in general.

Statement of consideration of shareholder views

We are committed to on-going engagement on key remuneration issues and seek our major shareholders' views prior to proposing any major change in policy. This provides us with valuable feedback and we take into consideration these views and seek to reflect them in our policy.

The chairman of the Remuneration Committee will be available to answer any questions and listen to the views of our shareholders at the forthcoming annual general meeting.

ANNUAL REPORT ON REMUNERATION

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED INFORMATION)

Executive directors

£	Base pay		Benefits		Annual Bonus		LTIP		Pension related benefits		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Ashley Almanza	**958,550**	939,755	**116,459**	110,112	**–**	1,120,168	**1,615,596**	1,349,155	**239,638**	234,939	**2,930,243**	3,754,129
Tim Weller	**656,625**	643,750	**30,169**	29,702	**–**	670,774	**1,148,054**	171,074	**131,325**	128,750	**1,966,173**	1,644,050

Notes:
1. Benefits include car allowance, business-related travel, healthcare, disability and life assurance. Benefit values include the cost of certain travel, overnight accommodation, meals and memberships which HMRC treats as a taxable benefit and on which the company has paid, or will in due course pay, tax as it does not consider such expenses to be benefits in the ordinary tax sense. The grossed-up amounts for 2018 are £40,343 (2017: £71,706) for Ashley Almanza. Benefit values also include local travel costs of £25,098 (2017: £10,420) for Ashley Almanza who bears the tax himself, and contain other business costs which HMRC deems to be benefits.
2. Any bonus due above 50% of the individual's maximum bonus entitlement is awarded as deferred shares, which vest after a period of three years unless the individual ceases employment prior to the third anniversary and qualifies as a good leaver, in which case release of such deferred shares occurs shortly after termination of employment. Mr Almanza's bonus pay-outs for 2017 consisted of £704,816 in cash and £415,353 in shares deferred for three years. Mr Weller's bonus pay-outs for 2017 consisted of £482,813 in cash and £187,961 in shares deferred for three years. For 2018, the executive directors notified the Committee of their wish to waive their entitlement to a bonus. The Committee approved this recommendation. Further information regarding 2018 bonus performance is set out on page 118.
3. For 2018, Ashley Almanza received a fee of $55,000 as well as shares valued at $356,314 from Noble Corporation, (2017: $88,500 in fees) which he retained for the part of the year prior to his stepping down from his non-executive directorship referred to on page 113 on 19 June 2018. Mr Weller received and retained £17,000 from the Carbon Trust for his non-executive directorship during the year under review (2017: £17,000).
4. Values in the 2017 LTIP column relate to the 2015 LTIP, which vested on 20 March 2018 and are calculated using the share price on the date of vesting of 247.7p per share. Values provided in the 2017 LTIP column of the 2017 directors' remuneration report were estimates. On 20 March 2018, Ashley Almanza had 544,673 shares vesting under the 2015 LTIP, of which he retained 288,676 shares after selling 255,997 shares to satisfy tax and NI liabilities arising out of such vesting. On the same date, Tim Weller had 69,065 shares vesting under the 2015 LTIP, of which he retained 36,604 after selling 32,461 shares to satisfy tax and NI liabilities arising out of such vesting.
5. Values in the 2018 LTIP column relate to the 2016 LTIP due to vest on 15 March 2019. Since the share price on the date of vesting is unknown at the date of this report, the figures provided are estimates calculated using the average market value over the last quarter of the year under review, i.e. 201.4p per share and the vesting level under the 2016 LTIP, which is 55.8%. Further information regarding performance and vesting of the 2016 LTIP is set out on page 119. The amount of executive directors' remuneration attributable to the company's share price growth over the three-year performance period is the difference between the share price of 183.8p per share used for the purpose of the awards made or deemed granted in March 2016 and the average market value over the last quarter of the year under review, i.e. 201.4p per share used to estimate value at the vesting date of 15 March 2019. On this basis, the amounts are £141,165 and £100,313 for Messrs Almanza and Weller respectively.
6. In relation to Mr Weller, the LTIP figure for 2018 includes estimates regarding three separate awards under the company's LTIP 2016 granted as part of his remuneration arrangement upon joining the company as CFO on 24 October 2016 and due to vest on 15 March 2019. These are:
   - an award made following his relinquishing the 2015 performance share plan aware from his previous employer,
   - an award made as compensation for the forfeiture of his annual bonus from his previous employer; and
   - an award on a pro-rata basis relative to his start date as CFO on 24 October 2016.

   Estimates were calculated using the methodology described in note 5 above.

Non-executive directors

The following table shows a single total figure of remuneration in respect of qualifying services for the 2018 financial year for each non-executive director, together with the comparative figures for 2017. Aggregate non-executive directors' emoluments are shown in the last column of the table.

£	Base fee		SID		Chair of Committee		Benefits		Total	Total
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
John Connolly	**382,500**	375,000	**n/a**	n/a	**n/a**	n/a	**3,216**	4,770	**385,716**	379,770
John Daly	**63,500**	61,750	**n/a**	n/a	**18,500**	18,500	**6,297**	3,259	**88,297**	83,509
Elisabeth Fleuriot	**34,270**	n/a	**n/a**	n/a	**9,984**	n/a	**5,611**	n/a	**49,865**	n/a
Winnie Fok	**63,500**	61,750	**n/a**	n/a	**n/a**	n/a	**18,403**	15,243	**81,903**	76,993
Steve Mogford	**63,500**	61,750	**15,000**	15,000	**n/a**	n/a	**1,990**	1,531	**80,490**	78,281
John Ramsay	**63,500**	n/a	**n/a**	n/a	**20,000**	n/a	**5,816**	n/a	**89,316**	n/a
Paul Spence	**63,500**	61,750	**n/a**	n/a	**18,500**	37,500	**12,897**	16,452	**94,897**	115,702
Clare Spottiswoode	**23,373**	61,750	**n/a**	n/a	**7,228**	18,500	**7,477**	2,315	**38,078**	82,565
Barbara Thoralfsson	**63,500**	61,750	**n/a**	n/a	**n/a**	n/a	**20,790**	24,101	**84,290**	85,851

Notes: The above fees were pro-rated where the appointments or retirements were part way through the year.
1. Benefit values include the cost of overnight accommodation, travel and meals, which HMRC treats as taxable benefits and on which the company has paid, or will in due course pay, tax as it does not consider such expenses to be benefits in the ordinary tax sense.
2. For Clare Spottiswoode figures cover the period up to the date that she retired from the board on 16 May 2018.
3. For Elisabeth Fleuriot figures cover the period from the date of her appointment as a non-executive director on 18 June 2018 and fees received for her role as chair of the CSR Committee.
4. Benefits figures for Winnie Fok, Barbara Thoralfsson and Elisabeth Fleuriot include professional fees in relation to tax and social security compliance.
5. During 2017, in addition to his role as chair of the Risk Committee, Mr Spence also chaired the Audit Committee.

2018 Annual bonus

During the financial year ended 31 December 2018, the performance measures relating to the annual bonus scheme rules were consistent with the Remuneration Policy, with 85% of the maximum bonus opportunity for Ashley Almanza and 80% for Mr Weller being based on achievement of challenging financial performance measures.

The financial performance measures were based on revenue, budgeted Group earnings (excluding specific and other separately disclosed items) and budgeted Group operating cash flow before capital expenditure for Mr Almanza and budgeted Group earnings (excluding specific and other separately disclosed items) and budgeted Group operating cash flow before capital expenditure for Mr Weller.

For threshold performance, 35% of maximum entitlement would pay out with on-target performance resulting in a payment of 60% of maximum entitlement, with 100% only being earned in the event of achievement of a stretch performance significantly in excess of budget. The element of bonus determined for each financial performance measure is calculated by interpolating actual achievement against the range between the minimum i.e. entry threshold and the maximum target to achieve maximum performance.

The remaining 15% of the maximum bonus opportunity for Mr Almanza and 20% for Mr Weller was linked to objectives relating to non-financial performance. These consisted of personal objectives or related to the organisation and were linked to specific elements of the Group's strategy for which the particular director had responsibility. Each executive director has a number of strategic performance measures linked to areas that the committee has agreed for the year. The committee reviews the progress in each area and then makes an assessment as to whether the executive has performed in accordance with expectations.

The maximum bonus potential remained unchanged from 2017 at 150% of base pay for both Messrs Almanza and Weller.

Bonuses are paid in cash up to 50% of maximum entitlement. Where the bonus amount is in excess of 50% of the maximum bonus potential, the amount which exceeds 50% is delivered in the form of a deferred share award which vests after a period of three years.

The tables below show how pay was linked to performance in 2018 and set out details of each of the financial measures, the targets in respect of these measures and the actual outcomes:

2018 annual bonus – Performance conditions and outcomes

ASHLEY ALMANZA

Financial measures	Weighting (% of maximum bonus)	Threshold to earn bonus	Target	To achieve full vesting	Achievement	Score achieved (% of total for each measure)
Revenue	10%	£7,583m	£7,818m	£8,052m	£7,512m	nil
Group Earnings	45%	£273m	£282m	£290m	£253m	nil
Group OCF	30%	£543m	£559m	£576m	£439m	nil
Total	85%	n/a	n/a	n/a	n/a	nil

Personal objectives

Mr Almanza was able to earn up to 15% of the maximum bonus potential for achieving personal objectives. Mr Almanza's personal objectives for 2018 covered three key areas, namely strategy, productivity and organisation, which were designed to align with the strategic priorities for 2018 (see pages 18 and 19) and were set out in the 2017 Directors' Remuneration report.

Further details on each personal objective, achievement and performance rating are set out in the table below:

Personal Objective	Achievement	Performance Rating
Strategy – Continue to develop the Group's use of technology in its products and services	▪ Increased security risk consulting and systems revenue ▪ Increased customer locations using G4S cash technology	A score of 10 points out of a potential maximum of 15 points.
Productivity – Develop and initiate the next phase of the Group productivity programme	Implemented programme of organisation efficiency with an in-year benefit during 2018 of £30m.	
Organisation – Embed new organisation to ensure new teams operate effectively	The new organisation structure introduced in 2018, resulted in clearer focus on strategy and performance in Cash Solutions and Secure Solutions, and created a strong foundation from which to consider the potential separation of the Cash Solutions businesses.	

TIM WELLER

Financial measures	Weighting (% of maximum bonus)	Threshold to earn bonus	Target	To achieve full vesting	Achievement	Score achieved (% of total for each measure)
Group Earnings	45%	£273m	£282m	£290m	£253m	nil
Group OCF	35%	£543m	£559m	£576m	£439m	nil
Total	80%	n/a	n/a	n/a	n/a	nil

Personal objectives

Mr Weller was able to earn up to 20% of the maximum bonus potential for achieving personal objectives. The personal objectives for the CFO role were set at the beginning of the year to align with the strategic priorities for 2018. These were set out in the 2017 Directors Remuneration report and focused on two key areas, namely productivity and IT. Further details about the personal objectives, as well as Mr Weller's achievement and overall performance rating are set out in the table below:

Personal Objective	Achievement	Performance Rating
Productivity – Contribute to Group programme with efficiency improvements in key support functions	Implemented changes to embed streamlined reporting and management information as well as de-layering which have resulted in sustained efficiency improvements.	A score of 10 points out of a maximum of 20 points.
Integrated IT systems – Deliver lean process IT project	Following the launch of the pilot of the Javelin IT-enabled operating model in Ireland during 2017, the enhanced version of Javelin encompassing all of the lessons learned was deployed into Ireland in 2018 and into the UK in February 2019.	

As mentioned earlier in the report, the executive directors communicated to the Remuneration Committee their wish to waive their entitlement to a bonus for 2018. The committee approved this recommendation and consequently, no bonus is payable in respect of 2018.

Long term incentive plan (LTIP)

The 2018 and 2017 values shown in the fourth column of the single-figure table relate to the LTIP awards made in March 2016 and 2015 respectively. The performance measures and targets of these awards are set out below:

Performance measures and targets for the LTIP awards

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting	Ranking against the bespoke comparator group by reference to TSR	Proportion of allocation vesting	Average operating cash flow	Proportion of allocation vesting
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The table below illustrates the company's performance against the 2015 award targets and the resulting pay-out as shown in the 2017 values in the fourth column of the single figure table:

Measure	Performance	Vesting (% of element)
Average annual growth in EPS	Increase of 10% pa	80%
Relative TSR	Ranked between 41st and 42nd in peer group	0%
Average OCF	125%	100%
Total vesting		62% of maximum

The table below illustrates the company's performance against the 2016 award targets and the estimated pay-out as shown in the 2018 values in the fourth column of the single figure table:

Measure	Performance	Vesting (% of element)
Average annual growth in EPS	Increase of 9.33% pa	72%
Relative TSR	Ranked between 40th and 41st in peer group	0%
Average OCF	123%	90%
Total vesting		55.8% of maximum

Vesting under the 2016 LTIP was 55.8% of maximum of the award. 90% performance was achieved for the average OCF component and 72% of the portion allocated to average annual EPS growth vested. Dividend payments to shareholders were maintained throughout and increased towards the end of the performance period, however relative TSR performance was affected by share price fluctuations so did not result in any pay-out for this measure.

TSR Comparator group

The bespoke comparator group consisted of companies constituent of the FTSE 100 index corrected to exclude financial institutions and companies in the extractive sector, and include competitor companies which are outside that index. It consisted originally of 66 companies (not including G4S). During the three-year performance period, six of these companies were delisted as a result of takeovers or mergers (ARM Holdings, British Sky Broadcasting, GKN, Rexam, SABMiller and Tui Travel), therefore these were removed from the group. Competitors included in the comparator group are Loomis, Prosegur, Securitas, Capita and Brink's.

Total pension entitlements (audited information)

None of the executive directors have any prospective entitlement to a group defined benefit pension nor is either a member of the Group's pension plan, which is a defined contribution group personal pension plan available to all UK employees. Instead the CEO and CFO receive cash allowances of 25% and 20% of their base pay, respectively.

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

Awards under the LTIP approved by the shareholders at the company's AGM in June 2014 were made in March 2018 consistent with the company's normal grant policy. Details of the awards made to the executive directors are summarised in the table below and further details are given in the table on directors' shareholdings and interests on page 121:

Director	Award type	Number of shares	Face value (£)	Performance condition	EPS, TSR and AOCF Performance period	% vesting at threshold
Ashley Almanza	Conditional shares	925,277	£2,396,375	40% EPS/30% TSR/30% AOCF	01/01/2018 – 31/12/2020	25%
Tim Weller	Conditional shares	507,065	£1,313,250	40% EPS/30% TSR/30% AOCF	01/01/2018 – 31/12/2020	25%

Notes:
1. The face-value calculation for all awards granted in March 2018 was based on a share price of £2.5899 which represents the average closing share price during the three business days following the announcement of the company's 2017 financial results.
2. Awards of conditional shares under the 2018 LTIP were granted in accordance with the Directors' Remuneration Policy. As a result, conditional share awards representing 250% of base pay and 200% of base pay were granted to Messrs Almanza and Weller respectively.
3. Further details of performance conditions are set out in the table below.

Performance measures for long-term incentives awarded in 2018

The bespoke comparator group consists of companies constituent of the FTSE 100 index corrected to exclude financial institutions and companies in the extractive sector, and include competitor companies which are outside that index.

The company's current policy is to use market-purchased shares to satisfy LTIP awards. Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards vesting at the end of the performance period.

The company calculates whether the EPS performance target has been achieved by reference to the Group's audited accounts, which provide an accessible and objective measure of the Group's earnings per share. The average OCF performance target is calculated by reference to the relevant definition set out in the LTIP rules approved by shareholders. The committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising. TSR ranking will be verified externally.

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting	Ranking against the bespoke comparator group by reference to TSR	Proportion of allocation vesting	Average operating cash flow	Proportion of allocation vesting
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

Statement of directors' shareholdings and share interest (audited information)

The executive directors are required to build up a minimum shareholding in G4S, as explained in the remuneration policy. Shares in the table below are valued at the year-end price, which was 196.95p per share at 31 December 2018.

	2018	2017	Share ownership requirement (% of salary)	Shareholding requirement achieved at 31/12/18	Number of Deferred shares held at 31/12/18	Total shares under LTIP awards subject to performance at 31/12/18
Ashley Almanza	**1,326,745**	907,678	200%	273%	527,899	2,980,253
Tim Weller	**90,267**	53,663	150%	27.1%	72,574	1,837,945

Notes:
1. Includes any shares owned by persons closely associated with the directors.
2. Deferred share awards and LTIP awards do not include the further shares with a value equivalent to the dividends which are paid in respect of shares received. The number of shares is gross and will be subject to tax when they are released.
3. In accordance with the Remuneration Policy, any bonus due above 50% of Messrs Almanza and Weller's maximum bonus entitlement is awarded in deferred shares, which although not subject to further performance conditions are subject to employment conditions and vest after a period of three years. The *number of deferred shares held as at 31/12/18* column consists of, in the case of Mr Almanza, 146,410 shares relating to the portion of his 2015 annual bonus deferred into shares, 221,116 shares relating to the portion of his 2016 annual bonus deferred into shares and 160,373 shares relating to the portion of his 2017 annual bonus deferred into shares. On 16 March 2019, Mr Almanza will receive the aforementioned 146,410 shares as well as additional shares to account for dividend entitlement during the period of deferral (before selling sufficient shares to pay the withholding taxes) relating to the deferred shares granted under the aforementioned 2015 annual bonus scheme. For Mr Weller, the 72,574 shares listed in this column relate to the portion of his 2017 annual bonus which was deferred into shares.
4. In relation to Mr Almanza, the *total shares under LTIP awards subject to performance* column consists of an award of 1,259,114 conditional shares under the 2016 LTIP, an award of 795,862 conditional shares granted under the 2017 LTIP, as well as an award of 925,277 conditional shares granted under the 2018 LTIP. In relation to the 2016 LTIP, on 15 March 2019, Mr Almanza will receive an estimated 802,062 shares, which includes additional shares to account for dividend entitlement (before selling sufficient shares to pay the withholding taxes).
5. In relation to Mr Weller, the *total shares under LTIP awards subject to performance* column includes the following as yet unvested awards made in accordance with Mr Weller's remuneration arrangement upon becoming CFO on 24 October 2016, further details of which arrangements are set out on page 90 of the Integrated Reports and Accounts 2016:
   - an award of 250,000 conditional shares granted on 8 November 2016, with a deemed date of grant of March 2016 following his relinquishing the 2015 performance share plan award from his previous employer and
   - an award of 544,736 conditional shares granted on 22 November 2016 under the company's LTIP on a pro-rata basis, with a vesting period of 36 months and a deemed date of grant of March 2016 relative to his start date as CFO on 24 October 2016.
   - an award of 100,000 shares on equivalent terms to the G4S 2016 LTIP was granted on 9 June 2017 as compensation for the forfeiture of Mr Weller's annual bonus from his previous employer.

   These awards are due to vest on 15 March 2019. Mr Weller will receive an estimated 569,951 shares which includes additional shares to account for dividend entitlement (before selling sufficient shares to pay the withholding taxes). Estimates are calculated using a vesting price of the average share price of the company for the last quarter of 2018, namely 201.4p per share multiplied by 55.8% (vesting level for the LTIP 2016) of the number of shares awarded under the LTIP 2016 and additional dividend shares.

   In addition, consistent with the company's normal grant policy, in March 2017 Mr Weller received an award of 436,144 conditional shares under the 2017 LTIP and in March 2018, an award of 507,065 conditional shares under the 2018 LTIP.
6. In addition to the above, each of the directors has a deemed interest in the total number of shares held by the company's Employee Benefit Trust. As at 31 December 2018, the trustees of the Employee Benefit Trust held 5,342,225 shares (2017: 4,362,068 shares).

The shareholdings for non-executive directors are shown below.

	As at 31.12.2018	As at 31.12.2017
John Connolly	**336,642**	336,642
John Daly	**30,000**	30,000
Elisabeth Fleuriot	**–**	n/a
Winnie Fok	**30,000**	30,000
Steve Mogford	**10,000**	10,000
John Ramsay	**38,000**	n/a
Paul Spence	**30,000**	20,000
Clare Spottiswoode	**n/a**	4,681
Barbara Thoralfson	**–**	–

There are no requirements for the non-executive directors to hold shares nor for any former directors to hold shares once they have left the company.

PAYMENT FOR LOSS OF OFFICE

There was no payment for loss of office during the year under review.

PAYMENTS TO PAST DIRECTORS (AUDITED INFORMATION)

Grahame Gibson

Grahame Gibson, who stepped down as a director of the company on 4 June 2015, ceased to be an employee on 20 October 2015. Details of payments for loss of office in prior years are set out on page 87 of the company's integrated report and accounts 2015 available at g4s.com.

Awards made to Mr Gibson under the company's long-term incentive plans were pro-rated to 20 October 2015. As disclosed in the 2017 Directors' Remuneration Report, the award made in 2014 vested on 20 March 2017, when Mr Gibson received 187,092 shares. The last remaining award under the 2015 LTIP was also subject to performance, which was tested at the normal vesting dates, with such award vesting on 20 March 2018 when Mr Gibson, who is no longer subject to shareholding requirements, elected to receive payment in cash and received a gross payment £141,541.

Himanshu Raja

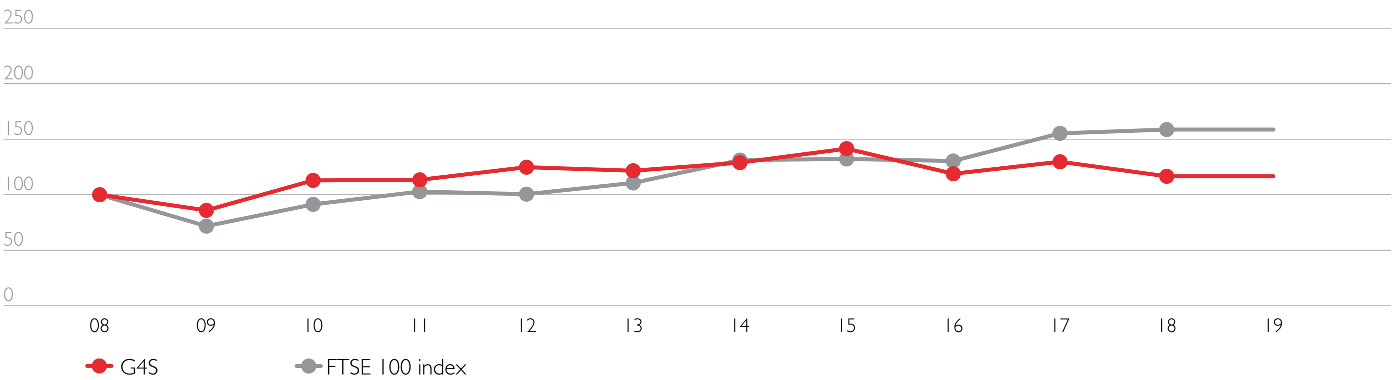
Himanshu Raja stepped down from the board of the company and his role as chief financial officer on 1 October 2016. He ceased to be an employee on the same date. Details of payments for loss of office in 2016 are set out on page 95 of the company's Integrated Report and Accounts 2016 available at g4s.com.

Awards made to Mr Raja under the company's long-term incentive plan were pro-rated to 1 October 2016. All such awards remained subject to performance, to be tested at the normal vesting dates. On 20 March 2017, Mr Raja received 344,499 shares (before selling sufficient shares to pay withholding taxes) following the vesting of the LTIP award made in 2014. On 20 March 2018, Mr Raja received a 152,997 shares (before selling sufficient shares to pay withholding taxes) following the vesting of the LTIP award made in 2015. The last remaining award under the 2016 LTIP remains subject to performance, which will be tested at the normal vesting date in March 2019. Such award is due to vest on 15 March 2019 and Mr Raja will receive an estimated 133,254 shares (before selling sufficient shares to pay withholding taxes).

PERFORMANCE GRAPH AND TABLE

The line graph below shows the ten-year annual Total Shareholder Return (TSR) performance against the FTSE 100 index. The directors believe this to be an appropriate form of broad equity market index against which to base a comparison, given the size and geographic coverage of the Group.

2008 – 2018 Total Shareholder Return



CEO's pay in last ten financial years

Year	2009	2010	2011	2012	2013	2013	2014	2015	2016	2017	**2018**
Incumbent	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Nick Buckles	Ashley Almanza	Ashley Almanza	Ashley Almanza	Ashley Almanza	Ashley Almanza	Ashley Almanza
CEO's total single figure of annual remuneration (£'000)	3,248	2,823	1,542	1,186	514	1,459	2,521	2,738	4,790	3,754	**2,930**
Bonus % of maximum awarded	74%	53%	0%	0%	0%	72%	98%	70%	97%	79.5%	**0%**
PSP LTIP % of maximum vesting	100%	58%	14%	0%	0%	n/a	n/a	27%	70%	62%	**56%**

Notes:
1. Nick Buckles stepped down as CEO on 31 May 2013 and Ashley Almanza took over as CEO from 1 June 2013.
2. After July 2011, the CEO's total single figure of annual remuneration included payment in lieu of pension. This was 40% of base pay for Nick Buckles and is 25% of base pay for Ashley Almanza. Prior to July 2011, a notional sum equal to 40% of relevant base pay has been included.
3. The value of shares that vested in the relevant year under the PSP (or a notional value in the case of shares vested but unexercised) has been included in the prior year's CEO's total figures, since that is the most relevant year for measurement of performance.
4. The figures before 2013 did not include taxable expenses.
5. *Bonus % of maximum awarded* figure for 2017 is the adjusted figure after a reduction equivalent to 10% of base pay was applied, as recommended by the executive directors and approved by the Remuneration Committee.
6. *Bonus % of maximum awarded* for 2018 takes account of the waiver by the executive directors of their bonus 2018.

PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2017 and 2018 compared with the percentage change in the average of each of those components of pay for UK-based G4S employees. The Remuneration Committee has chosen all employees in the UK who were in employment during the two-year period – 2017 and 2018 – as the group which should provide the most appropriate comparator, as the Group CEO is based in the UK.

	Percentage change in remuneration between 2017 and 2018		
	Salary	Benefits	Bonus
CEO	2.0%	5.8%	See note below
Average change for all other UK employees	2.9%	See note below	See note below

Notes:
1. The core benefit composition and the underlying employee entitlements remain unchanged over the two-year period, with changes linked to increases in premium rates and costs of procurement of insurance and other benefits.
2. Information on bonuses is not readily available for all other UK employees.
3. As explained earlier in this report, Mr Almanza waived his entitlement to bonus in 2018.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below illustrates the relative importance of spend on pay compared with other disbursements from profit.

	2018	2017	**Change**
Dividends paid	**£150m**	£145m	**3.4%**
Total employee costs	**£5,194m**	£5,363m	**-3.2%**

There were no share buy-backs effected in either year.

The reduction in total employee costs is the result of a combination of a reduction in total employee numbers, due to disposals and restructuring, and the impact of foreign exchange rates on the 2018 figure with the 2017 figure stated at December 2017 average rates.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2019

Decisions were taken on the basis of the directors' remuneration policy approved at the company's 2017 AGM set out on pages 108 to 115. However, as mentioned above, the committee is cognisant of evolving investor expectations and of the changes to the UK Corporate Governance Code applicable from 1 January 2019. Taking into consideration these developments, a number of changes to the executive remuneration framework, which have been agreed are set out below in the relevant components of remuneration.

The committee considers that the introduction of these features will increase the alignment of the executive directors with the interests of our other shareholders.

Executive directors' remuneration

Base pay

For 2019, at the annual pay review, it was decided that Messrs Almanza and Weller's base pay would not be increased in 2019 and would therefore remain at £958,550 and £656,625 respectively.

Annual Bonus Scheme

The annual bonus for the 2019 financial year will be determined on a basis consistent with the existing remuneration policy, with the maximum bonus opportunity remaining at 150% of salary for both Ashley Almanza and Tim Weller.

The majority of the annual bonus opportunity for executive directors will be based on Group financial measures. For 2019, in line with the approach taken in 2018, the measures used to assess Group financial performance will include underlying earnings, operating cash flow and revenue, as these metrics continue to support the company's key strategic objectives. When setting Group financial targets, the committee takes into account a number of factors to ensure that the targets set are aligned with the Group's strategy and are sufficiently stretching.

The board approves strategic objectives for the CEO and 15% of the maximum bonus is allocated to these objectives in 2019. The CEO recommended and the committee has approved a 15% allocation of the CFO's maximum bonus opportunity to non-financial objectives.

The Remuneration Committee will therefore determine final bonus outcomes for the Executive Directors based on overall Group financial performance and the attainment of non-financial objectives.

Details of performance measures and targets are considered to be commercially sensitive since they relate to the 2019 financial year. To the extent that they are no longer commercially sensitive, specific targets and performance against these will be disclosed in the company's 2019 integrated report and accounts.

The proposed target levels for 2019 have been set to be challenging and align with the Group's strategic priorities and business plan. In reviewing the targets, the committee took into account a number of factors, including for example the fact that in relation to group earnings, the minimum target that needs to be met in order for any bonus to be payable must be at least equal to the earnings in 2018.

In addition, the committee also considered the proposed non-financial objectives for each of Messrs Almanza and Weller and concluded that these were also demanding.

Mr Almanza's personal objectives for 2019 cover two key areas, namely strategy and organisation including values & culture. The separation review is a major strategic project, the development of which is managed by Mr Almanza and his executive team. Alongside this work Mr Almanza is accountable for leading the executive team's work to promote the Group's values and to build and sustain the organisation required for the successful execution of the Group's strategy.

Mr Weller's personal objectives for 2019 are focused on the separation review announced in December 2018. This review includes important finance, tax, treasury and IT components, overseen by Mr Weller.

As part of next year's review of the Directors' Remuneration Policy, the committee will review and will consult with shareholders on the future annual bonus approach.

Long Term Incentive Plan

The level of awards due to be granted in the 2019 financial year under the LTIP approved by shareholders at the 2014 AGM will be consistent with the existing remuneration policy. For all long-term incentive awards granted after the 2019 AGM a two-year holding period will apply following the completion of the performance period, which will have the effect of extending the total time horizon to a period of five years.

As for 2019, the committee considers that a combination of earnings per share growth, total shareholder return and average operating cash flow targets are the most appropriate performance measures for the 2019 awards, as they provide a robust method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders.

Awards granted under the LTIP during the 2019 financial year are subject to the performance conditions listed in the table overleaf.

Performance measures for long-term incentives awarded in 2019

40% of each award granted		30% of each award granted		30% of each award granted	
Average annual growth in EPS period ending on 31 December in the third year	Proportion of allocation vesting	Ranking against the bespoke comparator group by reference to TSR	Proportion of allocation vesting	Average operating cash flow	Proportion of allocation vesting
Less than 5% pa	Nil	Below median	Nil	<105%	Nil
5% pa (15% over 3 years)	25%	Median	25%	105%	25%
+ 5 to 12% pa	Pro-rata between 25% and 100%	Between median and upper quartile	Pro-rata between 25% and 100%	Between 105% and 125%	Pro-rata between 25% and 100%
Greater than + 12% pa (36% over 3 years)	100%	Upper quartile	100%	125%	100%

The company's current policy is to use market-purchased shares to satisfy LTIP awards.

Participants in the LTIP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of LTIP awards vesting at the end of the performance period.

The company calculates whether the EPS performance targets have been achieved by reference to the Group's audited accounts, which provide an accessible and objective measure of the Group's earnings per share.

Adjustments to EPS will be made in respect of:

- Constant exchange rates – in line with previous years, these will be normalised to the rates in the base year
- Acquisitions – earnings will be added to the EPS base at the level used in the acquisition business case
- Disposals – earnings will be removed from the EPS base at the business plan rate
- Share buy-back – the company will only execute buy-backs if the investment is economically accretive and it is in the interest of the company. The adjusted EPS for the purposes of calculating performance against the LTIP target shall be further adjusted by:
  a. increasing the average number of shares in issue during the performance year by the number of shares bought back during the past three years
  b. decreasing the net interest cost in the performance year in respect of the interest charge on the cash cost of any share buy-backs during the past three years. Interest will be calculated at the Group's average costs of funds for the year.

The Remuneration Committee will apply discretion in the event of impairment. If the impairment is not a result of management failure, then it will not impact the pay-out.

The Remuneration Committee may alter the terms of the EPS measure if it feels that it is no longer a fair measure and is no longer incentivising.

Operating cash flow is a measure taken before capital expenditure and investments – to ensure that management is not incentivised to under-invest in growth opportunities – and before pension deficit repayment. Operating cash flow is expressed as EBITDA +/- working capital and provisions movement as a percentage of EBITDA. Average operating cash flow is the average over three years.

TSR ranking will be verified externally.

Retirement benefits

From 2019, pension contributions in relation to any future external executive director appointments will be reduced to 15% of base pay in line with senior management in the UK and recent appointments to the Group Executive Committee.

Other features

From 2019, the minimum share ownership requirement for the CFO has been increased from 150% to 200%. It is therefore aligned with that of the CEO and means that the minimum shareholding requirement is now 200% for both executive directors.

In addition, in order to reflect the requirement in the New Code and the views of shareholders, we are introducing a post-employment shareholding requirement for all LTIP awards made following the 2019 AGM. Executive directors will be expected to retain shares equal to the share ownership requirements (or their actual shareholding on the date of termination if lower) for a period of two years following their departure.

Non-executive directors' remuneration

The fees payable to the non-executive directors other than the chairman are set by the executive directors who receive input from the chairman. The fees payable to the non-executive chairman are set by the Remuneration Committee. In both cases, fees are reviewed annually. Non-executive directors' fees were last increased in January 2018.

The review carried out in December 2018 concluded that there would be no change to the fees for the non-executive directors, which was broadly in line with the approach adopted for the Group's senior management population.

The table below, sets out the fees for the non-executive chairman and other non-executive directors applicable for 2019.

Annual fee	**2019** **£**	2018 £	Increase on prior year %
Chairman	**382,500**	382,500	No change
Basic fee	**63,500**	63,500	No change
Senior Independent Director	**15,000**	15,000	No change
Chair of Audit Committee	**20,000**	20,000	No change
Other chairs	**18,500**	18,500	No change

ADVISORS TO THE REMUNERATION COMMITTEE

Deloitte was appointed by the Remuneration Committee as its advisor in 2014. Such appointment is reviewed every year and was confirmed in August 2018. The committee received advice from Deloitte on executive and senior management remuneration matters throughout the year under review. The committee has satisfied itself as to the independence of Deloitte. Deloitte is a member of the Remuneration Consultants Group and operates voluntarily under its code of conduct in the UK.

Advisor	Appointment	Services provided to Remuneration Committee	Fees for services to Rem Co	Other services provided to Company
Deloitte	2014	Advice on executive remuneration	£30,200	Advice on controls, tax advice on expatriate and share plans, and other consulting services. These services were provided by different parts of Deloitte.

Fees for services to the Remuneration Committee are at an agreed rate based on time involved and paid as incurred.

The group chief executive, Ashley Almanza, provided guidance to the committee on remuneration packages for senior executives within the Group. Further guidance was received from the Group's HR director, Jenni Myles, and the director of compensation and benefits, Sok Wah Lee. Neither the group chief executive nor the group HR Director participated in discussions regarding their own remuneration.

The committee is satisfied that the advice it received during the year was objective and independent based on the experience of its members generally.

STATEMENT OF VOTING AT GENERAL MEETING

A resolution to approve the Directors' Remuneration Policy as set out in the company's annual report for the year ended 31 December 2016 was passed at the company's annual general meeting held on 25 May 2017. A resolution to approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 31 December 2017 was passed at the company's annual general meeting held on 15 May 2018.

The results of the votes on these resolutions are set out in the table below:

Resolution	For	Against	Withheld
Directors' Remuneration Policy – 2017 AGM	97.26%	2.74%	131,465
Directors' Remuneration Report – 2018 AGM	97.36%	2.64%	603,228

This is the report of the directors of the board of G4S plc for the year ended 31 December 2018.

1. The company

G4S plc is a parent company incorporated in England and Wales with company number 4992207. It trades primarily through its subsidiaries and joint ventures in numerous jurisdictions. A list of those subsidiaries and joint ventures is set out on pages 204 to 217.

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

2. Reporting obligations

In compliance with relevant listing rules and also with DTR4.1.5.R and DTR4.1.8R, the Integrated Report and Accounts 2018 contain the consolidated results for the year, shown in the consolidated income statement on page 144, a management statement contained in the strategic report and in the Directors' report and responsibility statements on pages 128 to 131.

Details of the development and performance of the Group's business during the year, its position at the year end, future developments, principal risks and uncertainties, prospects of the Group and other information which fulfils the requirements of a management report, are all contained on pages 2 to 71 of the strategic report and are incorporated by reference in this Directors' report. The Corporate governance report, the Audit Committee report and the Directors' remuneration report set out on pages 72 to 127. The Group's financial risk management objectives and policies in relation to its use of financial instruments and its exposure to price, credit, liquidity and cash flow risk, to the extent material, are set out in note 30 to the consolidated financial statements on pages 183 to 187 which is also incorporated by reference in this Directors' report.

None of the matters required to be disclosed by LR 9.8.4C R apply to the company other than shareholder waiver of dividends which is referred to in section 4 of this Directors' report.

3. Dividends

The directors propose the following dividend for the year:

- Interim dividend of 3.59p (DKK 0.2948) per share paid on 12 October 2018
- Final dividend of 6.11p (DKK 0.5321) per share payable on 14 June 2019

Shareholders on the Danish VP register will receive their dividends in Danish kroner. Shareholders who hold their shares through CREST or in certificated form will receive their dividends in sterling unless they prefer to receive Danish kroner by way of a cheque payable in the UK, in which case they should apply in writing to the Registrars by no later than 2 May 2019.

4. Capital

The issued share capital of G4S plc at 31 December 2018 is as set out on page 199 (note 34 to the consolidated financial statements) and consisted of 1,551,594,436 ordinary shares of 25 pence each. The number of shares in issue as at 12 March 2019 remains unchanged.

In general there are no restrictions on the holder's ability to transfer their shares or exercise their voting rights, other than in situations where the company is legally entitled to impose such restrictions (usually where amounts remain unpaid on the shares after request, or the holder is otherwise in default of an obligation to the company).

The company is not aware of any agreements between its shareholders that may restrict the transfer of their shares or the exercise of the voting rights attaching to them except in relation to the G4S Employee Benefit Trust ("the Trust") which has been established to facilitate certain employee share plans.

Resolutions granting the directors power, subject to certain conditions, to allot and make market purchases of the company's shares will be proposed at the company's annual general meeting. At 31 December 2018 the directors had authority in accordance with a resolution passed at the company's annual general meeting held on 15 May 2018 to make market purchases of up to 155,159,000 of the company's shares.

The company does not hold any treasury shares as such. However, the 5,342,225 shares held within the Trust and referred to on page 200 (note 35 to the consolidated financial statement) are accounted for as treasury shares. The Trust has waived its right to receive dividends in respect of the company's shares which it held during the period under review.

5. Significant agreements – change of control

The company is party to a £750,000,000 multi-currency revolving credit facility agreement which requires prompt notification of a change of control event following which funds committed but unutilised could be cancelled and repayment of outstanding funds utilised would need to be made within 45 days.

Under the same terms the company has a $350,000,000 term facility agreement and in January 2019 entered into a £300,000,000 12 month term bridge facility agreement.

The company entered into two US Private Placement Note Purchase Agreements (the "USPP Agreements"), on 1 March 2007 and 15 July 2008 respectively. The first USPP Agreement originally for $550,000,000, of which series C and D senior notes representing $250,000,000 remained outstanding as at 31 December 2018. The series C senior notes matured, on 1 March 2019 leaving only series D senior notes representing £105,000,000 outstanding, maturing on 1 March 2022. The second USPP Agreement originally for $513,500,000 and £69,000,000, of which only the series F senior notes representing $74,500,000 remain outstanding, maturing on 15 July 2020. Under the terms of both USPP Agreements, the company is required to offer the note holders the right to sell the notes at par value together with interest thereon upon a change of control.

Under the terms of the £2,500,000,000 Euro Medium Term Note Programme, the company currently has in issue four tranches of Medium Term Notes (MTNs), to various institutions on 13 May 2009 (£350,000,000), 9 November 2016 (€500,000,000), 2 June 2017 (€500,000,000) and 24 May 2018 (€550,000,000). In the event of a change of control, a put option comes into force, according to which holders of any MTN may require the company to redeem the MTNs at par if the MTNs carry a sub-investment grade credit rating in the period immediately prior to the change of control, or in certain circumstances where the MTNs are downgraded to sub-investment as a result of the change of control.

The Group's UK pension scheme trust deed contains provisions which apply if a takeover event occurs. Following such an event, the appointment and removal of trustees becomes subject to unanimous trustee agreement and the trustees acquire the unilateral power to set the employer contribution rates in certain sections of the scheme.

6. Post balance sheet events

Other than as described on page 202 (note 40) to the consolidated financial statements, there have been no significant events from 31 December 2018 to the date of this report.

7. Research and development expenditure

Research in connection with the development of new services and products and the improvement of those currently provided by the Group is carried out continuously. Research and development written-off to profit and loss during the year amounted to £4m (2017:£4m).

8. Employees

With 546,000 employees our success is underpinned by the way we attract, develop and engage with our people. Our disclosures relating to employee communication and consultation can be found on pages 20 to 25.

Our aim is to develop and grow, so removing barriers to employment helps us to tap into the widest talent pool and to harness all the skills and abilities people have. If, during the course of their employment individuals become disabled and unable to meet the job requirements we seek to retrain or retain their talents by making reasonable adjustments wherever possible. We do not employ forced, bonded or child labour. We appoint people based on their skills and capabilities and not any personal characteristics which are discriminatory or illegal in the countries in which we work. Further information on our approach to diversity and inclusion can be found on page 23.

9. Political donations

Each year the company's shareholders have passed a resolution on a precautionary basis to allow the company and its subsidiaries to make political donations or incur political expenditure not exceeding £50,000. However, the board confirms that the Group's policy is not to make any financial contribution to political parties and that the company and its subsidiaries have made no contributions during the year to political parties carrying on activities, or to candidates seeking election within the EU, or anywhere else in the world.

10. Greenhouse gas emissions

Alongside the risks faced by people and infrastructure from climate change are the challenges presented by global economic conditions.

Managing fuel costs and the impact of "carbon taxes" through programmes to improve the Group's energy efficiency and reduce its environmental impacts are important to the continued effectiveness and sustainability of the Group's business.

We follow WBCSD* and WRI** Greenhouse Gas Protocol to measure our Scope 1 and 2 emissions – vehicle fleet, fuel, refrigerants and electricity usage for G4S businesses over which the Group has financial and operational control. In addition the Group has measured Scope 3 emissions from employee business air travel.

The businesses that reported data in the 2018 GHG measurement represent 90% of the Group's operations, across a 12 month period. This level of measurement, including each of the Group's main service types, allows reliable calculation of the total GHG emissions for 100% of the Group.

The G4S total carbon footprint during 2018, extrapolated to 100% of the business equates to some 455,310 t/CO2e. These CO2e emissions, including emissions generated by services which our customers have outsourced to G4S, have decreased by 3.5% since 2017 – against a 1.1% revenue growth in our underlying businesses during the same period, reflecting the efforts made to increase the energy efficiency of our business.

In 2019, we will continue to implement efficiency strategies with the aim of reducing carbon intensity by at least 3.5% per annum.

For further details, please visit g4s.com/environment.

* World Business Council for Sustainable Development
** World Resources Institute

GHG emissions (t/CO2e) (Based on 90% measurement)	**2018**	2017
Vehicles (inc. refrigerants)	236,155	239,265
Total buildings (inc. refrigerants)	132,149	138,734
Including electricity emissions of	*96,833*	*101,506*
Air travel	17,147	17,693

		Carbon intensity
	2018	2017
Tonnes CO_2e per £m turnover	59.5	61.2

11. Substantial holdings

The company had been notified under DTR 5 of the following interests in the ordinary capital of G4S plc:

As at 31.12.2018	
Invesco Limited	185,873,696 (11.97%)
BlackRock, Inc.	86,852,067 (5.59%)
Mondrian Investment Partners Limited	78,613,679 (5.07%)
Harris Associates LP	79,355,377 (5.11%)
Oddo BHF Asset Management SAS	46,499,821 (3%)

Between 1.1.2019 and 12.3.2019	
Invesco Limited	170,634,274 (10.99%)

12. Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP, chartered accountants, as auditor to the company for 2019, and for their remuneration to be fixed by the Audit Committee, will be submitted to the annual general meeting.

13. Directors

The directors, biographical details of whom are contained on pages 74 and 75, held office throughout the year, apart from Clare Spottiswoode who retired from the board on 15 May 2018 and Elisabeth Fleuriot, who was appointed to the board on 18 June 2018.

In accordance with the Code provisions on re-election of directors in the UK Corporate Governance Code, each of the directors continuing in office will offer themselves for re-election or election, as the case may be. The board believes that the directors standing for re-election or election possess experience and expertise relevant to the company's operations; that they continue to be effective; that they are committed to the success of the company; and that they should be re-elected (or elected) at the annual general meeting.

The contracts of service of the executive directors have no unexpired term since they are not for a fixed term. They are terminable at 12 months' notice. None of the non-executive directors has a contract of service.

The company has executed deeds of indemnity for the benefit of each of the directors in respect of liabilities which may attach to them in their capacity as directors of the company. These deeds are qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006 and have been in effect since 14 June 2010 for Ms Spottiswoode, 1 October 2010 for Ms Fok, 8 June 2012 for Mr Connolly, 1 January 2013 for Mr Spence,1 April 2013 for Mr Weller,1 May 2013 for Mr Almanza, 5 June 2015 for Mr Daly, 27 May 2016 for Mr Mogford, 1 July 2016 for Ms Thoralfsson, 1 January 2018 for Mr Ramsay and 18 June 2018 for Ms Fleuriot. Copies of the forms of indemnity are available on the company's website. In addition, indemnities have been granted by the company in favour of certain of the directors of some of the Group's subsidiaries in India, Malaysia and the UAE. The company has maintained a directors' and officers' liability insurance policy throughout the year under review.

Details of directors' interests (including the interests of their connected persons) in the share capital of G4S plc are set out on page 121, and the directors' remuneration is set out on page 116.

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

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

By order of the board

CELINE BARROCHE
Company Secretary

12 March 2019

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Integrated Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards comprising FRS101 and applicable law.

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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the group financial statements;
- for the parent company financial statements, state whether applicable UK Accounting Standards comprising FRS101 have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- 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 Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that its financial statements and Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the directors, the names of whom are set out on pages 74 and 75 of this Integrated Report and Accounts, confirm that, to the best of his or her knowledge:

- the financial statements in this Integrated Report and Accounts have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and the Group; and
- the management report required by DTR4.1.8R (contained in the strategic report and the Directors' report) includes a fair review of the development and performance of the business and the position of the parent company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The strategic report from the inside front cover to page 71 includes information on the Group structure, the performance of the business and the principal risks and uncertainties it faces. The financial statements on pages 144 to 226 include information on the Group and the company's financial results, financial outlook, cash flow and net debt and balance sheet positions. Notes 22, 25, 26, 29 and 30 to the consolidated financial statements include information on the Group's investments, cash and cash equivalents, borrowings, derivatives, financial risk management objectives, hedging policies and exposure to interest, foreign exchange, credit, liquidity and market risks.

Pages 144 to 216 contain information on the performance of the Group, its financial position, cash flows, net debt position and borrowing facilities. Further information, including financial risk management policies, exposures to market and credit risk and hedging activities, is given in note 30 to the financial statements. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Directors are also required to provide a broader assessment of viability over a longer period, which can be found on page 89 of the Integrated Report and Accounts.

The directors consider that the Integrated Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and parent company's performance, business model and strategy.

The statement of directors' responsibilities and the strategic report are approved by a duly authorised committee of the board of directors on 12 March 2019 and signed on its behalf by Tim Weller, Group Chief Financial Officer.

TIM WELLER
Group Chief Financial Officer

12 March 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- G4S plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Integrated Report and Accounts (the "Annual Report"), which comprise:

- the consolidated statement of financial position at 31 December 2018;
- the parent company statement of financial position at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the parent company statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the Group or the parent company in the period from 1 January 2018 to 31 December 2018.

OUR AUDIT APPROACH

Context

G4S is an integrated security company specialising in the provision of security and related services to customers in over 90 countries across four Secure Solutions reportable segments and one Global Cash reportable segment, which in 2018 for the purposes of our audit were arranged into five regions.

Overview

Materiality

- Overall Group materiality: £17 million (2017: £20 million), which represents approximately 5% of adjusted profit before tax, being profit before tax after adding back certain items that are separately reported on the face of the consolidated income statement including specific and other one-off items, restructuring costs and profit/(loss) on disposal.
- Overall parent company materiality: £14 million (2017: £15 million), which represents approximately 1% of net assets.

Audit scope

- Our audit included full scope audits of the five regions. The regional audits were supported by full scope audits at 56 country components with specified audit procedures on selected financial statement line items performed at a further seven country components.
- Taken together, the components at which either full scope audit work or specified audit procedures on selected financial statement line items were performed accounted for 72% of consolidated revenue and 73% of consolidated profit before tax.

Areas of focus

- Onerous contract provisioning
- Goodwill impairment
- Uncertain tax positions and deferred tax assets
- Compliance with payroll laws and regulations
- Income statement presentation

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We gained an understanding of the legal and regulatory framework applicable to the Group and to the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at the Group and component levels to respond to this risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

We designed audit procedures that focused on the risk of non-compliance related to, but not limited to, compliance with payroll, foreign ownership rules and tax laws and regulations. Our tests included, but were not limited to, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work, review of Internal Audit reports in so far as they related to the financial statements and audit of the financial statement disclosures. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We found payroll compliance and tax to be key audit matters and these are discussed further below.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud and the risk of fraud in revenue recognition. Procedures designed to address these risks included testing of material journal entries and post-close adjustments, testing and evaluating management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to check proper cut-off of revenue and testing the occurrence and accuracy of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Onerous contract provisioning Refer to Audit Committee report on page 98 and to note 32 of the Group financial statements. Certain of the Group's contracts are onerous and long-term in nature. These contracts can be complex and incorporate penalty and key performance indicator ("KPI") clauses in the event of non-compliance. The Group is therefore required to make operational and financial assumptions to estimate future losses over periods that can extend beyond 20 years. Variability of contract penalties, underlying delivery costs and customer and subcontractor claims or disputes can put additional pressure on margins and on future contract profitability, giving rise to onerous contract provisions. The prediction of future events over extended periods contains inherent risk and the outcome of customer and sub-contractor claims is uncertain and involves a high degree of management judgment. The Group's onerous contract provisions at 31 December 2018 are £51m (2017: £62m) and the net income statement charge for onerous contracts in 2018 amounts to £6m (2017: £22m).	Our approach to testing complex contracts starts with an evaluation of management's process to identify and quantify onerous and at-risk contracts. Management focuses on the top 25 contracts by region and on contracts with margins of less than 3%. We performed scanning analytics on contract margins and investigated unusual or unexpected trends to check inclusion of all relevant contracts in management's assessment. Our sampling of contracts focused our testing on higher risk and larger contracts and enabled us to form an independent view as to whether management's process had identified all onerous and at-risk contracts. For each contract in our sample, we obtained and read the key contractual terms and tested that the revenue recognised in the period was in accordance with the contractual terms and was supported by evidence of service delivery. We read and understood the contract penalty clauses and evaluated the completeness of penalties through discussions with contract managers and reading minutes of meetings between G4S and the customer, and customer correspondence. We assessed each of the key assumptions used in management's forecasts to identify and quantify onerous contract provisions. Where possible, we obtained third party evidence to corroborate management's assumptions and assessed the appropriateness of the Group's forecasts based on past performance. The Group's policy is to include the benefits of performance improvement plans only where there is evidence of plans being achievable. We critically challenged these benefits based on observable benefits achieved to date and the extent to which these plans are within the Group's direct control. We assessed the appropriateness of the discount rate used to present value the obligation and checked that the rate appropriately reflected the risk in the underlying cash flows. We also assessed the recoverability of dedicated contract assets by assessing the level of impairment recorded where the contract was identified as onerous. Having examined management's analysis, including accounting papers prepared to support key contract judgments and onerous contract provisions, our procedures focused on the Facilities Management and Care & Justice Services businesses in the UK and specifically on the Birmingham prison contract, the COMPASS contract and on a legacy PFI contract which is long-term in nature. Each of these contracts are sensitive to changes in assumptions and have given rise to changes in provisioning levels at year-end. For these contracts, we performed our own independent sensitivity analysis and we have undertaken additional analysis on key assumptions to which management's provisioning judgments are more sensitive. We also held discussions with in-house legal counsel and read appropriate documentation to evaluate contractual claims and disputes with customers and subcontractors. We obtained and evaluated evidence to support decisions and rationale for provisions held or the decision not to record provisions, including correspondence with counterparties and external legal counsel. We also considered external information sources to assess and evaluate the alternate possible scenarios. We considered the level of provisioning to be acceptable in the context of the Group financial statements taken as a whole. However, we noted that the assumptions and judgments that are required to formulate the provisions mean that the range of possible outcomes is broad. We are satisfied with the Group's related disclosures of these onerous contracts in light of the underlying assumptions and accounting judgments made.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment Refer to Audit Committee report on page 98 and to note 18 of the Group financial statements. The Group has £1.9bn of goodwill at 31 December 2018 (2017: £1.9bn). No impairment charge has been recorded in 2018 (2017: £nil). Management determines the recoverable amount of a cash generating unit ("CGU") as the higher of value in use ("VIU") or fair value less cost of disposal ("FVLCD"). Following the Group's organisational change, including changes to the Group's reportable segments, management has reassessed and expanded the number of the Group's CGUs, and revised the allocation of goodwill between CGUs. The carrying value of goodwill is contingent on future cash flows and there is risk if these cash flows do not meet the Group's expectations that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant judgments and estimates including revenue growth, profit margins, cash conversion and long-term growth and discount rates. Changes in these assumptions can have a significant impact on the headroom available in the impairment calculations.	We have reviewed management's reassessment of CGUs and the associated reallocation of goodwill to ensure that this has been performed on a reasonable basis. We assessed the mathematical accuracy of management's cash flow model and agreed the underlying forecasts to board approved budgets and assessed how these budgets were compiled. We critically assessed management's forecast by comparing forecast growth to actual growth, applying sensitivities to future cash flows and assessing long term growth assumptions and to IMF projections. We considered the reliability of management's forecasting for revenue, profit and cash conversion by comparing budgeted results to actual performance over a period of three years. Where we identified significant shortfalls against budget in prior years, this informed our determination of sensitivities to apply as we formed our independent view about reasonable downside scenarios. With the support of our valuations experts, we assessed the long-term growth rates and discount rates applied by management to third party information and confirmed whether they fell within a reasonable range of external market data. Where they did not, we applied our independent view of a more appropriate rate to management's forecast. Where the recoverable amount has been assessed with reference to a valuation multiple, we assessed the appropriateness of the multiple by comparison to recent business disposals and to other third party information, with the support of our valuations experts. For those CGUs with low headroom, we performed our own sensitivity analysis to understand the impact of changes in the assumptions on the available headroom. The recoverable amounts of a number of CGUs including Brazil Secure Solutions, South Africa Cash Solutions and UK Cash Solutions were found to be sensitive to reasonably possible changes in assumptions and we satisfied ourselves that this risk was appropriately highlighted in the disclosures in note 18. As a result of our work, we determined that it was appropriate that no impairment charge was recognised in the context of the Group financial statements taken as a whole and that adequate disclosure has been made.

Key audit matter	How our audit addressed the key audit matter
Uncertain tax positions and deferred tax assets Refer to Audit Committee report on page 98 and to notes 13 and 33 of the Group financial statements. The Group operates in a complex multinational tax environment and is subject to a range of tax risks during the normal course of business including transaction related tax matters and transfer pricing arrangements. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's judgment of the probable amount of the future liability. At 31 December 2018, the Group has recognised provisions of £25m related to uncertain tax positions (2017: £48m). In addition, the Group has recognised £248m of deferred tax assets at 31 December 2018 (2017: £242m). The recognition of deferred tax assets involves judgment by management regarding the likelihood of the realisation of these assets. The expectation that these assets will be realised is dependent on a number of factors, including whether there will be sufficient taxable profits in future periods to support utilisation of these assets.	With the assistance of our local and international tax specialists, we evaluated and challenged management's judgments in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. In understanding and evaluating management's judgments, we considered the status of recent and current tax authority audits and enquiries, judgmental positions taken in tax returns and current year estimates and developments in the tax environment. Where appropriate, we also read relevant documentation to understand the legal positions reached. From the evidence obtained, we considered the level of provisioning to be acceptable in the context of the Group financial statements taken as a whole. However, we noted that the assumptions and judgments that are required to formulate the provisions mean that there is a broad range of possible outcomes. We are satisfied that these judgments are adequately disclosed in note 13. In respect of the recoverability of deferred tax assets, we evaluated management's assessment of how these assets will be realised and whether there will be sufficient taxable profits in future periods to support their recognition. We evaluated the directors' future cash flow forecasts and the process by which they were prepared, ensuring consistency of cash flows with those used for the purpose of goodwill impairment testing. Based on our procedures, future cash flow forecasts supported the recoverability of the deferred tax assets recognised.

Key audit matter	How our audit addressed the key audit matter
Compliance with payroll laws and regulations Refer to Audit Committee report on page 98 and to note 32 of the Group financial statements. The Group employs 546,000 employees across six continents. There are a number of on-going employee and regulatory claims in relation to the interpretation and potential risks relative to the application of local payroll laws and regulations in a number of countries. Interpreting and complying with payroll laws and regulations is complex. There is inherent judgment associated both with assessing and quantifying probable outcomes in relation to ongoing claims and with determining any exposure (and the need for provision) in areas where legal requirements are open to interpretation. In addition, possible outcomes need to be considered for disclosure as contingent liabilities. Unexpected adverse outcomes could materially impact the Group's financial performance and position. The net income statement charge for the California class action settlement in 2018 amounts to £100m (2017: £nil).	We met with the directors, management and in-house legal counsel and obtained correspondence from the Group's external legal advisors to assess the probable outcomes in relation to ongoing claims and exposures. We evaluated and challenged management's judgments in order to assess the adequacy of the Group's provisions and disclosures, including the specific class action settlement in the year. In understanding and evaluating management's judgments, we considered the status and basis of employee and regulatory claims, settlement history and the views of internal and external legal counsel regarding the interpretation and application of local payroll laws and regulations. Where appropriate, we also read relevant documentation and correspondence to understand the legal positions reached. From the evidence obtained, we are satisfied with the Group's provisioning decisions at 31 December 2018 in the context of the Group financial statements taken as a whole and with the adequacy of the contingent liability disclosures given the status, materiality and likely outcome of employee and regulatory claims and exposures in countries and areas where legal requirements are open to interpretation.
Income statement presentation Refer to Audit Committee report on page 98 and to note 3(b) of the Group financial statements. The Group has historically reported specific and other items (including restructuring costs) on the face of the income statement. Consistent with the Group's definition of profit before interest, tax and amortisation ("Adjusted PBITA"), the following items have continued to be disclosed separately on the face of the income statement in 2018: net specific items £22m (2017: £34m); restructuring costs £31m (2017: £20m) and net profit/(loss) on disposal and closure of subsidiaries (£16m) (2017: £74m). In addition, the following items have been disclosed on the face of the income statement in 2018: California class action settlement £100m (2017: £nil) and guaranteed minimum pension equalisation £35m (2017: £nil). The treatment of specific and other separately disclosed items is explained in the Group accounting policy in note 3(b). We focused on this area because the classification of items as specific or separate disclosure of items of income or expenditure on the face of the income statement requires judgment and because certain of these items are excluded from the calculation of elements of executive remuneration in line with the Group's remuneration policy. Consistency in the identification and presentation of these items is important to ensure comparability of year-on-year reporting in the Annual Report.	We substantiated the nature and quantum of individual items to appropriate corroborating evidence. We considered whether the designation of individual items as specific was consistent with the Group's accounting policy and treatment in prior years. Furthermore, we considered whether amounts included as specific items related to current year trading and might be more appropriately reflected in the underlying results. We considered whether the Group has taken a balanced approach to this area, checking that exceptional one-off items of income are treated consistently with one-off items of cost. We tested management's process for identifying and tracking the current year reversal of any prior year specific items, or utilisation of or adjustment to related provisions, to identify whether these have been appropriately presented in the current year income statement. Based on our procedures, we were satisfied that the treatment and classification of these items were consistent year-on-year and with the Group's policies.

We determined that there were no key audit matters applicable to the parent company.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into four Secure Solutions reportable segments and one Global Cash Solutions reportable segment which in 2018 for the purposes of our audit were arranged into five regions. Corporate head office entities are managed at a Group level. Each region ("regional component") is an aggregation of a number of country-based components along with the Group's interests in joint ventures (together the "country components"). Each region has a separate management team which coordinates the businesses within that region.

The Group's accounting processes are structured around a local finance function in each of the country components. In addition, finance shared service centres in the UK, North America and India support certain of the Group's country-based components. The country components report to the regions and to the Group through an integrated consolidation system.

In performing our audit, we determined that we needed to conduct audit work over the complete financial information of each of the regional components. We therefore deployed regional component audit teams in each of the five regions to lead our interactions with regional management, to coordinate the audit work performed on country components and to audit and report on the aggregated financial information of that region. In addition to the five regional components, specific audit procedures over central functions, the Group consolidation, head office entities and areas of judgment (including taxation, goodwill and intangible assets impairment, treasury, post-retirement benefits and disposals) were directly led by the Group audit team.

Recognising that not every country component in each regional component is included in our Group audit scope, we considered as part of our Group audit oversight responsibility what audit coverage had been obtained in aggregate by our regional component teams by reference to country components at which audit work had been undertaken. Beneath the regional component layer, the Group financial statements are an aggregation of approximately 600 reporting units, each of which is considered to be a country component. We identified 56 country component units that, in our view, required a full scope audit due to their size or risk characteristics. Specific audit procedures over significant balances and transactions were performed at a further seven country component units to give appropriate coverage of all material balances.

Where the work was performed by regional and country component audit teams, we determined the level of involvement we needed to have in the audit work at those components. As a result, all five regions were visited by senior members of the Group audit team as a supplement to the regular dialogue between our Group and regional teams and the issuance of instructions to direct their work. Regional teams visited a further two country components performing oversight procedures under our instruction. For those components in Group audit scope where a site visit was not undertaken, our Group and our regional component audit teams' involvement included regular dialogue with our country component teams, review of component auditor work papers and participation in certain component audit clearance meetings for the more significant country components.

Taken together, the components and functions where we performed either full scope audit work or specified audit procedures on selected financial statement line items accounted for 72% of consolidated revenue and 73% of consolidated profit before tax. This was before considering the contribution to our audit evidence from performing audit work at the regional and Group levels, including disaggregated analytical review procedures and our evaluation of entity level controls, which covered a significant portion of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£17 million (2017: £20 million).	£14 million (2017: £15 million).
How we determined it	5% of adjusted profit before tax, being profit before tax after adding back certain items that are separately reported on the face of the consolidated income statement including specific and other one-off items, restructuring costs and profit/loss on disposal.	1% of net assets.
Rationale for benchmark applied	The Group's principal measure of earnings is profit before interest, tax and amortisation adjusted for a number of items of income and expenditure ("Adjusted PBITA"). Management uses this measure as it believes that it reflects the underlying performance of the Group. We took this measure into account in determining our materiality, except that we did not adjust profit before tax to add back amortisation of acquisition-related intangible assets and finance income and expense as in our view these are recurring items which do not introduce volatility to the Group's earnings.	The parent company holds the Group's investments and performs treasury functions on behalf of the Group. Therefore, the entity is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the parent company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of overall materiality allocated to each regional component was between £3m and £15m. Each region allocated materiality to sub-components lower than these amounts.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1m (Group audit) (2017: £1m) and £0.7m (parent company audit) (2017: £0.8m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ("FCA") require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the corporate governance report) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in the corporate governance report) with respect to the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the parent company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 88 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 89 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 131, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 98 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 131, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 4 June 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2015 to 31 December 2018.

Richard Hughes (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

12 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 £m**	2017 Restated[1] £m
Continuing operations			
Revenue	5, 6	**7,512**	7,826
Operating profit before impairment losses on financial and contract assets, joint ventures, specific items and other separately disclosed items		**464**	494
Net impairment losses on financial and contract assets		**(11)**	(11)
Share of post-tax profit from joint ventures	20	**7**	9
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	6	**460**	492
Specific items – charges	8	**(32)**	(34)
Specific items – credits	8	**10**	–
Guaranteed minimum pension equalisation charge	8	**(35)**	–
California class action settlement	8	**(100)**	–
Restructuring costs	8	**(31)**	(20)
(Loss)/profit on disposal/closure of subsidiaries/businesses	8	**(15)**	74
Amortisation of acquisition-related intangible assets	8	**(4)**	(10)
Operating profit	6, 8	**253**	502
Finance income[2]	12	**16**	12
Finance expense[2]	12	**(126)**	(127)
Profit before tax		**143**	387
Tax	13	**(55)**	(128)
Profit from continuing operations after tax		**88**	259
Profit/(loss) from discontinued operations	7	**2**	(6)
Profit for the year		**90**	253
Attributable to:			
Equity holders of the parent		**82**	237
Non-controlling interests		**8**	16
Profit for the year		**90**	253
Earnings per share attributable to equity shareholders of the parent	15		
Basic and diluted – from continuing operations		**5.2p**	15.7p
Basic and diluted – from continuing and discontinued operations		**5.3p**	15.3p

1. Comparative results have been restated for the adoption of IFRS 15 – Revenue from Contracts with Customers, see note 3.
2. The results for the year ended 31 December 2017 have been re-presented to decrease both finance income and finance expense by £4m with no effect on profit before tax, see note 12 for details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 Restated[1] £m
Profit for the year		**90**	253
Other comprehensive income			
Items that will not be re-classified to profit or loss:			
Re-measurements relating to defined retirement benefit schemes	31	**38**	26
Tax on items that will not be re-classified to profit or loss	13	**(6)**	(4)
		32	22
Items that may be re-classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**45**	(125)
Change in fair value of net investment hedging financial instruments	30	**(42)**	56
Change in fair value of cash flow hedging financial instruments	29	**11**	–
Tax on items that may be re-classified subsequently to profit or loss	13, 29	**(2)**	–
		12	(69)
Other comprehensive income/(loss), net of tax		**44**	(47)
Total comprehensive income for the year		**134**	206
Attributable to:			
Equity holders of the parent		**125**	192
Non-controlling interests		**9**	14
Total comprehensive income for the year		**134**	206

1. Comparative results have been restated for the adoption of IFRS 15 – Revenue from Contracts with Customers, see note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent						
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves[2] £m	Total £m	NCI reserve £m	Total equity £m
At 1 January 2018[1]	**388**	**258**	**(177)**	**370**	**839**	**4**	**843**
Total comprehensive income	**–**	**–**	**113**	**12**	**125**	**9**	**134**
Dividends paid	**–**	**–**	**(150)**	**–**	**(150)**	**(20)**	**(170)**
Transactions with non-controlling interests[3]	**–**	**–**	**(39)**	**–**	**(39)**	**18**	**(21)**
Consolidation of previously equity-accounted entities	**–**	**–**	**(6)**	**–**	**(6)**	**7**	**1**
Recycling of cumulative translation adjustments	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Own shares awarded	**–**	**–**	**(9)**	**9**	**–**	**–**	**–**
Own shares purchased	**–**	**–**	**–**	**(11)**	**(11)**	**–**	**(11)**
Share-based payments	**–**	**–**	**8**	**–**	**8**	**–**	**8**
At 31 December 2018	**388**	**258**	**(260)**	**379**	**765**	**18**	**783**
At 1 January 2017 – reported	388	258	(260)	456	842	21	863
Impact of adoption of IFRS 15[1]	–	–	(12)	–	(12)	–	(12)
At 1 January 2017 – restated[1]	388	258	(272)	456	830	21	851
Total comprehensive income/(loss) – restated[1]	–	–	261	(69)	192	14	206
Dividends paid	–	–	(145)	–	(145)	(34)	(179)
Transactions with non-controlling interests	–	–	(19)	–	(19)	3	(16)
Recycling of net investment hedge	–	–	–	24	24	–	24
Recycling of cumulative translation adjustments	–	–	–	(42)	(42)	–	(42)
Own shares awarded	–	–	(11)	11	–	–	–
Own shares purchased	–	–	–	(10)	(10)	–	(10)
Share-based payments	–	–	9	–	9	–	9
At 31 December 2017 – restated[1]	388	258	(177)	370	839	4	843

1. Comparative results have been restated for the adoption of IFRS 15 – Revenue from Contracts with Customers, see note 3.
2. See note 35 for an analysis of other reserves.
3. Transactions with non-controlling interests (NCI) in 2018 relate primarily to agreements entered into during the year in Asia to strengthen the Group's arrangements in those countries. In addition, the Group has re-classified smaller amounts from retained earnings to NCI following a review of its arrangements in one country.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	2018 £m	2017 Restated[1] £m
ASSETS			
Non-current assets			
Goodwill	18	**1,939**	1,914
Other acquisition-related intangible assets	18	**12**	9
Non-acquisition-related intangible assets	18	**100**	88
Property, plant and equipment	19	**367**	395
Trade and other receivables	23	**88**	82
Investment in joint ventures	20	**8**	20
Investments	22	**23**	20
Retirement benefit surplus	31	**75**	80
Deferred tax assets	33	**248**	242
	6	**2,860**	2,850
Current assets			
Inventories	21	**113**	104
Investments	22	**42**	42
Trade and other receivables	23	**1,429**	1,417
Current tax assets		**64**	55
Cash and cash equivalents	25	**1,015**	902
Assets of disposal groups classified as held for sale	24	**9**	53
		2,672	2,573
Total assets		**5,532**	5,423
LIABILITIES			
Current liabilities			
Bank overdrafts	25, 26	**(305)**	(284)
Bank loans	26	**(12)**	(8)
Loan notes	26	**(464)**	(655)
Obligations under finance leases	27	**(11)**	(15)
Trade and other payables	28	**(1,237)**	(1,263)
Current tax liabilities		**(56)**	(79)
Provisions	32	**(202)**	(104)
Liabilities of disposal groups classified as held for sale	24	**(1)**	(19)
		(2,288)	(2,427)
Non-current liabilities			
Bank loans	26	**(293)**	(5)
Loan notes	26	**(1,533)**	(1,486)
Obligations under finance leases	27	**(16)**	(20)
Trade and other payables	28	**(38)**	(35)
Retirement benefit obligations	31	**(439)**	(461)
Provisions	32	**(136)**	(138)
Deferred tax liabilities	33	**(6)**	(8)
		(2,461)	(2,153)
Total liabilities		**(4,749)**	(4,580)
Net assets		**783**	843
EQUITY			
Share capital	34	**388**	388
Share premium		**258**	258
Reserves		**119**	193
Equity attributable to equity holders of the parent		**765**	839
Non-controlling interests		**18**	4
Total equity		**783**	843

1. The consolidated statement of financial position as at 31 December 2017 has been restated for the effect of IFRS 15 – Revenue from contacts with Customers, see note 3.

The consolidated financial statements were approved by the board of directors and authorised for issue on 12 March 2019. They were signed on its behalf by:

ASHLEY ALMANZA
Director

TIM WELLER
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £m	2017 £m
Operating profit – restated[1]		**253**	502
Adjustments for non-cash and other items:			
Amortisation of acquisition-related intangible assets		**4**	10
Net loss/(profit) on disposal/closure of subsidiaries/businesses		**15**	(74)
Depreciation of property, plant and equipment		**93**	104
Amortisation of non-acquisition-related intangible assets		**20**	22
Share of profit from joint ventures	20	**(7)**	(9)
Equity-settled share-based payments		**8**	9
Increase in provisions		**148**	18
Additional pension contributions	31	**(41)**	(40)
Operating cash flow before movements in working capital		**493**	542
(Increase)/decrease in inventory		**(10)**	1
Increase in accounts receivable – restated[1]		**(40)**	(94)
(Decrease)/increase in accounts payable – restated[1]		**(30)**	39
Net cash flow from operating activities before tax		**413**	488
Tax paid		**(98)**	(86)
Net cash flow from operating activities		**315**	402
Investing activities			
Purchases of non-current assets		**(114)**	(109)
Proceeds on disposal of property, plant and equipment		**12**	5
Disposal of subsidiaries/businesses	17	**45**	156
Cash, cash equivalents and bank overdrafts in disposed entities		**(16)**	(8)
Cash, cash equivalents and bank overdrafts in acquired entities		**5**	–
Acquisition of subsidiaries		**(4)**	(1)
Interest received		**17**	29
Sale of investments		**–**	3
Cash flow from equity-accounted investments		**7**	6
Net cash flow from investing activities		**(48)**	81
Financing activities			
Dividends paid to equity shareholders of the parent		**(150)**	(145)
Dividends paid to non-controlling interests		**(20)**	(34)
Purchase of own shares		**(11)**	(10)
Proceeds from new borrowings		**761**	437
Repayment of borrowings		**(658)**	(672)
Interest paid[2]		**(116)**	(107)
Repayment of obligations under finance leases		**(14)**	(23)
Transactions with non-controlling interests		**(1)**	(16)
Net cash flow from financing activities		**(209)**	(570)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	36	**58**	(87)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**571**	672
Effect of foreign exchange rate fluctuations on net cash held		**44**	(14)
Cash, cash equivalents and bank overdrafts at the end of the year	25	**673**	571

1. Comparative results have been restated for the adoption of IFRS 15 – Revenue from Contracts with Customers, see note 3.
2. Interest paid was re-presented to include interest paid and received on derivative financial instruments.

1. General information

G4S plc is a company incorporated in the United Kingdom. The consolidated financial statements incorporate the financial statements of the company and entities (its subsidiaries) controlled by the company (collectively comprising "the Group") and the Group's interest in joint ventures made up to 31 December each year. The Group operates throughout the world and in a wide range of functional currencies, the most significant being the Euro, the US dollar and Sterling. The Group's financial statements are presented in Sterling, as the Group's primary listing is in the UK. The address of the registered office is given on page 228.

2. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Companies Act 2006, with International Financial Reporting Standards adopted by the European Union (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), and the accounting policies have been consistently applied. The parent company financial statements have been prepared in accordance with FRS 101 – Reduced Disclosure Framework, in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 217 to 226.

3. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis and using the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted are set out below. Judgments made by the directors in the application of those accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, are discussed in note 4.

(b) Presentation of the consolidated income statement

In order to provide further clarity in the Group's consolidated income statement and segmental analysis, the Group separately discloses specific items, restructuring costs, profits or losses on disposal/closure of subsidiaries or businesses, amortisation of acquisition-related intangible assets and any acquisition-related expenses and goodwill impairment. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a more meaningful analysis of the Group's results. The directors believe that presentation of the Group's results in this way aids the understanding of the Group's financial performance. Further explanation about the Group's rationale for separately presenting these items is set out in the Alternative Performance Measures section of the Strategic Report on pages 40 to 42.

Specific items

The Group's consolidated income statement and segmental analysis note separately identify results before specific items. Specific items are those that in management's judgment need to be disclosed separately in arriving at operating profit by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

All items that are reported as specific items are evaluated and approved by the Group's Audit Committee prior to being separately disclosed. The Group seeks to be balanced when reporting specific items for both debits and credits, and any reversals of excess provisions previously created as specific items are classified consistently as specific items.

In general, provisions recognised for future losses on onerous contracts are charged to the consolidated income statement within Adjusted PBITA. However, where onerous contract charges are individually significant by virtue of their size, they are separately charged within specific items. Such losses are distinct from "in-year" losses, which are utilised against provisions for onerous contract losses. Releases of onerous contract provisions originally charged as specific items are separately credited within specific items.

Specific items may not be comparable with similarly-titled measures used by other companies. Specific items for the current and prior years are described in note 8.

Other separately disclosed items

In order to provide further clarity in the consolidated income statement, the Group also discloses separately certain strategic restructuring costs, profits or losses on disposal or closure of subsidiaries, costs of major corporate restructurings, acquisition-related amortisation and expenses and goodwill impairment.

Restructuring costs that are separately disclosed reflect the multi-year productivity programme which is being implemented by the Group. This programme is of a strategic nature and, as such, is monitored and approved by the Group's Executive Committee. During 2016 and 2017 activities under the programme focused primarily on transforming the operating model in the Europe & Middle East region. Investment during 2018 related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group. Restructuring costs that are incurred in the normal course of business are recorded within Adjusted PBITA.

Further explanation about the Group's rationale for separately presenting profits or losses on disposal or closure of subsidiaries, amortisation of acquisition-related intangible assets and goodwill impairment is set out on pages 41 and 42.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Group has existing rights that give it the current ability to direct the activities that affect the Group's returns and exposure or rights to variable returns from the entity. This can be determined either by the Group's ownership percentage, or by the terms of any shareholder agreement. In the case of certain investments detailed analysis of the different contracts in place is required, together with a level of judgment, to ascertain whether there is control under the definition of IFRS 10 – Consolidated financial statements (see note 4).

3. Significant accounting policies *continued*

(c) Basis of consolidation *continued*

On acquisition, the assets, liabilities and contingent liabilities of the acquired business are measured at their fair values at the date of acquisition. The cost of acquisition is measured as the acquisition date fair value of the assets transferred as consideration to the vendor and does not include transaction costs. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the year of acquisition.

The cost of acquisition includes the present value of deferred and contingent consideration payable, including that in respect of put options held by non-controlling shareholders, as estimated at the date of acquisition. Subsequent changes to the present value of the estimate of contingent consideration and any difference upon final settlement of such a liability are recognised in the consolidated income statement with respect to contingent consideration and in other comprehensive income with respect to put options. Non-controlling interests are stated at their proportion of the fair values of the assets and liabilities recognised. Profits and losses are applied in the proportion of their respective ownership to the interest of the parent and to the non-controlling interest.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of control and up to the effective date of disposal, respectively.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. The Group's share of post-tax profits or losses is recognised in the consolidated income statement.

Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group company transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

(d) Foreign currencies

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Except for operations that have a functional currency that is hyperinflationary, transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value which are denominated in other currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the consolidated income statement for the period.

On consolidation, the assets and liabilities of the Group's overseas operations, including goodwill and fair value adjustments arising on their acquisition, are translated into Sterling at exchange rates prevailing on the balance sheet date. Income and expenses are translated into Sterling at the average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions). Exchange differences arising are recognised in other comprehensive income, together with exchange differences arising on monetary items that are in substance a part of the Group's net investment in foreign operations, and on borrowings and other currency instruments designated as hedges of such investments where and to the extent that the hedges are deemed to be effective. On disposal, translation differences are recognised in the consolidated income statement in the period in which the operation is disposed of.

Current year transactions of operations that have a functional currency that is hyperinflationary are stated in terms of the value of money at the end of the current reporting period and are translated by applying relevant closing exchange rates. Prior year comparatives presented in the consolidated income statement and consolidated statement of financial position are not restated for changes in the value of money or exchange rates. Any adjustments arising on the restatement of transactions and balances in the year to the value of money at the end of the current reporting period are included within finance costs.

(e) Intangible assets

Goodwill

Business combinations are accounted for by the application of the acquisition method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition of a subsidiary or joint venture. No goodwill arises on the acquisition of an additional interest from a non-controlling interest in a subsidiary as this is accounted for as an equity transaction. Goodwill is stated at cost, less any accumulated impairment losses, and is tested annually for impairment or more frequently if there are indications that amounts may be impaired. On disposal of a subsidiary or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Acquisition-related intangible assets

Intangible assets on acquisitions that are either separable or arising from contractual rights are recognised at fair value at the date of acquisition. Such acquisition-related intangible assets include trademarks, technology, customer contracts and customer relationships. The fair value of acquisition-related intangible assets is determined by reference to market prices of similar assets, where such information is available, or by the use of appropriate valuation techniques, including the royalty relief method and the excess earnings method.

Acquisition-related intangible assets are amortised by equal annual instalments over their expected economic life. The directors review acquisition-related intangible assets on an on-going basis and, where appropriate, provide for any impairment in value.

The estimated useful lives are as follows:

Trademarks and technology	up to a maximum of five years
Customer contracts and customer relationships	up to a maximum of ten years

Non-acquisition-related intangible assets

Development expenditure represents expenditure incurred in establishing new services and products of the Group. Development expenditure is recognised as an intangible asset only if the following can be demonstrated: the expenditure creates an identifiable asset, its cost can be measured reliably, it is probable that it will generate future economic benefits, it is technically and commercially feasible, and the Group has sufficient resources to complete development. In all other instances, the cost of development expenditure is recorded directly in the consolidated income statement.

Capitalised development expenditure is amortised over the period during which the expenditure is expected to be revenue-producing, up to a maximum of ten years. The directors review the capitalised development expenditure on an on-going basis and, where appropriate, provide for any impairment in value.

Research expenditure is charged to the consolidated income statement in the year in which it is incurred.

Capitalised computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is charged on software so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives, up to a maximum of eight years.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment other than freehold land. Depreciation is calculated so as to write off the cost of the assets to their estimated residual values by equal annual instalments over their expected useful economic lives as follows:

Freehold and long leasehold buildings	up to 50 years
Short leasehold buildings (under 50 years)	over the life of the lease
Equipment and motor vehicles	2 to 10 years

Assets held under finance leases are depreciated over the shorter of their expected useful economic lives and the terms of the relevant lease.

Where significant, the residual values and the useful economic lives of property, plant and equipment are re-assessed annually.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies its financial assets (except derivatives) in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss. This category includes investments; and
- Those to be measured at amortised cost. This category includes trade and other receivables and cash and cash equivalents.

The Group classifies its financial liabilities (except derivatives) as measured at amortised cost.

Fair values are classified by reference to the inputs to the valuation technique used to derive them, using the following hierarchy:

Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs are observable for the asset or liability either directly or indirectly but are not quoted prices included in Level 1;
Level 3 – inputs are unobservable for the asset or liability.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised in the consolidated statement of financial position at fair value as financial assets or financial liabilities. Changes in the fair value of derivative financial instruments are recorded in the consolidated income statement unless they are designated as hedges. The accounting for subsequent changes in the fair value of derivative financial instruments that are designated as hedges depends on the nature of the hedging relationship as described below.

Fair value hedges

The carrying value of the hedged item is adjusted for fair value changes attributable to the risk being hedged. Changes in the fair value of both the hedging instrument and the fair value of the risk being hedged are recognised immediately in the consolidated income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are re-classified to the consolidated income statement in the periods when the hedged item affects profit or loss.

3. Significant accounting policies *continued*

(g) Financial instruments *continued*

Any cumulative deferred gains or losses along with any deferred costs of hedging that are recorded in equity when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, remain in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any cumulative gains or losses and deferred costs of hedging that are recorded in equity are immediately re-classified to the consolidated income statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in similar manner to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income and accumulated in reserves in equity. Any gains or losses relating to the ineffective portion are recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are re-classified to profit or loss when the foreign operation is disposed of in whole or in part.

Cost of hedging

The currency basis spread is a margin that is present in a cross currency derivative that is not present in a hedged item that is a single currency exposure. As such, when designating a cross currency derivative as a hedging item and measuring the effectiveness of the hedge, the Group excludes the currency basis spread. Additionally, when cross currency swaps are designated in a net investment hedge to manage the spot to spot exposure of net assets, forward points inherent in the derivative are also considered to be a cost of hedging. Changes in the fair value of derivatives that are designated as net investment hedges or cash flow hedges which relate to the currency basis spread or forward points described above are recognised in other comprehensive income and included in the cost of hedging reserve which is a component of equity.

Trade receivables

Trade receivables are initially recognised at fair value which, unless there is a significant financing component, represents the amount of consideration that is unconditional. These are subsequently carried at amortised cost using the effective interest method less loss allowances. Loss allowances are determined using expected loss rates which are calculated taking into account payment profiles over a period of 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The expected loss rates are adjusted for current and forward-looking local economic and market conditions.

Investments

Investments comprise investments in securities and certificates of deposit which are measured at fair value both on initial recognition and subsequently. Gains and losses arising from changes in fair value are recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term call deposits.

Interest-bearing borrowings

Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective-interest method.

Trade payables

Trade payables are not interest-bearing, are stated initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the value of proceeds received, net of direct issue costs.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost represents expenditure incurred in the ordinary course of business in bringing inventories to their present condition and location and includes appropriate overheads. Cost is calculated using either the weighted average or the first-in-first-out method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

(i) Impairment

The carrying values of the Group's assets, with the exception of inventories, financial receivables and deferred tax assets, are reviewed on an on-going basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the consolidated income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of any other asset, an impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

(j) Employee benefits

Retirement benefit costs

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the Group's total defined benefit obligation reduced by the fair value of the related scheme assets. The total of all of the Group's individual schemes that are in a net asset position is presented separately in the consolidated statement of financial position. The value of any net asset recognised for a defined benefit scheme is limited to the present value of available refunds and reductions in future contributions to the scheme.

For defined benefit plans, the cost charged to the consolidated income statement consists of current service cost, net interest cost, and past service cost. The finance element of the pension charge is shown in finance expense and the remaining service cost element is charged as a component of employee costs in the consolidated income statement. Actuarial and other re-measurement gains and losses are recognised immediately in full within other comprehensive income.

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees. The fair value of equity-settled share-based payments is determined at the date of grant and expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. The amount expensed is adjusted over the vesting period for changes in the estimate of the number of shares that will eventually vest, excluding changes resulting from any market-related performance conditions. Cash-settled share-based payments are recognised as a liability at fair value at the date of grant. The value of the liability is re-measured at each reporting date and at the date the liability is settled. Changes in the liability are recognised directly in the consolidated income statement.

(k) Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. The amount recognised as a provision is the Group's best estimate of the likely outflows at the end of the reporting period.

In respect of claims, onerous customer contracts and litigation, the Group provides for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. For all such items, the ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement. Management exercises judgment in measuring the Group's exposures to contingent liabilities (see note 32) through assessing the likelihood that a potential claim or liability will arise and in quantifying the possible range of financial outcomes.

Where the time value of money is material, provisions are stated at the present value of the expected expenditure using an appropriate discount rate.

(l) Restructuring costs

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the entity.

The Group distinguishes in the consolidated income statement between restructuring costs that are recurring and those that relate to one-off or transformational Group programmes that impact a number of operations.

Recurring restructuring costs that are incurred in the normal course of business are recorded as part of the Group's results within adjusted profit before interest, tax and amortisation (Adjusted PBITA).

Restructuring costs that are one-off and individually material or relate to programmes linked to the Group's wider transformation, and require approval at executive level, are disclosed separately in the consolidated income statement.

(m) Revenue recognition

The Group has no revenue other than that arising from contracts with customers. For the majority of the Group's services, including the provision of manned security and cash security services, the Group's right to consideration from its customers equates to the value of services supplied to the customer. Where that is the case, the practical expedient has been applied under IFRS 15 to recognise revenue when the services are provided for the amount that the Group has a right to invoice for those services.

Technology installations are considered to comprise one performance obligation consisting of a group of inseparable services. Revenue in respect of such installations is recognised as the services are delivered based on costs incurred as a proportion of the total expected costs of the installation.

Contracts for the provision of security alarms, smart safes and cash recycling equipment are assessed to identify distinct performance obligations which will typically include one or more of: the outright sale of equipment; the provision of installation and/or maintenance services; equipment rental and ongoing monitoring. In contracts that include the outright sale of equipment, revenue in respect of the sale and installation is recognised when the equipment is installed. In countries in which equipment cannot be sold without the provision of on-going maintenance or other services and in contracts for the rental of equipment, revenue is recognised over the period of the contract. On-going maintenance and monitoring services represent a series of services with a constant pattern of transfer to the customer over time. Revenue in respect of such services is recognised over the period of the contract. Where a contract contains a number of distinct performance obligations, the amount of revenue recognised in respect of each is determined by allocating the total transaction price in the contract to performance obligations based on their relative standalone selling prices.

3. Significant accounting policies *continued*

(m) Revenue recognition *continued*

Contracts for facilities management and Care & Justice Services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. Consideration received in respect of such services typically equates to the value of services supplied to the customer to date and the practical expedient has been applied under IFRS 15 to recognise revenue when services are provided for the amount that the Group has a right to invoice for those services.

Certain of the Group's contracts include payments that vary depending on its performance, including payments or penalties that are determined based on the Group achieving KPIs. In such cases, the amount of revenue recognised is limited to the extent that it is not highly probable that the Group will ultimately receive payment.

For the majority of the Group's contracts, invoices are raised in the month or months after the delivery of services. Accrued income arises in relation to services provided that have not been invoiced at the year end. For some contracts, particularly in facilities management, construction, and Care & Justice Services activities, payments are received in advance of the performance of the related services and are recognised within deferred income until the related services are delivered.

(n) Contract acquisition and fulfilment costs

The Group recognises the incremental costs of obtaining a contract with a customer as an asset, to the extent that those costs are expected to be recovered during the contract. Such capitalised costs are amortised over the contract term. Bid team and other costs incurred prior to winning a contract are not capitalised but are charged to the consolidated income statement as incurred.

Contract fulfilment costs are capitalised if they relate directly to a contract; result in the creation or enhancement of an asset to be used in the performance of that contract; and are expected to be recovered under that contract. Capitalised contract fulfilment costs are amortised over the contract term in line with the delivery of goods or services.

(o) Onerous contracts

Onerous contract provisions are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management's profit-improvement plans to recover the position on loss-making contracts require a level of judgment and are generally taken into account in the calculation of the onerous contract provision only when implementation has commenced and tangible evidence exists of benefits being delivered. The provision is calculated based on discounted cash flows to the end of the contract.

In general, provisions recognised for future losses are charged to the consolidated income statement within Adjusted PBITA. Where onerous contract provisions are individually material by virtue of their size, they are separately charged within specific items.

In-year operating losses from onerous contracts are accounted for as a utilisation of the related provision for future losses. Any excess or shortfall to the initial estimate for onerous contract provisions is credited or charged in the consolidated income statement consistent with where the charge for the initial provision was recognised.

Vacant property provisions are recognised when the Group has committed to a course of action that will result in the property becoming vacant. The provision is calculated based on discounted cash flows to the end of the lease taking into account expected future sub-lease income.

(p) Interest

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount. Borrowing costs, also calculated using the effective-interest method, are recognised as an expense in the consolidated income statement.

(q) Income taxes

Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in equity, in which case it is recognised through other comprehensive income. The tax expense represents the sum of current tax and deferred tax, and excludes charges for interest on tax and certain penalties on tax settlements, which are reported within finance expenses and administration expenses respectively.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of potential deferred tax assets is re-assessed at each balance sheet date and recognised to the extent that it is probable that sufficient taxable profits will be available to allow those assets to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for tax liabilities and assets on the basis of management judgment following consideration of the available relevant information. Further detail on management's judgments in respect of taxation is provided in note 4.

(r) Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. On occasion this classification requires a level of judgment. All other leases are classified as operating leases.

Assets held under finance leases are recognised at the inception of the lease at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments made or received are apportioned between finance charges or income and the reduction of the lease liability or asset so as to produce a constant rate of interest on the outstanding balance of the liability or asset.

Rentals payable or receivable under operating leases are charged or credited to income on a straight-line basis over the lease term, as are incentives to enter into operating leases.

(s) Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

(t) Dividend distribution

Dividends are recognised as distributions to equity holders in the period in which they are paid or approved by the shareholders in general meeting.

(u) Adoption of new and revised accounting standards and interpretations

The Group has applied IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments for the first time in the year ended 31 December 2018.

IFRS 15 – Revenue from Contracts with Customers

The Group has adopted IFRS 15 – Revenue from Contracts with Customers with effect from 1 January 2018 and has prepared its 2018 Integrated Report and Accounts in accordance with the requirements of this new standard. The Group has chosen to apply the standard fully retrospectively and has restated comparatives where appropriate.

The Group derives its revenue principally from providing manned security and cash security services; technology installation; the provision of security equipment (particularly security alarms, smart safes and cash recycling equipment); and facilities management (including Care & Justice Services). For the majority of the Group's services, including the provision of manned security and cash security services, the Group's right to consideration from its customers equates to the value of services supplied to the customer. Where that is the case, the practical expedient has been applied under IFRS 15 to recognise revenue when services are provided for the amount that the Group is entitled to invoice for those services.

Technology installations represent long-term technology or other installation projects that span one or more reporting years. Under IFRS 15, such installations are considered to comprise one performance obligation consisting of a group of inseparable services. Revenue in respect of such installations is recognised as the services are delivered based on costs incurred as a proportion of the total expected costs of the installation.

Contracts for the provision of security alarms, smart safes and cash recycling equipment are assessed to identify distinct performance obligations which will typically include one or more of: the outright sale of equipment; the provision of installation and/or maintenance services; equipment rental and ongoing monitoring. In contracts that include the outright sale of equipment, revenue in respect of the sale and installation is recognised when the equipment is installed. In countries in which equipment cannot be sold without the provision of on-going maintenance or other services and in contracts for the rental of equipment, revenue is recognised over the period of the contract. On-going maintenance and monitoring services represent a series of services with a constant pattern of transfer to the customer over time. Revenue in respect of such services is recognised over the period of the contract.

Contracts for facilities management and Care & Justice Services typically require the provision of a group of interrelated goods and services to the customer over a period of time. Such goods and services are typically considered to represent a single performance obligation as each promise is satisfied over the same period. Consideration received in respect of such services typically equates to the value of services supplied to the customer to date and the practical expedient has been applied under IFRS 15 to recognise revenue as the customer is billed.

In some facilities management contracts, the Group receives payment at the inception of the contract to compensate for mobilisation costs incurred at the inception of the contract. Historically, such payments have been recognised as revenue as the Group has incurred the related costs. Under IFRS 15, such amounts have been recorded as deferred income and recognised as services are provided. The effect of this change has been to increase trade and other payables at 31 December 2017 by £13m (1 January 2017: £12m).

The impact of adopting IFRS 15 on the Group's consolidated income statement for the year ended 31 December 2017 was an immaterial change to the presentation of penalties incurred and an immaterial reduction in the amount capitalised with respect to the costs of bidding for and winning contracts with the effect of reducing revenue by £2m and increasing each of Adjusted PBITA, operating profit, profit before tax, profit after tax, profit for the year and profit for the year attributable to equity holders of the parent by £1m. The adoption of IFRS 15 had no impact on the Group's net cash flow from operating activities for the year ended 31 December 2017.

3. Significant accounting policies *continued*

(u) Adoption of new and revised accounting standards and interpretations *continued*

The impact of the adoption of IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2017 and as at 1 January 2017 is presented below:

	As at 31 December 2017			As at 1 January 2017		
Consolidated statement of financial position	As published £m	Restatement for IFRS15 £m	Restated £m	As published £m	Restatement for IFRS15 £m	Restated £m
ASSETS						
Non-current assets						
Trade and other receivables	83	(1)	82	101	(1)	100
Deferred tax asset	240	2	242	285	2	287
Other non-current assets	2,526	–	2,526	2,637	–	2,637
	2,849	**1**	**2,850**	**3,023**	**1**	**3,024**
Current assets						
Trade and other receivables	1,416	1	1,417	1,381	2	1,383
Other current assets	1,156	–	1,156	1,207	–	1,207
	2,572	**1**	**2,573**	**2,588**	**2**	**2,590**
Total assets	**5,421**	**2**	**5,423**	**5,611**	**3**	**5,614**
LIABILITIES						
Current liabilities						
Trade and other payables	(1,262)	(1)	(1,263)	(1,260)	(2)	(1,262)
Other current liabilities	(1,164)	–	(1,164)	(1,044)	–	(1,044)
	(2,426)	**(1)**	**(2,427)**	**(2,304)**	**(2)**	**(2,306)**
Non-current liabilities						
Trade and other payables	(23)	(12)	(35)	(30)	(13)	(43)
Other non-current liabilities	(2,118)	–	(2,118)	(2,414)	–	(2,414)
	(2,141)	**(12)**	**(2,153)**	**(2,444)**	**(13)**	**(2,457)**
Total liabilities	**(4,567)**	**(13)**	**(4,580)**	**(4,748)**	**(15)**	**(4,763)**
Net assets	**854**	**(11)**	**843**	**863**	**(12)**	**851**
EQUITY						
Share capital	388	–	388	388	–	388
Share premium	258	–	258	258	–	258
Reserves	204	(11)	193	196	(12)	184
Equity attributable to equity holders of the parent	**850**	**(11)**	**839**	**842**	**(12)**	**830**
Non-controlling interests	4	–	4	21	–	21
Total Equity	**854**	**(11)**	**843**	**863**	**(12)**	**851**

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 – Financial Instruments with effect from 1 January 2018 and has prepared its Integrated Report and Accounts in accordance with the requirements of this new standard.

The new standard is applicable to the classification, measurement, impairment and re-categorisation of financial assets and liabilities. It also introduces a new hedge accounting model.

There has been no material change to the Group's consolidated income statement, statement of other comprehensive income, statement of changes in equity, statement of financial position or statement of cash flows on adoption. The Group has no financial liabilities held at fair value other than derivatives. The introduction of an expected loss impairment model has had no material effect given the general quality and short-term nature of the Group's trade receivables. There has been no re-categorisation of assets on adoption of the new standard.

Hedge accounting

The Group has adopted the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Following a review of the Group's hedging arrangements, the Group has determined that its existing hedges are compliant with the new requirements. In accordance with the accounting policy, the Group has elected to present separately the cost of hedging reserve in equity.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Other than described above, the Group has not made any voluntary elections on adoption.

New standards, amendments and interpretations not yet effective

The Group has not early-adopted any standard, amendment or interpretation in the year. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018. The directors are currently evaluating the impact of these new standards on the group financial statements:

Annual Improvements to IFRS Standards 2015-2017 Cycle

IFRS 9 amendments – Prepayment features with negative compensation

IAS 28 amendments – Long term interests in associates and joint ventures

IAS 19 amendments – Plan amendment, curtailment or settlement

IFRS 3 amendments – Definition of a business

IAS 1 and IAS 8 – Definition of material

IFRIC 23 – Uncertainty over income tax treatments

IFRS 16 – Leases

IFRS 16 will be effective for the first time in the Group's consolidated financial statements for the year ended 31 December 2019. Its principal effect will be to gross up the Group's balance sheet to recognise additional right of use assets within property, plant and equipment and additional lease liabilities in respect of leases that are currently treated as operating leases. The associated operating lease charge that is currently recorded within operating costs will be removed and replaced with a depreciation charge in respect of the additional assets recognised and an interest charge in respect of the additional lease creditors recognised.

The Group will apply the standard using the fully retrospective method and will restate its results for comparative periods as if the Group had always applied the new standard. The only exception is that leases (as defined by IFRS 16) that were in existence at 1 January 2018 but did not meet the previous definition of leases will continue to apply their historical accounting.

The Group will not apply the standard to short-term leases (being those with an initial term of 12 months or less) or leases of low-value items (defined as leases of assets with an initial cost of less than £2,500). It will apply the practical expedient to include non-lease components within the measurement of lease assets and liabilities.

Adopting IFRS 16 requires the Group to exercise judgment. In particular:

- IFRS 16 requires the Group to take into account periods covered by options to extend or terminate leases to the extent that it is reasonably certain that the leases will continue for those terms. In assessing what is reasonably certain, the Group considers past practice, its future needs, the lease terms, and, in respect of leases of assets that are used to serve sales contracts, the length of the related sales contracts.
- IFRS 16 requires the Group to estimate incremental rates of borrowings in respect of leases for which no interest rate is implicit in the lease. The Group has determined the incremental rates of borrowing for individual leases based on swap rates with matching start-dates, terms and currencies, adjusted for the country-specific risk of the lessee. No adjustment has been made to reflect the nature of the leased assets on the basis that a lender would not make a material adjustment to the borrowing rate to reflect the nature of the underlying assets.

Based on the Group's provisional estimates, it anticipates that it will recognise additional right of use assets of approximately £345m at 31 December 2018 (£385m at 1 January 2018). Additional finance lease creditors of approximately £410m will be recorded at 31 December 2018 (£460m at 1 January 2018) including some that will replace existing property and onerous contract provisions. Of the right of use asset recognised at 31 December 2018, approximately £225m relates to properties and approximately £90m relates to motor vehicles. The remainder relates to other operational equipment leased by the Group.

3. Significant accounting policies *continued*

(u) Adoption of new and revised accounting standards and interpretations *continued*

The Group provisionally estimates that the adoption of IFRS 16 will reduce the operating lease expense for the year ended 31 December 2018 by approximately £190m and increase the depreciation expense by approximately £155m resulting in a net increase in operating profit of approximately £35m. In addition, interest on the finance lease liability is expected to increase the interest charge for the year by approximately £20m. (Note: all amounts stated to the nearest £5m and at 2018 year-end rates of exchange). The Group expects that a significant portion of its property and onerous contract provisions related to leases will be derecognised and replaced with finance lease creditors. In addition, the Group expects to make various consequential adjustments as a result of adopting IFRS 16 including: adjusting operating profit to remove the effect of movements in property and onerous contract provisions related to leases; adjusting prepayments and accruals in respect of leases that have previously been treated as operating leases; and consequential changes to reflect movements in foreign exchange rates. During 2019, the Group will also complete its assessment of the tax and deferred tax effects of adopting IFRS 16. The Group will finalise those adjustments in early 2019.

4. Accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 3, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period.

Significant judgments

Significant judgments are those made by management when applying its accounting policies that are considered to have the most significant impact on amounts recognised in the consolidated financial statements.

Those judgments that are considered to have the most significant impact on amounts recognised in the consolidated financial statements, apart from those involving estimations (which are disclosed separately below), are the following:

Compliance with foreign ownership rules and consolidation of subsidiaries

The Group has a diverse set of complex ownership structures, which are sometimes driven by local laws and regulations relating to foreign ownership. In some instances the Group operates through local structures with limited direct share ownership of the business but exercises control through shareholder agreements.

Judgment is required in determining whether certain Group entities qualify for consolidation under IFRS10 – Consolidated Financial Statements, and in some instances professional and legal advice is sought to support these judgments. Consolidation of any of these entities would be at risk if the Group's ability to enforce its rights of control was successfully challenged.

These judgments have been applied in determining how the Group consolidates businesses with an aggregated revenue of c.£700m, Adjusted PBITA of c.£50m and equity shareholders' funds of c.£200m. The impact on the Group's earnings (after tax) of equity accounting rather than full consolidation would not be material.

Classification of leases

The classification of leases as operating or finance leases is based on the criteria set out in IAS 17 – Leases, which defines a series of attributes which, when contained within a lease, may result in its classification as a finance lease. Judgment is required in assessing leases at inception as to whether individual attributes, in aggregate or in isolation, are such that the substance of the lease is that of a finance lease. Details of the Group's finance leases are disclosed in note 27 and the Group's operating lease commitments are set out in note 37.

Alternative Performance Measures

The Group uses Adjusted PBITA as a consistent internal and external reporting measure of its performance, as management views it as being more representative of the normal course of business and more comparable period to period. Adjusted PBITA excludes strategic restructuring costs, amortisation of acquisition-related intangible assets and specific and other separately disclosed items which the Group believes should be disclosed separately by virtue of their size, nature or incidence. Judgment is required when defining those items to be disclosed separately and when applying the classification criteria to each period's results. Further details on separately disclosed items are set out in note 8.

Significant estimates and assumptions

Significant estimates and associated assumptions are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Significant estimates are made taking into account historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions, and, in some cases, actuarial techniques. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant estimates, assumptions and sources of uncertainty in preparing the Group's 2018 consolidated financial statements are set out below:

Onerous contracts

The Group delivers certain long-term services that are complex in nature. Some of the contracts to deliver these services may evolve to become loss-making, such that net unavoidable losses are expected to be incurred over their life.

Where a contract is expected to be loss-making over its remaining term, the net present value of estimated future losses is determined in order to calculate an onerous contract provision. The identification and measurement of such provisions is subject to inherent risk, given the extended time periods often involved and the number of variables which are not all within the Group's control.

In particular, estimation is required in assessing future expected revenue and costs on such contracts, including:

- determining the expected impact of any profit improvement plans where sufficient evidence exists of benefits being delivered by those plans;
- determining the expected outcome of any contractual or commercial disputes; and
- determining an appropriate discount rate to apply to material future cash flows.

The level of uncertainty in the estimates and assumptions supporting expected future revenues and costs can vary with the complexity of each contract and with the form of service delivery.

For further details of how the Group has applied judgments and estimates to significant onerous contract provisions refer to note 32 on pages 195 to 197.

Carrying value of goodwill

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. The impairment analysis for such assets is based principally upon discounted estimated future cash flows from the use and eventual disposal of the assets, requiring assumptions on growth rates and the impact of local economic factors. The full methodology and results of the Group's impairment testing, including an analysis of the sensitivity of goodwill to the key assumptions, are presented in note 18.

Taxation

The Group operates in many tax jurisdictions including countries where the tax legislation is not consistently applied and under some complex contractual circumstances where the responsibility for tax arising is not always clear. Judgments and estimates are required to determine the appropriate amount of tax to provide for and any required disclosure around contingent tax liabilities at each period end.

Provisions for tax liabilities are estimated for existing matters under dispute with local tax authorities, as well as for matters which it is considered may be disputed by them, where it is probable that a future liability will arise. The tax liability provided is management's best estimate, taking into account external advice, the anticipated position of the relevant tax authorities, and other local factors. In certain cases, and where appropriate, a probability weighting is applied in determining the amount provided. In all cases it is assumed that the local tax authorities have, or will be provided with, full information. Therefore the tax liability is not reduced for "detection risk". Further details about the range of the potential tax exposure to which the Group is subject are set out in note 13.

The Group has tax losses and other deductible temporary differences, mainly in the UK and USA, that have the potential to reduce tax payments in future years. Deferred tax assets are recognised to the extent that their recovery is probable, having regard to the projected future taxable income of these entities and after taking into account specific risk factors that affect the recovery of these assets. The same profit projections are used for these purposes as are used by the business, for example in assessing the carrying value of goodwill. Judgment is applied on a case-by-case basis due to the jurisdictional nature of taxation. This analysis is considered afresh at each balance sheet date.

Valuation of retirement benefit obligations

The valuation of defined retirement benefit schemes is arrived at using the advice of qualified independent actuaries who use the projected unit credit method for determining the Group's obligations. This methodology requires the use of a variety of assumptions and estimates, including the determination of an appropriate discount rate, the expected return on scheme assets, mortality assumptions, future service and earnings increases of employees and inflation. Full details of the Group's retirement benefit obligations, including an analysis of the sensitivity of the calculations to the key assumptions, are presented in note 31.

Labour laws and commercial agreements

The Group is involved in disputes in a number of countries, mainly related to activities incidental to its operations. Currently there are a number of such disputes, including class actions, open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. In addition the interpretation of labour laws and regulations in a number of countries where the Group operates is complex and there is an inherent judgment made when applying those laws and regulations that are open to interpretation. As such, there is a risk that further disputes and claims from employees could arise in the future. Where there is a dispute (or where there is a risk of a dispute on claims in the future) and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. For further details of how the Group has applied judgments and estimates to these provisions and, where relevant, an analysis of the sensitivity of the provisions to the key underlying estimates and assumptions, refer to note 32 on pages 195 to 197.

In certain instances it is not possible to determine a reliable estimate or a reasonable range of potential outcomes. For these cases, disclosure of the relevant items as contingent liabilities is provided in note 32.

5. Revenue

The Group's revenue by type of service and reportable segment (see note 6) can be analysed as follows:

Year ended 31 December 2018	**Africa £m**	**Americas £m**	**Asia £m**	**Europe & Middle East £m**	**Total Secure Solutions £m**	**Cash Solutions £m**	**Total £m**
Sale of goods	**10**	**58**	**6**	**37**	**111**	**34**	**145**
Rendering of services	**396**	**2,246**	**853**	**2,530**	**6,025**	**1,103**	**7,128**
Revenue from construction contracts	**–**	**139**	**23**	**77**	**239**	**–**	**239**
Total	**406**	**2,443**	**882**	**2,644**	**6,375**	**1,137**	**7,512**

Year ended 31 December 2017 Restated[1]	Africa £m	Americas £m	Asia £m	Europe & Middle East £m	Total Secure Solutions £m	Cash Solutions £m	Total £m
Sale of goods	8	56	6	38	108	173	281
Rendering of services	391	2,351	866	2,616	6,224	1,118	7,342
Revenue from construction contracts	–	86	24	93	203	–	203
Total	399	2,493	896	2,747	6,535	1,291	7,826

1. Revenue for the year ended 31 December 2017 has been restated for the effects of IFRS 15 – see note 3.

The Group's revenue by customer type can be analysed as follows:

Year ended 31 December 2018	**2018 £m**	2017 Restated[1] £m
Major corporates	**2,556**	2,594
Government	**1,615**	1,615
Financial institutions	**1,249**	1,341
Retail, leisure and consumers	**1,256**	1,412
Private energy/utilities	**429**	463
Transport, ports and aviation	**407**	401
Total	**7,512**	7,826

1. Revenue for the year ended 31 December 2017 has been restated for the effects of IFRS 15 – see note 3.

Each of the Group's segments made sales to all customer types both in 2018 and 2017.

Assets and liabilities related to contracts with customers

Current assets	Note	**2018 £m**	2017 Restated[1] £m	2016 Restated[1] £m
Amounts due from construction contract customers	23	**14**	17	17
Accrued income	23	**231**	168	153
Trade debtors	23	**1,065**	1,071	1,060
Loss allowance	23	**(55)**	(61)	(65)
Total contract assets		**1,255**	1,195	1,165

Liabilities				
Amounts due to construction contract customers (current)	28	**(2)**	(2)	(3)
Deferred income (current)	28	**(72)**	(64)	(78)
Deferred income (non-current)	28	**(15)**	(18)	(22)
Total contract liabilities		**(89)**	(84)	(103)

1. Restated for the effects of IFRS 15 – see note 3.

During the year the Group recognised £58m of revenue that was held in deferred income (or amounts payable to construction contract customers) as at 31 December 2017 (2017: £58m related to amounts as at 31 December 2016), and £nil (2017: £3m) of revenue in relation to performance obligations satisfied in prior years.

As at 31 December 2018, the Group has recorded £3m (2017: £2m) of capitalised contract fulfilment costs, included within other debtors. The Group did not incur any material contract acquisition costs during the current or prior years.

The increase in accrued income in the year to 31 December 2018 primarily arises because of the timing of invoicing for services in new contracts in the UK and US Secure Solutions businesses.

6. Operating segments

As indicated in the 2017 Integrated Report and Accounts, from 1 January 2018 the Group has reorganised the group-wide management of its businesses to create a Global Cash Solutions division and to consolidate its Secure Solutions business into four regions:

- Africa;
- Americas (combining the previous North America and Latin America regions);
- Asia (including India and Bangladesh that formerly reported under the Middle East & India region); and
- Europe & Middle East (combining the previous Europe, UK & Ireland and Middle East & India regions except for India and Bangladesh that now report under the Asia region).

The Cash Solutions business is managed and reported separately to the Group Executive Committee. Whilst it operates in various geographic regions, the nature of the products and services provided and the type of customer are similar across those regions.

Prior year comparatives have been restated accordingly to present segmental results on a consistent basis. For each of the reportable segments, the Group Executive Committee (the chief operating decision maker) reviews internal management reports on a regular basis.

Segment information is presented below:

Revenue by reportable segment	Total segment revenue 2018 £m	Inter-segment revenue 2018 £m	External revenue 2018 £m	Total segment revenue 2017 Restated[1] £m	Inter-segment revenue 2017 £m	External revenue 2017 Restated[1] £m
Africa	**408**	**(2)**	**406**	406	(7)	399
Americas[2]	**2,447**	**(4)**	**2,443**	2,498	(5)	2,493
Asia	**889**	**(7)**	**882**	904	(8)	896
Europe & Middle East[4]	**2,663**	**(19)**	**2,644**	2,763	(16)	2,747
Total Secure Solutions	**6,407**	**(32)**	**6,375**	6,571	(36)	6,535
Cash Solutions[2,3,4]	**1,144**	**(7)**	**1,137**	1,295	(4)	1,291
Total Revenue	**7,551**	**(39)**	**7,512**	7,866	(40)	7,826

Operating profit by reportable segment	Continuing operations 2018 £m	Discontinued operations 2018 £m	Total 2018 £m	Continuing operations 2017 Restated[1] £m	Discontinued operations 2017 £m	Total 2017 Restated[1] £m
Africa	**31**	**–**	**31**	29	–	29
Americas[2]	**127**	**2**	**129**	123	(6)	117
Asia	**63**	**–**	**63**	60	–	60
Europe & Middle East	**175**	**–**	**175**	182	–	182
Total Secure Solutions	**396**	**2**	**398**	394	(6)	388
Cash Solutions[2,3]	**114**	**–**	**114**	147	–	147
Operating profit before corporate costs	**510**	**2**	**512**	541	(6)	535
Corporate costs	**(50)**	**–**	**(50)**	(49)	–	(49)
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	**460**	**2**	**462**	492	(6)	486
Specific items (net)	**(22)**	**–**	**(22)**	(34)	–	(34)
California class action settlement	**(100)**	**–**	**(100)**	–	–	–
Guaranteed minimum pension equalisation charge	**(35)**	**–**	**(35)**	–	–	–
Restructuring costs	**(31)**	**–**	**(31)**	(20)	–	(20)
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(15)**	**–**	**(15)**	74	–	74
Amortisation of acquisition-related intangible assets	**(4)**	**–**	**(4)**	(10)	–	(10)
Operating profit	**253**	**2**	**255**	502	(6)	496

1. The revenue and operating profit for the year ended 31 December 2017 have been restated to reflect the Group's reorganisation as described above and for the effects of IFRS 15 – see note 3.
2. As part of the disposal of the Colombia Cash business in 2018, a small number of contracts that were previously reported in the Cash Solutions division were transferred to the Colombia Secure Solutions business and integrated into their operations. Results from these contracts have been re-classified to be reported within the Americas region in the Secure Solutions division and prior year comparatives have been restated accordingly.
3. Includes a benefit of £8m from the early completion of a bullion centre contract in the UK Cash Solutions business (2017: £3m from the same contract).
4. Revenue in the UK, being the Group's country of domicile, was £1,304m (2017: £1,298m).

Inter-segment sales are charged at prevailing market prices.

The Group has no transactions with a single external customer that amount to 10% or more of total Group revenue in the current or prior years.

Refer to note 7 for details on discontinued operations.

6. Operating segments *continued*

Non-current assets

The following information is analysed by reportable segment and by the geographical area in which the assets are located:

Non-current assets[1]	2018 £m	2017 Restated[4] £m
By reportable segment		
Africa	**62**	58
Americas	**645**	627
Asia	**134**	111
Europe & Middle East[2]	**851**	871
Total Secure Solutions	**1,692**	1,667
Cash Solutions[2]	**690**	737
Total segment non-current assets[1]	**2,382**	2,404
Corporate	**52**	47
Total non-current assets[1]	**2,434**	2,451
Other non-current assets[3]	**435**	425
Less: Non-current assets held for sale	**(9)**	(26)
Total non-current assets	**2,860**	2,850

1. Non-current assets comprise goodwill, other acquisition-related intangible assets, non-acquisition-related intangible assets, property, plant and equipment and investments in joint ventures.
2. Non-current assets in the UK, being the Group's country of domicile, amounted to £815m (2017: £817m).
3. Other non-current assets comprise trade and other receivables, investments, retirement benefit surpluses and deferred tax assets.
4. Non-current assets for the year ended 31 December 2017 have been restated for the effects of IFRS 15 – see note 3.

Other information

By reportable segment	Depreciation and amortisation 2018 £m	Capital additions 2018 £m	Depreciation and amortisation 2017 £m	Capital additions 2017 £m
Africa	**6**	**11**	6	7
Americas	**15**	**17**	18	16
Asia	**6**	**11**	7	6
Europe & Middle East	**37**	**31**	44	29
Total Secure Solutions	**64**	**70**	75	58
Cash Solutions	**51**	**46**	55	40
Total segment	**115**	**116**	130	98
Corporate	**2**	**14**	6	10
Total	**117**	**130**	136	108

7. Discontinued operations

The profit from discontinued operations of £2m in the current year relates to the recovery in 2019 of receivables that had been provided for as at 1 January 2018, in relation to historical disposals of businesses classified as discontinued operations at the time of sale (2017: loss of £6m comprising impairments of trade receivables and costs and charges incurred or expected to be incurred). Discontinued operations incurred no tax charge during the year (2017: £nil). None of the Group's businesses currently held for sale or sold or closed during the year meet the criteria to be classified as discontinued operations in the current year (2017: none).

The effect of discontinued operations on segment results is disclosed in note 6.

Discontinued operations generated no cash flows for the year ended 31 December 2018 (2017: £nil).

8. Operating profit

The consolidated income statement can be analysed as follows:

Continuing operations	2018 £m	2017 Restated[1] £m
Revenue	**7,512**	7,826
Cost of sales	**(6,208)**	(6,429)
Gross profit	**1,304**	1,397
Administration expenses[2]	**(1,047)**	(893)
Net impairment losses on financial and contract assets[2]	**(11)**	(11)
Share of profit after tax from joint ventures	**7**	9
Operating profit	**253**	502

1. Comparative results have been restated for the adoption of IFRS 15, see note 3.
2. Comparative results have been re-presented to show separately the net impairment losses on financial and contract assets that were previously included within administration expenses.

Operating profit includes items that are separately disclosed for the year ended 31 December 2018 relating to:

- Specific items charges of £32m (2017: £34m) include £12m related to additional provisions in Asia in respect of historical employee gratuities and end of service benefits and £11m related to the reassessment of estimated settlement amounts in respect of historical workers' compensation claims in the Americas. In addition, this includes a £9m onerous contract charge related to two UK Care & Justice contracts, reflecting the estimated losses over the expected remaining contract terms;

  Specific items charges incurred during the year ended 31 December 2017 of £34m included £19m primarily relating to the anticipated total losses over the next 15 to 20 years in respect of certain UK government contracts, £6m related to the estimated cost of settlement of subcontractor claims from commercial disputes in respect of prior years, and £9m related mainly to the settlement of labour disputes in respect of prior years in the Americas;
- Specific items credits of £10m (2017: £nil) include a £5m release of onerous contract provisions in the UK for which the related charges had previously been recorded as specific items, following the implementation of operational efficiencies in the contracts leading to a reduction in expected future losses. In addition, a further £5m related to successful court claims made by the Group in the Americas;
- Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc (and others) in October 2018, the Group incurred a charge of £35m (2017: £nil) in respect of the equalisation of benefits for historical Guaranteed Minimum Pension obligations between males and females in the UK;
- In January 2019 the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California. This settlement is subject to the final approval of the Superior Court of the State of California. The amount to be settled is between US$100m and US$130m with the precise amount to be determined during the settlement administration process. A provision of £100m has been established in the accounts for the year ended 31 December 2018 representing management's best estimate of the amount of the class action settlement and any related costs;
- Investment in restructuring programmes of £31m (2017: £20m) relates to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Global Cash Solutions. In addition, the Group incurred non-strategic severance costs of £9m (2017: £10m) which are included within cost of sales and administration expenses as appropriate;
- Disposal loss of £15m (2017: profit of £74m) relating to the disposal of a number of the Group's operations including its businesses in Hungary and the Philippines, its archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia. In 2017, the Group disposed of a number of operations including the businesses in Israel and Bulgaria and its Youth Services business in North America; and
- Amortisation of acquisition-related intangible assets of £4m (2017: £10m) is lower than the prior year as certain intangible assets recognised on legacy acquisitions became fully amortised in 2017.

9. Profit from operations

Profit from continuing operations has been arrived at after charging/(crediting):

	Notes	2018 £m	2017 £m
Cost of sales			
Cost of inventories recognised as an expense		**90**	98
Administration expenses			
Net specific items	8	**22**	34
Guaranteed minimum pension equalisation charge	8	**35**	–
California class action settlement	8	**100**	–
Restructuring costs	8	**31**	20
Net loss/(profit) on disposal/closure of subsidiaries/businesses	8, 17	**15**	(74)
Amortisation of acquisition-related intangible assets	8	**4**	10
Depreciation of property, plant and equipment	19	**93**	104
Amortisation of non-acquisition-related intangible assets	18	**20**	22
Research and development expenditure		**4**	4
Operating lease rentals payable (restated)[1]		**197**	172
Share-based payments	38	**8**	10

1. As a result of the detailed work carried out to assess the impact of IFRS 16 – Leases, effective 1 January 2019, the Group has identified that the operating lease rentals payable that were previously disclosed for the year ended 31 December 2017 as £104m were understated. As a result, it has re-presented the operating lease rentals payable above. The adjustment has no effect on the total of administrative expenses, or the profit for the year to 31 December 2017.

10. Auditor's remuneration

	2018 £m	2017 £m
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	**1**	1
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries[1]	**7**	7
All other services[2]	**1**	1

1. 2018 fees included £nil (2017: £1m) in respect of prior years.
2. Other services of £0.6m (2017: £0.7m) relate mainly to other assurance services of £0.5m (2017: £0.5m) which include the half year review.

The Audit Committee Report on pages 98 to 104 outlines the company's established policy for ensuring that audit independence is not compromised through the provision by the company's auditor of other services.

11. Staff costs and employees

The average monthly number of employees, including executive directors was:

By reportable segment	2018 Number	2017 Number
Africa	116,188	119,514
Americas	117,802	123,134
Asia	175,693	177,704
Europe & Middle East	103,411	103,078
Total Secure Solutions	513,094	523,430
Cash Solutions	34,873	37,492
Head office	265	248
Total average number of employees (excluding joint ventures)	548,232	561,170
Average number of employees employed by joint ventures	11,648	12,501
Total average number of employees (including joint ventures)	559,880	573,671

Their aggregate remuneration, comprised:

	2018 £m	2017 £m
Wages and salaries	4,505	4,629
Social security costs	477	501
Employee benefits	212	233
Total staff costs (excluding joint ventures)	5,194	5,363
Joint venture staff costs	63	70
Total staff costs (including joint ventures)	5,257	5,433

Information on directors' remuneration, long-term incentive plans, pension contributions and entitlements is set out in the Directors' Remuneration report on pages 105 to 127.

12. Net finance expense

	2018 £m	2017[1] £m
Interest and other income on cash, cash equivalents and investments	**14**	12
Other finance income	**2**	–
Finance income	**16**	12
Interest on bank overdrafts and loans	**(16)**	(18)
Interest on loan notes	**(81)**	(87)
Net interest (payable)/receivable on loan-note related derivatives[1]	**(7)**	4
Gain arising from fair value adjustment to the hedged loan note items	**6**	14
Loss arising from change in fair value of derivative financial instruments hedging loan notes	**(6)**	(14)
Interest on obligations under finance leases	**(2)**	(3)
Other interest charges[2]	**(9)**	(12)
Total Group borrowing costs	**(115)**	(116)
Finance costs on defined retirement benefit obligations	**(11)**	(11)
Finance expense	**(126)**	(127)
Net finance expense	**(110)**	(115)

1. In the prior year, the net interest receivable on loan note related derivatives was presented within finance income. In the current year it has been included within finance expense, and the prior year comparatives re-presented accordingly.
2. Other interest charges include £nil (2017: £2m) relating to discounts unwound on provisions.

13. Tax

	2018 £m	2017 £m
Current tax expense		
Current year	**87**	89
Adjustments in respect of prior years (note (vii))	**(12)**	8
Total current tax expense	**75**	97
Deferred tax (credit)/expense (see note 33)		
Current year	**(30)**	42
Re-assessment of deferred tax recoverability on losses (note (vi))	**4**	(5)
Adjustments in respect of prior years (note (vii))	**6**	(6)
Total deferred tax (credit)/expense	**(20)**	31
Total income tax expense for the year	**55**	128

UK corporation tax is calculated at 19% (2017: 19%) of the estimated assessable profits for the year. Overseas tax is calculated at the corporation tax rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2018 £m	2017 Restated[1] £m
Profit before tax		
Continuing operations[1]	**143**	387
Discontinued operations	**2**	(6)
Total profit before tax[1]	**145**	381
Tax at UK corporation tax rate of 19% (2017: 19%)	**28**	74
Items that are not deductible and other additions to taxable profit (note (i))	**15**	20
Losses on disposal of businesses not relieved (note (ii))	**5**	1
Different tax rates of subsidiaries operating in non-UK jurisdictions (note (iii))	**13**	23
Benefit of tax incentives and credits	**(3)**	(5)
Impact of phased reduction in UK rate to 17%	**–**	(2)
Adjustment for joint ventures	**(2)**	(1)
Tax losses not recognised in the current year (note (iv))	**1**	2
Impact of US tax reforms (note (v))	**–**	19
Re-assessment of deferred tax recoverability on losses (note (vi))	**4**	(5)
Adjustment in respect of prior years – current and deferred tax (note (vii))	**(6)**	2
Total income tax charge	**55**	128
Effective tax rate for continuing and discontinued operations	**38%**	34%

1. Restated for the effect of IFRS 15 – see note 3.

The effective tax rate for continuing operations was 38% (2017: 33%).

(i) Items that are not deductible and other additions to taxable profit – £15m (2017: £20m): reflects the tax effect of items which, in management's judgment, are potentially disallowable for the purposes of determining local taxable profits. This includes unrelieved withholding taxes of £1m (2017: £8m) relating to withholding tax deducted on domestic or cross-border payments in excess of the profits tax arising in the recipient company.

(ii) Losses on disposal of businesses not relieved – £5m (2017: £1m): relates to losses arising on the disposal of businesses that are not allowable for tax or for which there are insufficient taxable profits available in the foreseeable future to utilise those losses.

(iii) Different tax rates of subsidiaries operating in non-UK jurisdictions – £13m (2017: £23m): arise because of the effect of profits of the Group being subject to tax at rates different from the current UK corporation tax rate of 19%.

(iv) Tax losses not recognised in the current year – £1m (2017: £2m): relates to current-year losses not recognised as deferred tax assets on the basis that there are insufficient taxable profits available to utilise them in the foreseeable future.

(v) Impact of US tax reforms – £nil (2017: £19m): The Tax Cuts and Jobs Act introduced significant changes in US tax laws taking effect on 1 January 2018. For 2017, the changes in legislation resulted in a one-off charge to the income statement of £19m which related to a revaluation of deferred tax asset balances due to the reduction in the US Federal tax rate and the impairment of foreign tax credits which were no longer expected to be utilisable in future periods against foreign source income.

(vi) Re-assessment of deferred tax recoverability on losses – £4m (2017: £(5)m): relates to the re-assessment of deferred tax assets on historical tax losses during the year as a result of updated group forecasts and business plans.

(vii) Adjustment in respect of prior years – current and deferred tax – £(6)m (2017: £2m): relates to (i) changes in provisions for unresolved tax issues as a result of settlements with tax authorities; and (ii) a re-assessment of the recoverability of certain tax balances.

Issues relating to taxation

The calculation of the Group's total tax charge involves consideration of certain items whose tax treatment cannot be ultimately determined until final resolution has been reached through negotiation with the relevant tax authorities, or via a domestic or international dispute resolution process.

The global nature of the Group's operations means that the most significant tax risk is in relation to challenges from tax authorities in respect of the pricing of cross-border transactions and the Group's interpretation of the OECD's arm's-length principle. This risk is largely driven by the inherently subjective nature of transfer pricing and the divergent views taken by tax authorities. In determining the appropriate level of provisions in respect of such challenges, the Group applies a risk-based approach which considers factors such as the quantum of the charge, the countries party to the transaction and the relevant statutes of limitation. An assessment is also made of the likelihood that compensating adjustments will be obtained under the relevant tax treaties to mitigate the level of double taxation which could arise.

13. Tax *continued*

As the Group operates in a significant number of countries, determining the appropriate level of judgment is typically influenced by the Group's evolving experience of tax controversy in different countries. The Group has open tax periods in a number of countries involving a number of issues, with the most material disputes typically being in respect of cross-border transactions. As at 31 December 2018, the Group had total tax exposures of approximately £134m (2017: £153m) of which £25m (2017: £48m) is provided against. The Group believes that it has made appropriate provision for open tax periods which have not yet been agreed by tax authorities. The final agreed liabilities may vary from the amounts provided, as these are dependent upon the outcomes of the domestic and international dispute resolution processes in the relevant countries. The Group typically has limited control over the timing of resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Group does not expect material changes to occur to the level of provisions against uncertain tax positions during the next twelve months.

The potential tax impacts which could arise as a consequence of the UK withdrawing from the European Union are dependent on the manner of the UK's withdrawal, but on the basis of current information the Group does not anticipate that significant additional tax liabilities will arise.

The following taxation charge has been recognised directly in equity within the consolidated statement of comprehensive income:

	2018 £m	2017 £m
Tax relating to defined retirement benefit schemes	(6)	(4)
Change in fair value of net-investment and cash-flow hedging financial instruments	(2)	–
Total tax charged to other comprehensive income	(8)	(4)

14. Dividends

	Pence per share	DKK per share	2018 £m	2017 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2016	5.82	0.5029	–	90
Interim dividend for the six months ended 30 June 2017	3.59	0.2948	–	55
Final dividend for the year ended 31 December 2017	6.11	0.5097	95	–
Interim dividend for the six months ended 30 June 2018	3.59	0.2969	55	–
			150	145
Proposed final dividend for the year ended 31 December 2018	6.11	0.5321	95	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 14 June 2019 to shareholders who are on the register on 3 May 2019. The Danish kroner exchange rate shown above for the dividend is that at 11 March 2019.

15. Earnings per share attributable to equity shareholders of the parent

	2018 £m	2017 Restated[1] £m
From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	**82**	237
Weighted-average number of ordinary shares[2] (m)	**1,547**	1,548
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	**5.3p**	15.3p
From continuing operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	**82**	237
Adjustment to exclude (profit)/loss for the year from discontinued operations (net of tax)	**(2)**	6
Profit from continuing operations	**80**	243
Earnings per share from continuing operations (pence)		
Basic and diluted	**5.2p**	15.7p
From discontinued operations		
Earnings		
Profit/(loss) for the year from discontinued operations (net of tax)	**2**	(6)
Earnings/(loss) per share from discontinued operations (pence)		
Basic and diluted	**0.1p**	(0.4)p

1. Restated for the effect of IFRS 15 – see note 3.
2. Excluding shares held by the Group's Employee Benefit Trust and accounted for as treasury shares (see note 35).

16. Acquisitions

The Group has not made any material acquisitions in the current or prior year. During the year, the Group has invested £2m in the acquisition of two minor Secure Solutions businesses in Asia and Europe & Middle East (2017: invested £1m in minor acquisitions), and has also paid £2m in respect of acquisitions completed in prior years (2017: £nil). In addition, during the year, shareholder agreements were re-negotiated for certain joint ventures resulting in the Group obtaining control of these operations.

The Group committed to invest £21m in the acquisition of non-controlling interests in certain operations, primarily in Asia (2017: invested £16m primarily in Europe & Middle East).

17. Disposals and closures

During the year ended 31 December 2018 the Group sold nine businesses including the Group's businesses in Hungary and the Philippines, the archiving business in Kenya, and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, realising net cash consideration of £45m. The Group also closed a small number of minor operations during the year, which together with the businesses sold generated Adjusted PBITA of £(9)m in 2018 up to the date of disposal or closure (for the year ended 31 December 2017: £3m).

In 2017 the Group sold nine businesses, including the Youth Services business in North America, the children's homes business in the UK, the cash businesses in Peru and Paraguay, and the Group's businesses in Israel and Bulgaria, realising net cash consideration of £156m. A further four businesses were closed during the prior year.

The net assets and net (loss)/profit on disposal/closure of operations disposed of or closed were as follows:

	2018 £m	2017 £m
Goodwill	**22**	52
Other acquisition-related intangible assets	**–**	1
Property, plant and equipment	**23**	13
Other non-current assets	**4**	17
Current assets	**51**	78
Liabilities	**(38)**	(61)
Net assets of operations disposed of/closed	**62**	100
Less: recycling from currency translation reserve	**(1)**	(18)
Net impact on the consolidated statement of financial position due to disposals/closures	**61**	82
Fair value of retained investment in former joint venture	**–**	(3)
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(15)**	74
Total consideration	**46**	153
Satisfied by:		
Cash received	**48**	166
Net disposal costs paid	**(4)**	(10)
Additional net consideration received relating to disposals completed in prior years	**1**	–
Net cash consideration received in the year	**45**	156
Deferred consideration receivable	**6**	4
Accrued disposal and other costs	**(5)**	(7)
Total consideration	**46**	153

18. Intangible assets

2018	Goodwill £m	Acquisition-related intangible assets: Trademarks £m	Acquisition-related intangible assets: Customer-related £m	Acquisition-related intangible assets: Technology £m	Non-acquisition-related intangible assets £m	Total £m
Cost						
At 1 January 2018	**2,080**	**3**	**61**	**–**	**256**	**2,400**
Additions	**–**	**–**	**7**	**–**	**31**	**38**
Disposals	**(15)**	**–**	**–**	**–**	**(5)**	**(20)**
Acquisition of a subsidiary	**4**	**–**	**–**	**–**	**–**	**4**
Re-classifications	**1**	**–**	**–**	**–**	**–**	**1**
Exchange differences	**35**	**–**	**(2)**	**–**	**2**	**35**
At 31 December 2018	**2,105**	**3**	**66**	**–**	**284**	**2,458**
Accumulated amortisation and impairment losses						
At 1 January 2018	**(166)**	**(2)**	**(53)**	**–**	**(168)**	**(389)**
Amortisation charge	**–**	**–**	**(4)**	**–**	**(20)**	**(24)**
Disposals	**1**	**–**	**–**	**–**	**5**	**6**
Exchange differences	**(1)**	**–**	**2**	**–**	**(1)**	**–**
At 31 December 2018	**(166)**	**(2)**	**(55)**	**–**	**(184)**	**(407)**
Carrying amount						
At 1 January 2018	**1,914**	**1**	**8**	**–**	**88**	**2,011**
At 31 December 2018	**1,939**	**1**	**11**	**–**	**100**	**2,051**

2017	Goodwill £m	Trademarks £m	Customer-related £m	Technology £m	Non-acquisition-related intangible assets £m	Total £m
Cost						
At 1 January 2017	2,157	34	674	9	255	3,129
Additions	–	–	–	–	24	24
Disposals	(2)	–	–	–	–	(2)
Write-off of fully amortised intangible assets	–	(32)	(599)	(9)	(17)	(657)
Transferred to held for sale	(9)	–	–	–	(7)	(16)
Re-classifications	–	1	–	–	1	2
Exchange differences	(66)	–	(14)	–	–	(80)
At 31 December 2017	2,080	3	61	–	256	2,400
Accumulated amortisation and impairment losses						
At 1 January 2017	(167)	(32)	(658)	(9)	(169)	(1,035)
Amortisation charge	–	(2)	(8)	–	(22)	(32)
Write-off of fully amortised intangible assets	–	32	599	9	17	657
Transferred to held for sale	1	–	–	–	6	7
Exchange differences	–	–	14	–	–	14
At 31 December 2017	(166)	(2)	(53)	–	(168)	(389)
Carrying amount						
At 1 January 2017	1,990	2	16	–	86	2,094
At 31 December 2017	1,914	1	8	–	88	2,011

18. Intangible assets *continued*

Goodwill allocation

Goodwill acquired in a business combination is allocated to the cash-generating units (CGUs) which are expected to benefit from that business combination. A significant portion of the Group's goodwill was generated by the merger of the security services businesses of Group 4 Falck and Securicor in 2004, which was accounted for as an acquisition of Securicor by Group 4 Falck.

Goodwill impairment testing

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that it may be impaired. The Group's annual impairment test compares the carrying value of goodwill and other relevant non-current assets held by each CGU with the recoverable amount of each CGU as at 31 December each year.

The Group has historically identified CGUs for goodwill impairment testing purposes on a country-level basis including significant business units. As a result of the Group's re-organisation into a Secure Solutions division and a Cash Solutions division from 1 January 2018, a number of CGUs that previously represented entire countries have been divided into separate Cash Solutions and Secure Solutions CGUs for the Group's 2018 goodwill impairment test. The revised CGUs are consistent with the way in which the Group's Chief Operating Decision Maker now reviews performance.

As a result, goodwill of £445m that was previously held at a country level has been allocated to new CGUs based on their relative fair values (£243m to Secure Solutions and £202m to Cash Solutions).

Under IAS 36 – Impairment of Assets, an impairment is deemed to have occurred where the recoverable amount of a CGU is less than the carrying value of goodwill and other relevant non-current assets.

The recoverable amount of a CGU is generally determined by its value in use which is derived from discounted cash flow calculations. The key inputs to the calculations are described below. In certain circumstances, where market prices can be ascertained (for example through recent transactions or by reference to normal industry standard multiples), the fair value less costs to sell is used as a basis for the recoverable amount.

Forecast cash flows

All operating countries in the Group are required to submit a budget for the next financial year (for the year ending 31 December 2019) and strategic plan forecasts for the two years following the budget year (i.e. for the years ending 31 December 2020 and 31 December 2021) for both their Secure Solutions and Cash Solutions businesses.

Estimated future cash flows are based on these plan forecasts for the first three years, with year 4, year 5 and the terminal value projected by applying growth rates as set out in the growth rate section below. Estimated future cash flows are discounted using country-specific risk-adjusted discount rates as described in the discount rate section.

Growth rates

The following table demonstrates the application of growth rates to forecast cash flows:

Growth assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Terminal value
Input	Budget[1]	Strategic plan forecast[1]	Strategic plan forecast[1]	Projected – to achieve midpoint between years 3 and 5	Projected lower of year 3 forecast or country-specific inflation rate[2]	Country-specific long-term inflation rate[2]
Example	8%	7%	6%	4%	2%	2%

1. Budgets and strategic plan forecasts are reviewed by the group board.
2. Sourced from the IMF website.

In this example, budgeted year 1 growth rate is 8%, forecast growth in year 2 is 7% and in year 3 is 6%. The long-term country inflation rate is 2% so the year 4 growth rate is calculated to be the midpoint between 6% in year 3 and 2% in year 5, i.e. 4%. The terminal value calculation applies the long-term inflation rate of 2%.

Discount rates

The following key inputs are used to calculate country-specific discount rates for all CGUs:

Input	How determined	31 Dec 2018	31 Dec 2017
Risk-free rate (Group)	The Group's risk-free rate is based on the UK government's 20 year gilt/bond rates.	1.77% in UK	1.75% in UK
Adjusted risk-free rate (country specific)	Country-specific risk free rates are derived for each CGU by adjusting the Group's risk-free rate for both the relevant inflation rate differential between the UK and that CGU's country and by applying an appropriate country-specific risk premium sourced primarily from the IMF and New York University websites as well as other studies by independent economists.	2.3% in UK	2.3% in UK
Unleveraged beta	Beta is a risk adjustment applied to the discount rate to reflect the risk of the Group's operating companies relative to the market as a whole. The Group's beta is estimated by performing an analysis of comparable multi-national listed companies and is adjusted for the appropriate leverage of the Group.	0.75 for the Group	0.75 for the Group
Debt margin	The Group applies a Group-wide debt margin to the country-specific risk free rates to obtain a cost of debt for each CGU. The debt margin is determined by calculating the premium between the yield on a BBB-rated 15+ year UK benchmark bond and the UK risk-free rate.	1.3% in UK	1.3% in UK
Weighted-average cost of capital (pre-tax)	The weighted-average cost of capital is calculated by weighting the cost of equity and the cost of debt by the applicable debt to equity ratio at the year end.	9.5% in UK	9.1% in UK

The table below sets out the pre-tax discount rates and growth rates used for the Group's CGUs with significant goodwill balances:

	Discount rate 2018	Discount rate 2017	Long-term growth rate[1] 2018	Long-term growth rate[1] 2017	Goodwill 2018 £m	Goodwill 2017 £m
Brazil Secure Solutions	16.2%	15.6%	4.0%	4.0%	70	77
US Commercial Security Solutions	11.0%	10.1%	2.2%	2.3%	430	405
Netherlands Secure Solutions	7.3%	8.2%	2.1%	1.6%	76	75
UK Central Government Services	10.0%	9.1%	0.0%	2.0%	225	225
UK Secure Solutions	8.8%	8.7%	2.0%	2.0%	107	107
UK Integrated Solutions	10.0%	9.9%	2.0%	2.0%	79	79
UK Business & Outsourcing Solutions	8.9%	8.9%	2.0%	2.0%	65	65
Netherlands Cash Solutions	7.3%	8.2%	2.1%	1.6%	86	85
UK Cash Solutions	9.1%	8.9%	2.0%	2.0%	205	205
Other (all allocated)					596	591
Total goodwill					**1,939**	1,914

1. Lower of long-term country inflation rate per the IMF and implied year 3 business forecast growth rate, restricted to a minimum of 0%.

18. Intangible assets *continued*

Sensitivity to key assumptions

The key assumptions used in the discounted cash flow calculations relate to the discount rates and long-term growth rates used. The table below shows the additional impairment that would arise from an increase in discount rates by 1% and 3% (for example, increasing the UK base rate from 9.5% to 10.5% and 12.5% with all other variables being equal) or a decrease in long-term growth rates by 1% and 3% (to a minimum of 0% with all other variables being equal, for example, decreasing the UK long-term growth rate from 2.0% to 1.0% and 0.0%) for the Group in total and for each of its countries that represent significant goodwill balances:

			Additional impairment			Additional impairment	
	Goodwill 2018 £m	Base discount rate 2018	1% increase 2018 £m	3% increase 2018 £m	Base growth rate[1] 2018	1% decrease 2018 £m	3% decrease 2018 £m
Brazil Secure Solutions[2]	70	16.2%	(2)	(7)	4.0%	(8)	(17)
US Commercial Security Solutions	430	11.0%	–	–	2.2%	–	–
Netherlands Secure Solutions	76	7.3%	–	–	2.1%	–	–
UK Central Government Services	225	10.0%	–	–	0.0%	–	–
UK Secure Solutions	107	8.8%	–	–	2.0%	–	–
UK Integrated Solutions	79	10.0%	–	–	2.0%	–	–
UK Business & Outsourcing Solutions	65	8.9%	–	–	2.0%	–	–
Netherlands Cash Solutions	86	7.3%	–	–	2.1%	–	–
UK Cash Solutions[2]	205	9.1%	(1)	(20)	2.0%	(31)	(58)
Other[2] (all allocated)	596		(2)	(4)		(6)	(14)
Total	1,939		(5)	(31)		(45)	(89)

1. Lower of the long-term country growth rate per the IMF and the implied year 3 business forecast growth rate, restricted to a minimum of 0%.
2. For certain CGUs, including Brazil Secure Solutions and UK Cash Solutions presented separately above, and South Africa Cash Solutions (included within 'other' above, with a goodwill balance of £16m), the impairment model indicated a potential impairment when applying sensitivities as presented in the table above. For the UK Cash Solutions and Brazil Secure Solutions CGUs management is satisfied that the carrying value of goodwill is currently supported by fair value less costs to sell and therefore no impairment is required as at 31 December 2018. For the South Africa Cash Solutions CGU, management is satisfied that the carrying value of goodwill is supported by value in use valuations taking into account expected performance improvement plans.

19. Property, plant and equipment

2018	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2018	**246**	**814**	**1,060**
Additions	**10**	**82**	**92**
Disposals	**(10)**	**(104)**	**(114)**
Acquisition of a subsidiary	**3**	**5**	**8**
Transferred to held for sale (net)	**(17)**	**(2)**	**(19)**
Re-classifications	**–**	**(5)**	**(5)**
Exchange differences	**2**	**9**	**11**
At 31 December 2018	**234**	**799**	**1,033**
Accumulated depreciation and impairment losses			
At 1 January 2018	**(109)**	**(556)**	**(665)**
Depreciation charge	**(12)**	**(81)**	**(93)**
Disposals	**5**	**89**	**94**
Acquisition of a subsidiary	**(1)**	**(3)**	**(4)**
Transferred to held for sale (net)	**8**	**2**	**10**
Impairment	**(2)**	**(1)**	**(3)**
Re-classifications	**–**	**5**	**5**
Exchange differences	**(1)**	**(9)**	**(10)**
At 31 December 2018	**(112)**	**(554)**	**(666)**
Carrying amount			
At 1 January 2018	**137**	**258**	**395**
At 31 December 2018	**122**	**245**	**367**

2017	Land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2017	255	933	1,188
Additions	11	73	84
Disposals	(15)	(136)	(151)
Transferred to held for sale	(9)	(37)	(46)
Re-classifications	5	(1)	4
Exchange differences	(1)	(18)	(19)
At 31 December 2017	246	814	1,060
Accumulated depreciation and impairment losses			
At 1 January 2017	(109)	(642)	(751)
Depreciation charge	(13)	(91)	(104)
Disposals	13	132	145
Transferred to held for sale	4	28	32
Re-classifications	(5)	1	(4)
Exchange differences	1	16	17
At 31 December 2017	(109)	(556)	(665)
Carrying amount			
At 1 January 2017	146	291	437
At 31 December 2017	137	258	395

The net book value of equipment and vehicles held under finance leases was £21m (2017: £26m). Accumulated depreciation on these assets was £113m (2017: £109m) and the depreciation charge for the year was £13m (2017: £16m).

The rights over assets held on finance leases are effectively security for lease liabilities. These rights revert to the lessor in the event of default.

19. Property, plant and equipment *continued*

The net book value of equipment and vehicles includes £26m (2017: £25m) of assets leased by the Group to third parties under operating leases. Accumulated depreciation on these assets was £27m (2017: £28m) and the depreciation charge for the year was £8m (2017: £9m).

The net book value of land and buildings comprises freeholds of £62m (2017: £68m), long leaseholds of £15m (2017: £17m) and short leaseholds of £45m (2017: £52m).

20. Investment in joint ventures

The following summarised aggregate financial information represents the Group's interest in joint ventures that are not material to the Group, based on the amounts reported in the Group's consolidated financial statements:

	2018 £m	2017 £m
Carrying amount of interests in joint ventures	**8**	20
Group's share of:		
Profit from continuing operations	**7**	9
Total comprehensive income	**7**	9

21. Inventories

	2018 £m	2017 £m
Raw materials	**9**	8
Work in progress	**14**	12
Finished goods including consumables	**90**	84
Total inventories	**113**	104

22. Investments

Investments of £65m (2017: £62m) comprise mainly listed securities and certificates of deposit stated at fair value based on quoted market prices consistent with Level 1 of the valuation hierarchy as explained in note 3(g). These amounts include £41m (2017: £42m) held by the Group's wholly-owned captive insurance subsidiaries where use of the investments is restricted to the settlement of claims against those subsidiaries.

23. Trade and other receivables

	Notes	**2018 £m**	2017 Restated[1] £m
Within current assets			
Accrued income	5	**231**	168
Trade debtors[2]	5	**1,065**	1,071
Loss allowance	5	**(55)**	(61)
Receivables from customers in respect of cash-processing operations	25	**6**	7
Other debtors[2]		**103**	106
Prepayments		**64**	64
Amounts due from construction contract customers[2]	5	**14**	17
Derivative financial instruments at fair value	29	**1**	45
Total trade and other receivables included within current assets		**1,429**	1,417
Within non-current assets			
Derivative financial instruments at fair value	29	**43**	40
Other debtors[2]		**45**	42
Total trade and other receivables included within non-current assets		**88**	82

1. Restated for the effect of IFRS 15 – see note 3.
2. Due to the short-term nature of financial assets included within trade and other receivables, their carrying amount is considered to be the same as their fair value. Contractual maturities of current trade and other receivables are less than one year.

Credit risk on trade receivables

The Group's customers are both large in number and dispersed geographically in around 90 countries. The Group performs various services to a number of UK Government agencies which, in total, comprised approximately 6% of the total trade debtor balance as at 31 December 2018 (2017: 6%). The Group considers these individual Government agencies to be separate customers due to the limited economic integration between each agency. Management is therefore satisfied that across the Group's total trade debtors as at 31 December 2018 there is no significant concentration risk. Group companies are required to follow the Group Finance Manual guidelines with respect to assessing the credit-worthiness of potential customers. These guidelines include processes such as obtaining approval for credit limits over a set amount, performing credit checks and assessments and obtaining additional security where required.

Credit terms vary across the Group and can range from 0 to 90 days to reflect the different risks within each country in which the Group operates.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other contract assets (being unbilled work in progress).

To measure the expected credit losses, trade receivables and other contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of at least 36 months before the end of the relevant reporting year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Group considers would affect the ability of its customers to settle the receivables. The Group has identified the GDP rates of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in GDP rates.

On that basis, the loss allowance was determined as follows for both trade receivables and other contract assets:

	Current £m	**1-30 days overdue £m**	**31-60 days overdue £m**	**61-180 days overdue £m**	**Over 181 days overdue £m**	**Total £m**
Expected loss rate	**0.1%**	**0.7%**	**2.0%**	**4.7%**	**61.3%**	**4.2%**
Gross carrying amount - trade receivables and other contract assets (see note 5)	**979**	**138**	**49**	**64**	**80**	**1,310**
Loss allowance 31 December 2018	**(1)**	**(1)**	**(1)**	**(3)**	**(49)**	**(55)**

	Current £m	1-30 days overdue £m	31-60 days overdue £m	61-180 days overdue £m	Over 181 days overdue £m	Total £m
Expected loss rate	0.3%	0.7%	2.2%	5.9%	74.6%	4.9%
Gross carrying amount - trade receivables and other contract assets (see note 5)	947	142	45	51	71	1,256
Loss allowance 31 December 2017	(3)	(1)	(1)	(3)	(53)	(61)

The closing loss allowance for trade receivables and other contract assets as at 31 December 2018 reconciles to the opening loss allowance as follows:

	2018 £m	2017 £m
At 1 January	**(61)**	(65)
Increase in loss allowance[1]	**(14)**	(21)
Amounts written off during the year	**15**	16
Unused amounts reversed[2]	**5**	6
Exchange differences	**–**	3
At 31 December	**(55)**	(61)

1. In 2017, the increase in loss allowance included £4m in relation to discontinued operations.
2. Unused amounts reversed in 2018 includes £2m relating to discontinued operations, refer to note 7.

The Group does not hold any collateral over these balances The Group's DSO measure (days' sales outstanding) for continuing operations based on revenue from the last 90 days of the year is 55 days (2017: 52 days).

24. Disposal groups classified as held for sale

As at 31 December 2018, disposal groups classified as held for sale related to a minor operation in Asia, which was sold in January 2019, and assets classified as held for sale related to property located in Europe & Middle East.

As at 31 December 2017, disposal groups classified as held for sale include the assets and liabilities associated with minor operations in Africa, Asia, the Americas and Europe & Middle East.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2018 £m	2017 £m
Assets		
Goodwill	–	9
Property, plant and equipment and non-acquisition-related intangible assets	9	16
Other non-current assets	–	1
Inventories	–	2
Trade and other receivables (current)	–	17
Cash and cash equivalents	–	8
Total assets of disposal groups classified as held for sale	**9**	53
Liabilities		
Bank loans	–	(2)
Trade and other payables	(1)	(12)
Retirement benefit obligations	–	(3)
Deferred tax liability	–	(1)
Obligations under finance leases	–	(1)
Total liabilities of disposal groups classified as held for sale	**(1)**	(19)
Net assets of disposal groups	**8**	34

25. Cash, cash equivalents and bank overdrafts

The Group's Cash Solutions businesses provide a range of cash handling and processing services on behalf of customers. These services include the collection, segregated storage and delivery of customer cash, with title to the cash handled remaining with the customer throughout the process. The cash involved in these services is never recorded in the Group's balance sheet.

A number of other cash-processing services are provided to customers, such as the sale and purchase of physical cash balances, and the replenishment of ATMs and similar machines from customer funds held in Group bank accounts. These funds, which are generally settled within two working days, are classified as "funds within cash-processing operations", along with the related balances due to and from customers in respect of unsettled transactions, and are included gross within the relevant balance sheet classifications as shown in the following table:

Funds within cash-processing operations	2018 £m	2017 £m
Stocks of money, included within cash and cash equivalents	59	74
Overdraft facilities related to cash-processing operations, included within bank overdrafts	(22)	(19)
Liabilities to customers in respect of cash-processing operations, included within trade and other payables	(43)	(62)
Receivables from customers in respect of cash-processing operations, included within trade and other receivables	6	7
Funds within cash-processing operations (net)	**–**	–

Whilst these cash and bank balances are not formally restricted by legal title, they are restricted by the Group's own internal policies to ensure that they are not used for the purposes of the Group's own operations. For the purposes of the Group's consolidated statement of cash flow, funds within cash-processing operations are therefore recorded net of the related balances due to and from customers in respect of unsettled transactions, within cash, cash equivalents and bank overdrafts, and hence have no impact on the Group's statutory cash flow.

A reconciliation of cash, cash equivalents and bank overdrafts at the end of the year per the consolidated statement of financial position to the corresponding balances included within the consolidated statement of cash flow is as follows:

	2018 £m	2017 £m
Cash and cash equivalents in the consolidated statement of financial position	1,015	902
Bank overdrafts in the consolidated statement of financial position	(305)	(284)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	–	8
Total cash, cash equivalents and bank overdrafts	**710**	626
Add:		
Liabilities to customers in respect of cash-processing operations, included within trade and other payables	(43)	(62)
Receivables from customers in respect of cash-processing operations, included within trade and other receivables	6	7
Cash, cash equivalents and bank overdrafts at the end of the year in the consolidated statement of cash flow	**673**	571

Cash and cash equivalents comprise principally short-term money market deposits, current account balances and Group-owned cash held in ATM machines. At 31 December 2018 cash and cash equivalents earned interest at a weighted-average rate of 0.95% (2017: 0.6%). The credit risk on cash and cash equivalents is limited because wherever possible, and in accordance with Group Treasury policy, the cash is placed with bank counterparties that hold investment grade credit ratings assigned by international credit-rating agencies.

Cash and cash equivalents of £77m (2017: £71m) are held by the Group's wholly-owned captive insurance subsidiaries. Their use is restricted to the settlement of claims against the Group's captive insurance subsidiaries.

26. Bank overdrafts, bank loans and loan notes

	2018 £m	2017 £m
Within current liabilities		
Bank overdrafts	305	284
Bank loans	12	8
Loan notes	464	655
Total bank overdrafts, bank loans and loan notes included within current liabilities	781	947
Within non-current liabilities		
Bank loans	293	5
Loan notes	1,533	1,486
Total bank overdrafts, bank loans and loan notes included within non-current liabilities	1,826	1,491

26. Bank overdrafts, bank loans and loan notes *continued*

The table below sets out the details of Group's loan notes and bank loans all of which are measured at amortised cost.

				Interest %	2018 Carrying amount £m	2017 Carrying amount £m
Private placement 2008	GBP	44m	Jul-18	7.56	–	44
Private placement 2008	USD	224m	Jul-18	6.78	–	166
Private placement 2007[1]	USD	145m	Mar-19	5.96	**114**	111
Private placement 2007[1]	USD	105m	Mar-22	6.06	**89**	87
Private placement 2008	USD	74.5m	Jul-20	6.88	**59**	55
Total private loan notes					**262**	463
Public bond 2012[2]	EUR	500m	Dec-18	2.625	–	445
Public bond 2009	GBP	350m	May-19	7.75	**350**	350
Public bond 2016	EUR	500m	Jan-23	1.5	**448**	443
Public bond 2017[2]	EUR	500m	Jun-24	1.5	**447**	440
Public bond 2018	EUR	550m	May-25	1.88	**490**	–
Total public loan notes					**1,735**	1,678
Term credit facility	USD	350m	Aug-21	Floating	**275**	–
Revolving credit facility[3]	GBP	750m	Aug-23	Floating	–	–
Other bank loans	Various	Various	Various	Floating	**30**	13
Total bank loans					**305**	13

1. $250m (£196m) of private loan notes are held in a fair value hedge relationship and are remeasured to reflect the fair value of the hedged risk. The effect of this remeasurement was a cumulative £7m increase being included in the carrying amount shown above (2017: increase of £13m).
2. As at December 2018 €100m (£90m) of the May 2017 public bonds are held in a fair value hedge relationship and are remeasured to reflect the fair value of the hedged interest rate risk. The effect of this remeasurement was a cumulative £1m increase being included in the carrying amount shown above (2017: £nil). As at December 2017 €120m (£107m) of the December 2012 public bond was also held in a fair value hedge relationship and remeasured to reflect the fair value of the hedged interest rate risk. The effect of this remeasurement was a cumulative £1m being included in the carrying amount shown above.
3. During the year the Group amended the available revolving credit facility, reducing it from £1bn to £750m while extending the maturity for a further one and a half years to August 2023.

In May 2018 the Group issued a €550m public bond which matures in May 2025 and pays an annual coupon of 1.875%. At the same time the Group entered into a cross currency swap to hedge the foreign currency risk on €400m of this bond and designated this relationship as a cash flow hedge. Details of the Group's hedging policy are set out in note 29.

The Group's average cost of gross borrowings, net of interest hedging, was 3.9% (2017: 4.1%).

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods (see note 30 for details).

Fair value

The carrying amounts of bank overdrafts and current bank loans are considered to be the same as their fair values due to their short-term nature. The carrying amounts of non-current bank loans other than the term credit facility are considered to be materially the same as their fair values. The carrying amount and fair value of the loan notes and term credit facility are summarised in the table below:

	Level[1]	Carrying amount 2018 £m	Fair value 2018 £m	Carrying amount 2017 £m	Fair value 2017 £m
Public loan notes	1	**1,735**	**1,729**	1,678	1,742
Private loan notes	2	**262**	**267**	463	467
Term credit facility	2	**275**	**281**	–	–

1. Fair value hierarchy level, as explained in note 3(g).

The fair values of the Group's public loan notes are determined using Level 1 inputs as explained in note 3(g). The fair values of Group's private loan notes and the term credit facility are measured using techniques consistent with Level 2 of the valuation hierarchy and are calculated using discounted cash flow models. The relevant currency-yield curve is used to forecast the floating-rate cash flows anticipated under the instrument, which are discounted back to the balance sheet date.

Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 30.

27. Obligations under finance leases

	Minimum lease payments 2018 £m	Minimum lease payments 2017 £m	Present value of minimum lease payments 2018 £m	Present value of minimum lease payments 2017 £m
Amounts payable under finance leases:				
Within one year	**13**	15	**11**	15
In the second to fifth years inclusive	**16**	20	**15**	19
After five years	**1**	1	**1**	1
	30	36	**27**	35
Less: future finance charges on finance leases	**(3)**	(1)		
Present value of lease obligations	**27**	35		
Less: amount due for settlement within 12 months (presented within current liabilities)			**(11)**	(15)
Amount due for settlement after 12 months (presented within non-current liabilities)			**16**	20

The Group leases certain of its fixtures and equipment under finance leases. The weighted-average lease term is six years (2017: six years). For the year ended 31 December 2018, the weighted-average effective borrowing rate was 3.5% (2017: 5.7%). Interest rates are fixed at the related contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

28. Trade and other payables

	Notes	2018 £m	2017 Restated[1] £m
Within current liabilities:			
Trade creditors[2]		**242**	249
Amounts due to construction-contract customers	5, 23	**2**	2
Other taxation and social security costs		**198**	206
Holiday pay and other wage-related accruals[2]		**358**	370
Liabilities to customers in respect of cash-processing operations[2]	25	**43**	62
Other creditors[2]		**87**	62
Other accruals[2]		**235**	241
Deferred income	5	**72**	64
Derivative financial instruments at fair value	29	**–**	7
Total trade and other payables included within current liabilities		**1,237**	**1,263**
Within non-current liabilities:			
Derivative financial instruments at fair value	29	**11**	6
Deferred income	5	**15**	18
Other creditors[2]		**12**	11
Total trade and other payables included within non-current liabilities		**38**	**35**

1. Restated for the effect of IFRS 15 – see note 3.
2. The financial liabilities included within trade and other payables are held at amortised cost and their carrying amount is considered to be materially the same as their fair value, primarily due to their short-term nature. The contractual maturities of current trade and other payables are less than one year.

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases for continuing operations is 39 days (2017: 42 days).

29. Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date are presented below:

	Assets 2018 £m	Liabilities 2018 £m	Assets 2017 £m	Liabilities 2017 £m
Interest rate swaps - Fair value hedges	9	–	15	1
Interest rate swaps - Not in a hedging relationship	–	1	–	1
Cross currency swaps - Cash flow hedges	35	–	54	9
Cross currency swaps - Net investment hedges	–	10	16	2
Total	44	11	85	13
Current portion	1	–	45	7
Non-current portion	43	11	40	6
Total	44	11	85	13

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. The Group's exposure to financial risk includes: interest rate risk on the Group's variable rate borrowings; fair value risk on the Group's fixed rate borrowings; commodity risk in relation to the Group's diesel consumption; and foreign exchange risk on transactions, including translation of the Group's results and net assets measured in foreign currencies. The Group manages these risks using a range of derivative financial instruments which may include interest rate swaps, fixed rate agreements, commodity swaps, commodity options, forward currency contracts and currency swaps.

Derivatives are presented as current assets or liabilities to the extent they are to be settled within 12 months after the end of the reporting period. Changes in the fair value of derivative instruments that are not designated or do not qualify for hedge accounting are recognised in the consolidated income statement immediately.

The Group's hedge accounting policy is set out in note 3(g). Further information about the derivatives used by the Group is provided in note 30.

Fair value

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 2 of the valuation hierarchy as explained in note 3(g). Their fair values are calculated using discounted cash flow models. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument, which are discounted back to the balance sheet date.

Hedging reserves

The hedging reserves include the cash flow hedge reserve and the cost of hedging reserve. The cash flow hedge reserve records the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. The cost of hedging reserve includes the deferred currency basis spread from cross currency interest rate swaps used for cash flow hedging and also the deferred currency basis spread and forward points from cross currency interest rate swaps used for net investment hedging (see note 3(g)).

The amount deferred for the year from cash flow hedges net of tax is £nil (2017: £nil) and from net investment hedges is £3m (2017: £nil).

The Group's hedging reserves are disclosed in note 35 and are analysed in detail below:

	Cost of hedging reserve[1] 2018 £m	Cash flow hedge reserve[1] 2018 £m	Total hedging reserves 2018 £m	Cost of hedging reserve[1] 2017 £m	Cash flow hedge reserve[1] 2017 £m	Total hedging reserves 2017 £m
At 1 January	–	–	–	–	–	–
Add: change in fair value[2]	(4)	32	28	–	21	21
Less: transferred to income statement[3]	–	(17)	(17)	–	(21)	(21)
Less: deferred tax	1	(3)	(2)	–	–	–
At 31 December	(3)	12	9	–	–	–

1. Following the adoption of IFRS 9 Financial Instruments, the Group has separately presented the cost of hedging reserve that was previously incorporated into the cash flow hedge reserve, as explained in note 3(g). The balance of the cost of hedging reserve as at 31 December 2017 was £nil and is unchanged compared with the balance prior to the adoption of IFRS 9.
2. Recognised in other comprehensive income.
3. The amount transferred to the income statement was offset by an equal and opposite foreign exchange movement arising on the hedge loan notes so that the net impact on the consolidated income statement was nil.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship and periodically thereafter to ensure that an economic relationship exists between the hedged item and hedging instrument.

Cross currency interest rate swaps

The Group uses the cumulative dollar offset method to assess the effectiveness of its hedges. This method calculates the ratio of the cumulative changes in the fair value of the hedging instrument (excluding credit risk and excluding currency basis spread), divided by the cumulative changes in fair value of the hypothetical derivative (which does not include credit risk or currency basis) attributable to changes in the hedged risk. The hypothetical derivative is used as a proxy for the net present value of the hedged future cash flows of the hedged item and would result in the hedging instrument perfectly hedging the hedged risk based on market prices at the date of designation.

There was no ineffectiveness recorded during 2018 or 2017 in relation to cross currency swaps.

Interest rate swaps

The hedging instrument is carried at its fair value with any changes in fair value taken to profit or loss. The change in fair value of the hedged risk, as measured by the change in fair value of hedged cash flows attributable to changes in the base currency Libor curve, adjusts the carrying amount of the debt and is also recorded in profit or loss.

The net effect recorded in the consolidated income statement for 2018 was £nil (2017: £nil).

30. Financial risk

The board provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's financial risk management is predominantly delegated to and controlled by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury evaluates and hedges financial risks in close co-operation with the Group's operating units.

Where all relevant criteria are met, hedge accounting is applied to remove mismatches between the accounting for hedging instruments and hedged items. The effect of this accounting is effectively to recognise interest expense at a floating rate for the hedged fixed rate loan notes and to recognise Euro bond debt at a fixed currency exchange rate to Sterling.

The Group documents the economic relationship between derivatives designated as hedging instruments and hedged items at the inception of the hedge, including its risk management objective and strategy for undertaking the hedge transaction. The Group further documents the expected outcome of the hedge i.e. whether forecast cash flows offset for cash flow hedges, fair value movements offset for fair value hedges and foreign exchange movements offset for net investment hedges.

Capital management

In April 2018, Standard & Poor's revised the Group's long-term credit rating to BBB- (stable) (2017: BBB- (negative)). The Group's policy is to continue to manage its capital structure to retain an investment-grade rating.

The Group's policy objective is a net debt to Adjusted EBITDA ratio of less than 2.5x. At the end of 2018 the ratio was 2.7x (2017: 2.4x).

In May 2018 the Group issued a €550m public bond which matures in May 2025 and pays an annual coupon of 1.875%. In August 2018 the Group arranged a US$350m term facility, maturing in August 2021, which was fully drawn. It also amended the available revolving credit facility, reducing it from £1bn to £750m while extending the maturity for a further one and a half years to August 2023. As at 31 December 2018 there were no drawings from this facility.

The debt maturities in 2019 comprise the US$145m US Private Placement notes repaid in March 2019 and the £350m public bond due in May 2019. Overall the debt portfolio has a medium to long-term debt maturity profile. While the Group is currently well placed to access finance from the debt-capital markets and from the bank market, if required, a £300m bridge facility has also been arranged in January 2019 for one year. Borrowings are principally in Sterling, US Dollars and Euros reflecting the geographies of the Group's significant operational assets and profits.

The committed bank facilities and the private loan notes are subject to one financial covenant (based on a net debt to Adjusted EBITDA ratio where Adjusted EBITDA is calculated as Group Adjusted PBITA plus depreciation and amortisation of non-acquisition-related intangible assets) and non-compliance with the covenant may lead to an acceleration of maturity.

The Group has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods. The calculation of the Revolving Credit Facility covenant is based on historical frozen GAAP as at 31 December 2017 and so will be unchanged on adoption of (i.e. calculated excluding the effect of) IFRS 16 - Leases.

30. Financial risk *continued*

Liquidity risk

The Group mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the Group's bank overdrafts, bank loans and loan notes see note 26.

The percentage of the available committed Revolving Credit Facility that was undrawn during the course of the year was as follows:

31 December 2017	100%
31 March 2018	100%
30 June 2018	100%
30 September 2018	100%
31 December 2018	100%

To reduce re-financing risk, Group Treasury obtains finance with a range of maturities to minimise the impact of a single material source of finance terminating on a single date. The risk is further reduced by opening negotiations either to replace or extend any major medium-term facility at least 12 months before the maturity date.

Maturity profile of loans and borrowings

The table below analyses the Group's financial liabilities presented within borrowings into relevant maturity groupings based on their contractual undiscounted cash flow maturities. Details about non-borrowings financial liabilities are included in note 28.

Contractual maturities as at 31 December 2018	Within 1 year £m	Between 1 and 3 years £m	Between 3 and 5 years £m	Over 5 years £m	Total £m
Non-derivatives					
Bank overdrafts[1]	283	–	–	–	283
Bank loans	23	308	–	5	336
Private loan notes	126	72	85	–	283
Public bonds	400	45	495	969	1,909
Finance lease liabilities	13	13	3	1	30
Total non-derivatives	**845**	**438**	**583**	**975**	**2,841**
Derivatives					
Interest rate swaps[2]	(4)	(4)	(2)	(1)	(11)
Cross currency swaps[3]:					
(Inflow)	(24)	(48)	(291)	(1,092)	(1,455)
Outflow	40	80	320	1,086	1,526
Total derivatives	**12**	**28**	**27**	**(7)**	**60**

Contractual maturities as at 31 December 2017	Within 1 year £m	Between 1 and 3 years £m	Between 3 and 5 years £m	Over 5 years £m	Total £m
Non-derivatives					
Bank overdrafts[1]	265	–	–	–	265
Bank loans	8	5	–	–	13
Private loan notes	239	182	91	–	512
Public bonds	497	404	27	907	1,835
Finance lease liabilities	15	14	5	1	35
Total non-derivatives	1024	605	123	908	2660
Derivatives					
Interest rate swaps[2]	(8)	(5)	(4)	1	(16)
Cross currency swaps[3]:					
(Inflow)	(379)	(35)	(36)	(1,005)	(1,455)
Outflow	348	56	55	940	1,399
Total derivatives	(39)	16	15	(64)	(72)

1. Excluding cash and overdraft balances in respect of cash-processing operations (see note 25).
2. Interest rate swaps are net settled.
3. Cross currency swaps are gross settled.

Analysis of the Group's financial assets and liabilities presented within borrowings by currency is as follows:

	Sterling £m	Euros £m	US dollars £m	Others £m	Total £m
Bank overdrafts	**226**	**18**	**8**	**53**	**305**
Bank loans	**2**	**2**	**285**	**16**	**305**
Loan notes	**350**	**1,385**	**262**	**–**	**1,997**
At 31 December 2018	**578**	**1,405**	**555**	**69**	**2,607**
Bank overdrafts	145	17	86	36	284
Bank loans	–	–	2	11	13
Loan notes	394	1,328	419	–	2,141
At 31 December 2017	539	1,345	507	47	2,438

Set-off of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There were no material amounts offset in the consolidated statement of financial position or associated with enforceable master netting agreements.

Market risk

Currency risk and forward-currency contracts

The Group conducts business in many countries but, wherever possible, each business operates and conducts its financing activities in local currency limiting transactional currency risk. The Group presents its consolidated financial statements in Sterling and is therefore subject to foreign-exchange risk due to the translation of the results and net assets of its foreign subsidiaries.

Cross currency swaps held in cash flow hedges

Cross currency swaps are designated as cash flow hedges against the final settlement of Euro-denominated public bonds to mitigate the functional currency cash flow exposure on its principal and interest payments. The Group's policy is to hedge against movements in spot rates. Inherent forward points are seen as an unavoidable cost of hedging and are recognised in other comprehensive income and included in the cost of hedging reserve.

Nominal value	Hedged risk	Maturity	Hedge ratio	Effective exchange rate	**Change in value of hedging instrument 2018 £m**	**Change in value of hedged item[1] 2018 £m**	Change in value of hedging instrument 2017 £m	Change in value of hedged item[1] 2017 £m
£266m	€325m	May-17	1:1	1.2217	**–**	**–**	(4)	4
£25m	US$50m	Jul-18	1:1	1.9750	**1**	**(1)**	(4)	4
£284m	€350m	Dec-18	1:1	1.2322	**(2)**	**2**	10	(10)
£244m	€270m	Jan-23	1:1	1.1088	**8**	**(8)**	8	(8)
£346m	€400m	Jun-24	1:1	1.1570	**12**	**(12)**	11	(11)
£350m	€400m	May-25	1:1	1.1440	**13**	**(13)**	–	–

1. Used to determine effectiveness.

Hedging: net investment hedges

Treasury policy is to manage significant translation risks in respect of net operating assets held in foreign currencies and its consolidated net debt/Adjusted EBITDA ratio by holding foreign currency denominated loans and cross currency swaps.

Adjustments arising on the translation of foreign currency loans and on changes in the fair value of cross currency swaps meeting hedge accounting criteria are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges. Translation adjustments arising on intercompany loans the Group has identified as quasi-equity in nature are also recognised in equity.

Items held in net investment hedge

Hedging instrument	Maturity	Hedge ratio	Change in value of hedging instrument 2018 £m	Change in value of hedged item 2018 £m	Change in value of hedging instrument 2017 £m	Change in value of hedged item 2017 £m
Loan notes	Mar-17 – Mar-22	1:1	**(17)**	**17**	37	(37)
Public bonds	May-17 – May-25	1:1	**(6)**	**6**	(12)	12
Cross currency swaps	Jun-24	1:1	**(20)**	**20**	15	(15)
Bank overdrafts and revolving credit facility	Short-term and Aug-23	1:1	**1**	**(1)**	16	(16)

30. Financial risk *continued*

At 31 December 2018 the nominal amount of the hedging instruments held in net investment hedge was £931m (2017: £1,128m) and the nominal amounts of the hedged risk were US$645m and €473m (2017: US$948m and €480m). The items held in a net investment hedge mitigate the net asset translation exposure arising from movements in non-functional currencies. Where applicable, any 'costs of hedging' are deferred to the cost of hedging reserve (note 3(g)).

At 31 December 2018, the Group had hedged approximately 74% (2017: 91%) of US dollar denominated net assets and 84% (2017: 90%) of Euro denominated net assets.

Sensitivity

Applying the relative movements in US dollar and Euro foreign exchange rates against Sterling in 2018 compared with 2017 to carrying values at 31 December 2018, the fair value net gain on the cross currency swaps which hedge part of the currency loan notes would have increased by £10m (2017: £33m) with a direct impact on the consolidated income statement. This would be offset by an equal and opposite revaluation to the underlying bonds. Any of the underlying bonds not in a cash flow hedge are in a net investment hedge relationship so that ultimately there is no impact on the consolidated income statement.

Interest-rate risk and interest-rate swaps

A significant portion of the Group's debt is issued at fixed rate, but where there are borrowings at floating rates the Group is exposed to cash flow interest rate risk. This risk is largely offset by cash holdings also at floating rates. Therefore group policy is to maintain a proportion of its debt (within the range 25% - 75%) at fixed rate, using interest rate swaps where necessary. As at 31 December 2018, 69% (2017: 73%) of the Group's borrowings were held at fixed rates.

Interest rate swaps are currently held to convert part of the fixed loan note and public bond debt to variable rate. These are held in a fair value hedge relationship with the debt items as identified in note 26. A summary of these is shown below:

Debt item hedged	Maturity	Notional amount	Fixed rate %	Variable rate basis bps	Rate after hedging %	Hedge ratio	**Change in value of hedging instrument 2018 £m**	**Change in value of hedged item 2018 £m**
Public bond 2012	Dec-18	€120m	2.625	Euribor +156.7 to 157.3	1.296–1.304	1:1	**1**	**(1)**
Loan notes – USPP 2007	Mar-19	US$145m	5.96	Libor +62.8 to 64.01	3.162–3.176	1:1	**4**	**(4)**
Loan notes – USPP 2007	Mar-22	US$105m	6.06	Libor +64.01	3.220–3.238	1:1	**2**	**(2)**
Public bond 2017	Jun-24	€100m	1.5	Euribor +64.01	0.835–0.841	1:1	**(1)**	**1**

Debt item hedged	Maturity	Notional amount	Fixed rate %	Variable rate basis bps	Rate after hedging %	Hedge ratio	Change in value of hedging instrument 2017 £m	Change in value of hedged item 2017 £m
Loan notes - USPP 2007	Mar-17	US$200m	5.86	Libor +56.73 to 57.03	1.812–1.815	1:1	3	(3)
Public Bond 2012	May-17	€90m	2.875	Euribor +148.95 to 149.2	1.278–1.280	1:1	–	–
Public Bond 2009	May-17	£350m	7.75	Libor +62.25 to 62.65	6.791–6.831	1:1	1	(1)
Loan notes - USPP 2008	Jul-17	£44m	7.56	Libor +59.53 to 59.84	6.475–6.506	1:1	–	–
Public bond 2012	Dec-18	€120m	2.625	Euribor +156.65 to 157.3	1.245–1.301	1:1	2	(2)
Loan notes – USPP 2007	Mar-19	US$145m	5.96	Libor +62.76 to 64.01	2.081–2.093	1:1	5	(5)
Loan notes – USPP 2007	Mar-22	US$105m	6.06	Libor +64.01	2.137–2.156	1:1	3	(3)
Public bond 2017	Jun-24	€100m	1.5	Euribor +64.01	0.888–0.894	1:1	–	–

The swap contracts require settlement of net interest receivable or payable semi-annually. The settlement dates coincide with the dates that interest is payable on the underlying debt with the exception of the public bond where interest is paid annually. All four public notes have a coupon step-up of 1.25% which is triggered if the credit rating of G4S plc falls below investment grade.

Sensitivity

The Group's core borrowings are held in US dollar, Euro and Sterling. Although the impact of rising interest rates is partly shielded by fixed rate loans and interest rate swaps which provide certainty on the majority of the exposure, some interest rate risk remains. A 1% increase in interest rates across all borrowings would lead to an additional interest charge of approximately £7m (2017: £6m).

Commodity risk and commodity swaps

The Group's principal commodity risk relates to the fluctuating level of diesel prices, particularly affecting its Cash Solutions businesses. Commodity swaps and commodity options are, on occasion, used to fix synthetically part of the exposure and reduce the associated cost volatility. The hedging programme is under evaluation and, as a consequence, there was no commodity hedging in place at 31 December 2018.

Counterparty credit risk

The Group's strategy for credit risk management is to set minimum credit ratings for counterparties and to monitor these on a regular basis.

For treasury-related transactions, the Group's policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. The total mark-to-market value outstanding with each counterparty is also closely monitored against policy limits assigned to each counterparty. For short-term transactions (under one year), the financial counterparty must be investment-grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, unless otherwise approved, the financial counterparty must have a minimum rating of BBB+/Baa1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with through the Group's relationship banks, all of which have a strong investment grade rating. Therefore, the credit risk on derivative transactions is not significant.

The Group operates a multi-currency notional pooling cash management system with a wholly-owned subsidiary of an A-rated bank. At year end, credit balances of £336m (2017: £271m) were pooled with debit balances of £263m (2017: £260m), resulting in a net pool credit balance of £73m (2017: £11m). There exists a legal right of set-off under the pooling agreement and an overdraft facility of £3m (2017: £3m). In accordance with IFRS Interpretations Committee requirements, the cash and overdraft pool balances are presented gross in the consolidated statement of financial position.

At an operating level the minimum investment-grade rating criteria applies. Exceptionally, where required by local country circumstances, counterparties with no rating or a non-investment grade rating can be approved as counterparties for a period of up to 12 months. Due to the Group's global geographical footprint and exposure to multiple industries, the Group considers there to be minimal concentration risk.

31. Retirement benefit obligations

The Group operates a wide range of retirement benefit arrangements which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution, multi-employer and funded and unfunded defined benefit schemes.

Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the Group are of a defined contribution structure, where the employer contribution and resulting income statement charge is fixed at a set level or is a set percentage of employees' pay. Contributions made to defined contribution schemes in 2018 and charged to the consolidated income statement totalled £59m (2017: £67m).

In the UK, following the closure of the defined benefit schemes to new entrants in 2004, the main scheme for new employees is a contracted-in defined contribution scheme.

Multi-employer arrangement

In the Netherlands, most employees are members of the Security Industry Wide Pension Fund (IWPF). G4S employees make up about a quarter of the active membership of this scheme. Withdrawal from the scheme is only possible under certain strict conditions determined by Dutch law and by the pension fund board of the IWPF.

The scheme pays a pension based on the average of a member's earnings over their career in the industry. Pensionable salary is subject to a cap and an offset that reflects social security levels.

Annual pension increases for members are "conditional", meaning they are set as a percentage of the relevant inflation measure for the pension concerned, where the percentage depends on the funding level.

The current solvency ratio is 107.7% (December 2018) which exceeds the minimum solvency level of 104.2%. According to Dutch law the plan's funding must aim to target a required funding ratio within 10 years, that level is 122.3 % (as at 31 December 2018).

The scheme is funded by an annual contribution that is set by the IWPF board in line with the financing rules that state that the premium should cover the cost of the annual accrual of pension benefits. The employer pays 60% of contributions and the employees the remaining 40%. As of 1 January 2019 the premium is 37.6% of pensionable salaries.

The financing rules specify that an employer is not obliged to pay any further premiums in respect of previously accrued benefits. This means that in case of insufficient funding, the benefits of participants could, in theory, be reduced. However the board of the IWPF has some flexibility in setting the contribution level, for example it could maintain a contribution rate that is above the calculated minimum and use the difference to improve the funding level. Any reduction in premium due to surplus would only be possible at much higher solvency levels than present.

It is not possible to identify the Group's share of the IWPF's assets and liabilities. As a result, and in line with general practice for such schemes, the scheme is accounted for as if it were a defined contribution scheme under IAS 19.

Premiums paid to the scheme by the Group and charged to the consolidated income statement in 2018 totalled £11m (2017: £11m). The estimated premium expected to be paid to the scheme during 2019 is approximately £12m.

The parties to the collective agreement governing the IWPF have agreed that it will be converted to a "Collective Defined Contribution" scheme from 2020, with a fixed contribution rate equal to the 2018 level. Details of the new arrangement will be determined in 2019. Separately, the Dutch government has been negotiating with employers' organisations and trades unions on proposed changes to the country's pension system. Whilst current discussions have stalled, G4S will monitor any further proposals including for any potential cost implications.

The Netherlands Cash Solutions Pension Plan ("the Cash Solutions scheme") is a separate scheme operated by the Group in respect of members' service to 2016, at which date members joined the IWPF. Benefits (including pension indexation) have to be at least equivalent to the IWPF's benefits.

31. Retirement benefit obligations *continued*

Defined benefit arrangements

The Group operates several funded defined retirement benefit schemes where the benefits are based on employees' length of service. Whilst the Group's primary scheme is in the UK, it also operates the Cash Solutions scheme in the Netherlands and other less material plans elsewhere. For funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned.

Consolidated income statement

The amounts recognised in the consolidated income statement in relation to the material funded schemes are included within the following categories:

	2018 £m	2017 £m
Cost of sales	**4**	4
Administration expenses	**1**	2
Net finance costs	**7**	8
Specific items (guaranteed minimum pension equalisation charge)	**35**	–
Total for material funded defined benefit schemes	**47**	14

There are also various less material unfunded arrangements, for which the Group does not hold related assets separate from the Group. In aggregate, other unfunded arrangements incurred £15m (2017: £10m) of costs within cost of sales and finance costs of £4m (2017: £3m).

Consolidated statement of comprehensive income

Re-measurements of the net defined benefit obligation are recognised in full in the consolidated statement of comprehensive income in the year in which they arise. These comprise the impact on the net defined benefit liability of changes in demographic and financial assumptions compared with the start of the year, actual experience being different to those assumptions and the return on plan assets above the amount included in the net pension interest expense. During the year the Group recognised a total net re-measurement gain of £38m (2017: £26m) within other comprehensive income (OCI) comprising a re-measurement gain of £38m (2017: gain of £29m) relating to material funded defined benefit schemes offset by a re-measurement loss of £nil (2017: loss of £3m) relating to unfunded or other funded defined benefit schemes.

Consolidated statement of financial position

The Group's net defined benefit deficit recognised in the consolidated statement of financial position at 31 December 2018 was £364m (2017: £381m), or £302m (2017: £318m) net of applicable tax in the relevant jurisdictions.

The defined benefit obligations (DBO) and assets for defined benefit schemes are as follows:

2018	DBO £m	Assets £m	(Deficit)/surplus £m
UK sections:			
Securicor	**(1,781)**	**1,564**	**(217)**
Group 4	**(394)**	**323**	**(71)**
GSL	**(257)**	**332**	**75**
Total UK	**(2,432)**	**2,219**	**(213)**
Netherlands	**(97)**	**62**	**(35)**
Total for material funded defined benefit schemes	**(2,529)**	**2,281**	**(248)**
Total provision for unfunded and other funded defined benefit schemes			**(116)**
Total net provision for all defined benefit schemes			**(364)**

2017	DBO £m	Assets £m	(Deficit)/surplus £m
UK sections:			
Securicor	(1,911)	1,658	(253)
Group 4	(414)	337	(77)
GSL	(270)	350	80
Total UK	(2,595)	2,345	(250)
Netherlands	(96)	63	(33)
Total for material funded defined benefit schemes	(2,691)	2,408	(283)
Total provision for unfunded and other funded defined benefit schemes			(98)
Total net provision for all defined benefit schemes			(381)

UK defined benefit scheme

The defined benefit scheme in the UK accounts for 86% (2017: 88%) of the net balance sheet liability for material funded defined retirement benefit schemes. It comprises three sections: the Group 4 section which is the pension scheme demerged from the former Group 4 Falck A/S, the Securicor section, for which the Group assumed responsibility on 20 July 2004 with the acquisition of Securicor plc, and the GSL section, for which the Group assumed responsibility on 12 May 2008 with the acquisition of GSL.

The UK scheme is closed to future accrual apart from some sub-sections of the GSL section, and for most members defines the pension based on final salary. Certain sub-sections of the GSL section have historically remained open to provide a facility to accept former public-sector employees who join the Group through outsourcings. In the Group 4 and Securicor sections, members retain their link to final salary where appropriate on their benefits accrued up to closure in 2011.

As at 5 April 2018 (the effective date of the actuarial funding valuation that is currently in progress) the participants of the UK pension scheme sections can be analysed as follows:

At 5 April 2018	Securicor section	Group 4 section	GSL section	**Total**
Active participants				
▪ Number	–	–	372	**372**
▪ Average age	N/A	N/A	50.4	**50.4**
Deferred participants				
▪ Number	7,295	3,083	1,140	**11,518**
▪ Average age	54.6	54.0	51.6	**54.1**
Pensioner participants				
▪ Number	9,733	3,466	1,102	**14,301**
▪ Average age	73.4	72.2	66.6	**72.6**

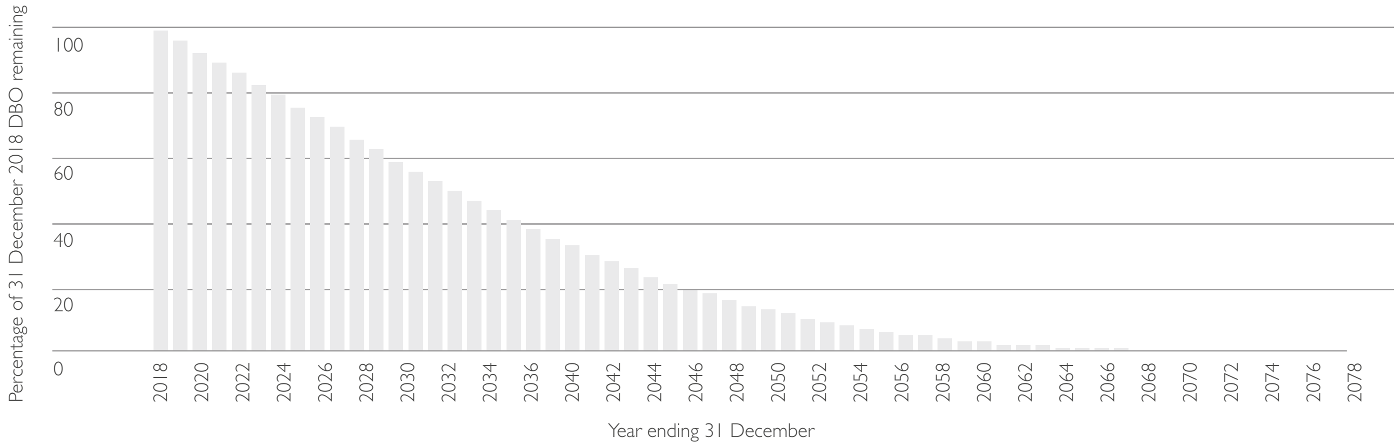
There is a mix of fixed and inflation-dependent pension increases (in payment and deferment) which vary from member to member according to their membership history and the section of the scheme.

31. Retirement benefit obligations *continued*

The discounted weighted-average duration of the accrued liabilities of the sections is as follows:

	2018 Years	2017 Years
Securicor	**17**	18
Group 4	**17**	17
GSL	**19**	19

The chart below provides an illustrative view of how the benefit payments from the UK pension scheme are expected to reduce the obligation over time. It shows the percentage of the 31 December 2018 DBO that relates to benefits that remain to be paid out at each future date.



The scheme is set up under UK law and governed by a Trustee company which is responsible for the scheme's investments, administration and management. The Board of the Trustee company comprises an independent chairman and further appointees who are made up of scheme membership representatives and company appointees.

A funding valuation is carried out for the scheme's Trustee every three years by an independent firm of actuaries and the 5 April 2018 valuation is currently underway. The current schedule of deficit recovery contributions as set out in the previous April 2015 valuation, provides for a contribution of approximately £52m during 2019. During the April 2018 valuation process a new schedule of future contributions will be negotiated; the company has guaranteed any contributions due from its subsidiaries.

In addition, the company has pledged a share of any material disposal proceeds to the pension scheme (to be shared in the same proportion as the pension scheme deficit bears to overall group indebtedness).

The Group has concluded that it should allow for a refund of any residual surplus in all three sections of the UK Scheme assuming wind-up after all benefits have been paid in the normal course of events. Therefore no adjustments for asset ceiling or additional liabilities under the IFRIC 14 interpretation are made. At present the GSL section has a surplus and the other two sections have deficits. The IASB is proposing to amend IFRIC 14 and the Group will assess if there are any implications once the final form of the revised interpretation is clarified.

On 26 October 2018, the High Court handed down its judgment in the "Lloyds case" relating to equalisation of member benefits for the gender effects of Guaranteed Minimum Pensions ("GMP equalisation"). While the judgment relates to the Lloyds Banking Group schemes, it is expected to create a precedent for other UK defined benefit schemes with GMPs. The judgment confirmed that GMP equalisation was required and provided some clarification on legally acceptable methods for achieving equalisation. Consequently, the DBO has been increased by £35m, which has been separately disclosed in the consolidated income statement.

Principal risks

The Group's pension schemes create a number of risk exposures. Annual increases in benefits are, to a varying extent from scheme to scheme, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels (including the impact of inflation on future salary increases) and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms.

A key risk is that additional contributions are required if the investment returns fall short of those anticipated when setting the contributions to the pension plans. For the UK funding valuation those assumed investment returns (for funding valuations) are set based on fixed margins over the LIBOR swap curve. The management of the UK pension fund assets has been delegated to an asset manager, who manages the assets against a liability benchmark. The key parameters of this mandate can be summarised as follows:

Risk	Description	Mitigation
Asset mix	The plan assets may fall in value.	The assets are managed dynamically over time rather than a set strategic allocation.
Interest rate risk	The plan assets may fall in value as a result of a fall in interest rates.	Managed with the benchmark of hedging 100% of these risks as a percentage of the asset value through the use of debt instruments (government bonds) and derivatives.
Inflation risk	The plan assets may fall in value as a result of rise in inflation.	Managed with the benchmark of hedging 100% of these risks as a percentage of the asset value through the use of debt instruments (government bonds) and derivatives.
Currency risk	Any plan assets held in foreign currencies are exposed to changes in foreign currency exchange rates.	Managed with the objective of hedging at least 70% of the overseas currency exposure in the portfolio through the use of forward foreign currency contracts.
Regulatory risk	All pension schemes are regulated by the relevant jurisdictions. These include extensive legislation and regulatory mechanisms that are subject to change and may impact the Group's pension schemes.	G4S monitors changes in regulations in the UK and the Netherlands to assess the potential impact these changes could have on the Group's material pension schemes.
Actuarial assumptions risk	Actuarial assumptions made on a range of demographic and financial matters that are used to project the expected benefit payments including future inflation, salary growth and life expectancy. The DBO and service cost are also very sensitive to the IAS 19 discount rate, which determines the discounted value of the projected benefit payments. The discount rate depends on market yields on high-quality corporate bonds.	The UK pension trustees have adopted investment strategies to mitigate changes in key assumptions applied to the valuation of pension liabilities for funding purposes. These strategies mainly hedge against interest rate and inflation expectations generally, as described above, but do not specifically seek to hedge against changes in credit spreads that also affect the IAS 19 discount rate. As a result the difference between the market value of the assets and the valuation of the pension obligations under IAS 19 may be volatile.

Financial assumptions and sensitivity analysis

The weighted averages for each of the principal assumptions used for the purposes of the actuarial valuations were as follows:

	UK years	Netherlands years
Key assumptions used at 31 December 2018		
Discount rate	**2.85%**	**2.0%**
Expected rate of salary increases	**3.3%**	**N/A**
Pension increases in payment (for the UK, at RPI* with a limit of 5% p.a.)	**3.1%**	**
Inflation (RPI for UK)	**3.2%**	**1.7%**
Key assumptions used at 31 December 2017		
Discount rate	2.55%	2.0%
Expected rate of salary increases	3.3%	N/A
Pension increases in payment (for the UK, at RPI* with a limit of 5% p.a.)	3.1%	1.2%
Inflation (RPI for UK)	3.2%	1.8%

* RPI with a limit of 5% p.a. is the most common level of increase in the UK arrangements. Assumptions for other increases are derived from the above inflation assumption for RPI, and an annual CPI assumption of 2.2% (2017: 2.2%) as appropriate.

** Pension increase assumption is a ladder starting from 0% p.a. in 2019 increasing to 1.7% p.a. in 2032.

IAS 19 specifies that pension liabilities should be discounted at appropriate high quality corporate bond rates. The Group considers that it is appropriate to consider AA-rated corporate bonds as high quality and has therefore used discount rates based on yields on such bonds corresponding to the liability profile of the respective schemes.

31. Retirement benefit obligations *continued*

The effect of a movement in the discount rate applicable in the UK would alter reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below.

Sensitivity analysis	**Increase/(decrease) in the DBO of the UK scheme 2018 £m**	Increase/(decrease) in the DBO of the UK scheme 2017 £m
Discount rate assumption being 0.5% higher	**(186)**	(220)
Discount rate assumption being 0.5% lower	**213**	242

The effect of a movement in RPI inflation applicable in the UK would alter reported liabilities (before associated deferred tax adjustments) by approximately the amounts shown in the table below:

Sensitivity analysis	**Increase/(decrease) in the DBO of the UK scheme 2018 £m**	Increase/(decrease) in the DBO of the UK scheme 2017 £m
Inflation assumption being 0.5% higher	**83**	90
Inflation assumption being 0.5% lower	**(84)**	(95)

The above sensitivities allow for inflation-dependent assumptions such as salary growth and relevant pension increases to vary corresponding to the inflation assumption variation. Due to the caps and floors on pension increases a certain movement in the inflation assumption will not generally result in the same movement in the pension increase assumption.

Demographic assumptions and sensitivity analysis

In addition to the above, the Group uses appropriate mortality assumptions when calculating the schemes' obligations. The mortality tables used for the scheme in the UK are: Birth year table S2P[M/F]A Base with future improvements in line with CMI_2017 Core projections, based on a long-term improvement rate of 1.25% p.a. and allowing for individual scaling factors based on the mortality analysis carried out as part of the last funding valuation.

The resulting assumed life expectancy of a male member of the UK schemes currently aged 65 is 21 years. The assumed life expectancy at 65 of a male currently aged 52 is 22 years. At those ages, the assumed life expectancy for a female member is between two and three years longer than for a male member.

The effect of a one-year change in this UK life expectancy assumption is to alter reported liabilities (before associated deferred tax adjustments) by approximately £122m (2017: £123m).

The selection of these movements to illustrate the sensitivity of the DBO to key assumptions should not be interpreted as the Group expressing any specific view of the probability of such movements happening.

Analysis of amounts recognised in the Group's consolidated statement of financial position

The amounts recognised in the Group's consolidated statement of financial position in respect of the material funded defined benefit schemes, and in the various components of income, other comprehensive income and cash flow are as follows:

2018	DBO £m	Assets £m	Provision £m
Amounts recognised in the consolidated statement of financial position at the beginning of the year	**(2,691)**	**2,408**	**(283)**
Amounts recognised in income:			
Current service cost	**(4)**	**–**	**(4)**
Past service costs – equalisation of benefits	**(35)**	**–**	**(35)**
Interest on obligations and assets	**(67)**	**60**	**(7)**
Administration costs paid from plan assets	**(1)**	**–**	**(1)**
Total amounts recognised in the consolidated income statement	**(107)**	**60**	**(47)**
Re-measurements:			
Actuarial gain – change in financial assumptions	**126**	**–**	**126**
Actuarial gain – change in demographic assumptions	**58**	**–**	**58**
Actuarial loss – experience	**(22)**	**–**	**(22)**
Return on assets	**–**	**(124)**	**(124)**
Re-measurement effects recognised in the consolidated statement of comprehensive income*	**162**	**(124)**	**38**
Cash:			
Employer contributions	**–**	**44**	**44**
Benefits paid from plan assets	**108**	**(108)**	**–**
Net cash	**108**	**(64)**	**44**
Other:			
Impact of exchange rates	**(1)**	**1**	**–**
Amounts recognised in the consolidated statement of financial position at the end of the year	**(2,529)**	**2,281**	**(248)**

* Total re-measurements recognised in OCI of £38m are shown net of re-measurement losses relating to other unfunded schemes of £nil.

31. Retirement benefit obligations *continued*

2017	DBO £m	Assets £m	Provision £m
Amounts recognised in the consolidated statement of financial position at the beginning of the year	(2,740)	2,399	(341)
Amounts recognised in income:			
Current service cost	(4)	–	(4)
Interest on obligations and assets	(67)	59	(8)
Administration costs paid from plan assets	(2)	–	(2)
Total amounts recognised in the consolidated income statement	(73)	59	(14)
Re-measurements:			
Actuarial gain – change in financial assumptions	22	–	22
Actuarial loss – change in demographic assumptions	(3)	–	(3)
Actuarial gain – experience	16	–	16
Return on assets	–	(6)	(6)
Re-measurement effects recognised in the consolidated statement of comprehensive income*	35	(6)	29
Cash:			
Employer contributions	–	43	43
Benefits paid from plan assets	91	(91)	–
Net cash	91	(48)	43
Other:			
Impact of exchange rates	(4)	4	–
Amounts recognised in the consolidated statement of financial position at the end of the year	(2,691)	2,408	(283)

* Total re-measurements recognised in OCI of £26m are shown net of re-measurement losses relating to other unfunded schemes of £3m.

Employer contributions in 2018 included £41m (2017: £40m) of additional contributions in respect of the deficit in the UK schemes.

Analysis of scheme assets

The composition of the scheme assets at the reporting date is as follows:

2018	**UK £m**	**Netherlands £m**	**Total £m**
Equity	**525**	**9**	**534**
Government bonds	**72**	**38**	**110**
Other	**1,622**	**15**	**1,637**
Total	**2,219**	**62**	**2,281**

2017	UK £m	Netherlands £m	Total £m
Equity	552	10	562
Government bonds	72	39	111
Other	1,721	14	1,735
Total	2,345	63	2,408

A more granular, approximate split of assets of the UK scheme at 31 December 2018 is as follows:

	2018 £m	2017 £m
Equity	**336**	409
Private equity	**189**	143
Government bonds	**72**	72
Credit	**87**	83
Property	**98**	83
Macro-orientated	**249**	243
Multi-strategy	**181**	202
Derivatives	**329**	382
Cash and cash equivalents	**678**	728
Total UK assets	**2,219**	2,345

Multi-strategy assets are held in a pooled fund structure, which is a multi-asset fund investing across all asset classes.

Within the UK pension fund, the Equity, Credit, Macro-orientated and Multi-strategy sub-categories consist of pooled vehicles investing predominantly in assets with quoted prices in active markets. All government bonds are issued by the UK government and have quoted prices in active markets. Other UK investments are predominantly unquoted.

Derivatives include a range of interest-rate and inflation-linked swaps, forward-currency contracts, equity-index total return swaps, equity options, and futures. Investing in interest-rate and inflation-linked swaps is designed to mitigate the impact of future changes in interest rates and inflation.

None of the pension scheme assets are held in the Group's own financial instruments or in any assets held or used by the Group.

The fair value of directly-held securities (equities and bonds) is taken as the closing price on an actively-traded market. Fair value of holdings in pooled funds is provided by the investment manager, who calculates the price based on the aggregate value of the underlying assets held by the fund (based on closing prices of the securities on an actively-traded market) and the number of units issued.

32. Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims £m	Onerous customer contracts £m	Property and other £m	Total £m
At 1 January 2018	20	4	104	62	52	242
Additional provision in the year	6	31	150	11	12	210
Utilisation of provision	(3)	(29)	(38)	(17)	(18)	(105)
Transfers and reclassifications	(2)	(2)	–	–	3	(1)
Unused amounts reversed	–	–	(5)	(5)	(3)	(13)
Exchange differences	(1)	–	5	–	1	5
At 31 December 2018	**20**	**4**	**216**	**51**	**47**	**338**
Included in current liabilities						202
Included in non-current liabilities						136
						338

Judgment is required in quantifying the Group's provisions, particularly in connection with claims and onerous customer contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different from the amount provided. Each of these provisions reflects the Group's best estimate of the probable exposure at 31 December 2018 and this assessment has been made having considered the sensitivity of each provision to reasonably possible changes in key assumptions. Subject to the approval of the California class action settlement by the Superior Court of the State of California, the Group is satisfied that it is unlikely that changes in these key assumptions will have a material impact on the Group's overall provisioning position in the next 12 months.

32. Provisions and contingent liabilities *continued*

Employee benefits

The provision for employee benefits is in respect of any employee benefits which accrue over the working lives of the employees, typically including items such as long service awards and termination indemnity schemes.

The Group's net obligation in respect of long-term service benefits other than retirement benefits represents the present value of the future benefit that employees have earned at the balance sheet date, less the fair value of scheme assets out of which the obligations are to be settled directly.

Restructuring

Restructuring provisions include amounts for redundancy payments, and the costs of closure of activities in acquired businesses and discontinued operations. The timing of settlement of restructuring provisions is uncertain but is generally likely to be short-term. During the year the Group incurred restructuring costs of £31m (2017: £20m) within specific items relating to the multi-year strategic productivity programme across the Group. In addition, the Group incurred non-strategic reorganisation costs of £9m (2017: £10m) which are included within Adjusted PBITA.

Claims

Claims provisions represent any outstanding litigation claims against the Group that are considered likely to lead to the outflow of funds in the future, including provisions within the captive insurance companies to cover (where appropriate) anticipated claims incurred as at the balance sheet date, based on actuarial assessments to calculate the liabilities.

During the year the Group recognised additional provisions of £150m including £100m relating to the settlement of a class action in respect of claims for meal and rest breaks for the period 2001 to 2010 in California, presented within specific items in the consolidated income statement. The settlement of the class action in California is subject to approval by the Superior Court which is expected to be received during 2019. Assuming that approval is obtained during 2019, the payment will be made in late 2019 or early 2020. The Group will continue to review the level of provision in respect of this claim as the court process progresses during 2019.

The Group's wholly-owned captive insurance subsidiaries in Guernsey and the US underwrite part of the Group's Cash Solutions, general liability, workers' compensation and auto liability policies. In the year the Group provided £34m (2017: £36m) in relation to claims made under these policies which comprise a significant number of unrelated claims, most of which are individually immaterial. Claims provisions cover a wide range of claims or possible claims and are subject to regular actuarial review and adjustment as appropriate. Settlement of these provisions is highly probable but both the value of the final settlements and their timing are dependent upon the outcome of on-going processes to determine both liability and quantum in respect of each claim.

Onerous customer contracts

The Group recognised as specific items additional onerous contract provisions of £11m (2017: £19m) relating primarily to anticipated losses in respect of two UK Care & Justice Services contracts. The provision at the end of December 2018 represents the anticipated total losses in respect of these two contracts and the COMPASS asylum seeker contract, together with two smaller PFI contracts that are expected to run for the next 15 to 20 years.

It is expected that around 60% of the Group's total provision for onerous contracts will be utilised by the end of 2019, mainly as the COMPASS contract comes to an end in August 2019. Given the short period remaining to the finalisation of this contract, any potential future changes to key assumptions made when estimating its future losses are not expected to have a significant impact.

Unused amounts reversed in the year of £5m are mainly related to two other PFI contracts where profit improvement plans implemented in prior periods have led to reductions in expected future losses, although these are reflected only to the extent that they have been implemented and are delivering the expected savings. Profit improvement plans that have been designed but which have not yet been embedded successfully in the contract delivery have not been considered when estimating future expected losses. This is consistent with the Group's policy which requires evidence that profit improvement plans will be successfully implemented before they are reflected in anticipated future cash flow projections for onerous contract provisioning purposes. There is no single change in key variables that could materially affect future expected losses on these contracts.

The onerous contract provision includes items that are subject to commercial and/or contractual disputes and may be subject to early termination, penalty clauses, or other contractual penalties. Whilst the outcome of such contracts is inherently uncertain, the Group is satisfied that it is unlikely that changes in these contracts will have a material impact on the Group's overall provision in the next 12 months.

Management believes that the current level of provision is balanced and that any significant potential downside from possible changes to key assumptions could be offset by further progress made in those profit improvement plans that have not been considered following the Group's policy described above. The discount rates applied when calculating onerous contract provisions for these contracts were between 1.4% and 1.7%.

Property and other

Included within property and other provisions are future liabilities for long-term idle leased properties, for properties sub-let at a shortfall, for the cost of replacing or reinstalling assets where there is a present contractual requirement, and for customer claims on contracts that are related to the performance on a contract but do not form part of onerous customer contract provisions. Whilst settlement of these obligations is considered probable, there is uncertainty over their value and duration.

Included in property and other provisions are contract-related provisions of £30m (2017: £35m) and property-related provisions of £17m (2017: £17m).

Contingent liabilities

The Group is involved in disputes in a number of countries, mainly in respect of activities related to its operations. Currently there are a number of disputes open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. In addition, the interpretation of labour laws and regulations in a number of countries where the Group operates is complex and there is inherent judgment made when applying those laws and regulations that are open to interpretation. As such, there is risk that further disputes and claims from employees could arise in the future. Where there is a dispute or where there is a risk of a dispute or claims in the future and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.

The Group is party to a number of on-going litigation processes, in relation to interpretation of local labour law and regulations in a number of countries, where it is expected that these matters will not be resolved in the near future. At this stage, the Group's view is that these cases will either be resolved in a manner favourable to the interests of the Group or, due to the nature and complexity of the cases, it is not possible to estimate the potential economic exposure. In addition, in the ordinary course of business, other contingent liabilities exist where the Group is subject to commercial claims and litigation from a range of parties in respect of contracts, agreements, regulatory and compliance matters, none of which are expected to have a material impact on the Group.

The investigation opened by the Serious Fraud Office (SFO) in 2013 in respect of the Group's Electronic Monitoring contract remains on-going and the Group continues to engage and co-operate fully with the investigation. Based on currently available information, the Group is unable to make a reliable estimate of the financial effect of the SFO's investigation, and no provision has been made in respect of it.

The Group is currently involved in a number of claims in India, mainly related to periods prior to 2011, in relation to the interpretation of the basis for payments to the India Provident Fund. These disputes are currently awaiting court resolution. Based on the Group's internal and external legal advice, and taking into account the judgment passed by the Supreme Court of India in respect of a different Provident Fund related question on 28 February 2019, the Group believes it has a strong legal position that will prevail in the courts such that no economic outflow is expected to occur and hence no provision has been booked at the year end. The aggregate of the Provident Fund related claims amount to approximately £50m.

33. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	Property, plant and equipment £m	Retirement benefit obligations £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2018 – restated[1]	**32**	**63**	**92**	**46**	**233**
(Charge)/credit to the consolidated income statement	**(1)**	**7**	**(8)**	**22**	**20**
Charge to equity	**–**	**(6)**	**–**	**(2)**	**(8)**
Exchange differences and other adjustments	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2018	**31**	**64**	**84**	**63**	**242**
At 1 January 2017 – as reported	18	69	110	75	272
Impact of the adoption of IFRS 15[1]	-	–	–	2	2
At 1 January 2017 - restated[1]	18	69	110	77	274
Credit/(charge) to the consolidated income statement	14	(2)	(18)	(25)	(31)
Disposal of subsidiaries	–	–	–	(1)	(1)
Charge to equity	–	(4)	–	–	(4)
Exchange differences	–	–	–	(5)	(5)
At 31 December 2017 - restated[1]	32	63	92	46	233

1. Restated for the impact of adoption of IFRS 15, see note 3.

Certain deferred tax assets and liabilities have been offset where permitted. The following is the analysis of the deferred tax balances (after offset):

	2018 £m	2017 Restated[1] £m
Deferred tax liabilities	**(6)**	(8)
Deferred tax assets	**248**	242
Net deferred tax liability included in assets of disposal groups classified as held for sale	**–**	(1)
Net deferred tax assets	**242**	233

1. Restated for the impact of adoption of IFRS 15, see note 3.

At 31 December 2018, the Group had unutilised tax losses of approximately £781m (2017: £780m) potentially available for offset against future profits. A deferred tax asset of £84m (2017: £92m) has been recognised in respect of approximately £469m (2017: £508m) of gross losses based on profitability from approved budgets and business plans.

No deferred tax asset has been recognised in respect of the remaining £312m (2017: £272m) of gross losses due to the uncertainty of available of future profit streams in the relevant jurisdictions, and the fact that a significant proportion of such losses remains unagreed by the relevant tax authorities. In certain cases, there are continuing structural issues which prevent the utilisation of losses within the foreseeable future. Losses which will never be utilised, for example due to the operation of statute, are not included in the above figures.

Approximately £72m (2017: £54m) of the gross unrecognised losses relate to the UK tax group. Utilisation of such losses is dependent upon the profitability of particular trading and corporate entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 18. The utilisation of these losses will occur at different rates due to the incidence and timing of profits within these entities, which consequently impacts their recognition as deferred tax assets.

Included in unrecognised tax losses are gross losses of £25m (2017: £20m) which will expire between 2019 and 2028. Other losses may be carried forward indefinitely.

At 31 December 2018, the Group has capital losses available to carry forward of approximately £2.7bn (2017: £2.6bn). These losses have no expiry date and currently only £144m (2017: £20m) has been agreed with the relevant tax authorities. A deferred tax asset of £2m (2017: £nil) has been recognised on £13m of capital losses. No deferred tax assets have been recognised in respect the remainder of these losses as the likelihood of their future utilisation is considered to be remote.

At 31 December 2018, the aggregate amount of undistributed earnings of non-UK subsidiaries and joint ventures on which temporary differences may exist was £1,424m (2017: £1,416m). A deferred tax liability of £2m (2017: £2m) has been recognised on undistributed earnings, based on expected distributions from such subsidiaries and joint ventures.

Other temporary differences vary by country and include items relating to the local tax treatment of fixed assets, employee benefits, and provisions.

34. Share capital

G4S plc	2018 £	2017 £
Issued and fully paid ordinary shares of 25p each	**387,898,609**	387,898,609

Ordinary shares in issue	2018 Number	2017 Number
At 1 January	**1,551,594,436**	1,551,594,436
At 31 December	**1,551,594,436**	1,551,594,436

35. Other reserves

	Hedging reserves £m	Translation reserve £m	Merger reserve £m	Reserve for own shares £m	Total other reserves £m
At 1 January 2018	**–**	**(44)**	**426**	**(12)**	**370**
Total comprehensive income attributable to equity shareholders of the parent	**9**	**3**	**–**	**–**	**12**
Recycling of cumulative translation adjustments	**–**	**(1)**	**–**	**–**	**(1)**
Own shares awarded	**–**	**–**	**–**	**9**	**9**
Own shares purchased	**–**	**–**	**–**	**(11)**	**(11)**
At 31 December 2018	**9**	**(42)**	**426**	**(14)**	**379**
At 1 January 2017	–	43	426	(13)	456
Total comprehensive loss attributable to equity shareholders of the parent	–	(69)	–	–	(69)
Recycling of net investment hedge	–	24	–	–	24
Recycling of cumulative translation adjustments	–	(42)	–	–	(42)
Own shares awarded	–	–	–	11	11
Own shares purchased	–	–	–	(10)	(10)
At 31 December 2017	–	(44)	426	(12)	370

Other reserves include:

Hedging reserves

The hedging reserves comprise the cash flow hedge reserve and the costs of hedging reserve, see note 29 for details. The cash flow hedge reserve contains the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax). The Group defers the currency basis spread in cross currency swaps and the forward points in net investment hedges in the cost of hedging reserve.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign operations (net of tax). During the year £1m (2017: £42m) of cumulative translation adjustments and £nil (2017: £24m) of cumulative net investment hedging amounts relating to business disposals were recycled to the consolidated income statement (see note 17).

Merger reserve

The merger reserve comprises reserves arising upon the merger between the former Group 4 Falck A/S and the former Group 4 Securitas BV in 2000 and the acquisition of Securicor plc by the Group in 2004.

Reserve for own shares

An Employee Benefit Trust established by the Group held 5,342,225 shares at 31 December 2018 (2017: 4,362,068 shares) to satisfy the vesting of awards under the performance share plan and performance-related schemes (see note 38). During the year 4,119,842 shares (2017: 3,489,049 shares) were purchased by the trust, and 3,139,685 shares (2017: 3,971,224 shares) were used to satisfy the vesting of awards under the schemes. At 31 December 2018, the cost of shares held by the trust was £14,004,478 (2017: £12,330,829), whilst the market value of these shares was £10,521,512 (2017: £11,646,722). Shares held by the trust are treated as treasury shares, are deducted from equity, do not receive dividends and are excluded from the calculations of earnings per share.

Distributable reserves

As at 31 December 2018 the parent company of the Group had distributable reserves of £684m (2017: £885m).

36. Analysis of net debt

A reconciliation of net debt to amounts in the consolidated statement of financial position is presented below:

	2018 £m	2017 £m
Cash and cash equivalents	1,015	902
Receivables from customers in respect of cash-processing operations[1]	6	7
Net cash and overdrafts included within net assets of disposal groups held for sale	–	8
Bank overdrafts	(305)	(284)
Liabilities to customers in respect of cash-processing operations[2]	(43)	(62)
Total cash, cash equivalents and bank overdrafts	**673**	571
Investments	65	62
Net debt (excluding cash and overdrafts) included within net assets of disposal groups held for sale	–	(3)
Bank loans	(305)	(13)
Loan notes	(1,997)	(2,141)
Obligations under finance leases	(27)	(35)
Fair value of loan note derivative financial instruments	33	72
Net debt	**(1,558)**	(1,487)

1. Included within trade and other receivables.
2. Included within trade and other payables.

An analysis of movements in net debt in the year is presented below:

	2018 £m	2017 £m
Increase/(decrease) in cash, cash equivalents and bank overdrafts per consolidated statement of cash flow	**58**	(87)
Sale of investments	–	(3)
Net (increase)/decrease in borrowings	(103)	235
Repayment of finance leases	14	23
(Increase)/decrease in net debt resulting from cash flows	**(31)**	168
New finance leases	(10)	(3)
Net debt (excluding cash, cash equivalents and bank overdrafts) in disposed entities	2	(3)
Net (increase)/decrease in net debt before foreign exchange movements	**(39)**	162
Exchange differences	(32)	21
Net debt at the beginning of the year	(1,487)	(1,670)
Net debt at the end of the year	**(1,558)**	(1,487)

37. Operating lease arrangements

The Group as lessee

As at 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018 £m	2017 Restated[1] £m
Within one year	**135**	108
In the second to fifth years inclusive	**243**	246
After five years	**103**	125
Total operating lease commitments	**481**	479

1. As a result of the detailed work carried out to assess the impact of IFRS16 – Leases, effective 1 January 2019, the Group identified that the non-cancellable operating lease rentals falling due within one year that were previously disclosed as £99m at 31 December 2017 and the total operating lease commitments previously disclosed of £470m were understated. As a result, it has re-presented the commitments above. The adjustment has no effect on the statement of the financial position at 31 December 2017 or the results for the year then ended.

The Group leases a number of its office properties, vehicles and other operating equipment under operating leases. Property leases are negotiated over an average term of around ten years, at rates reflective of market rentals. Periodic rent reviews take place to bring lease rentals into line with prevailing market conditions. Some, but not all, lease agreements have an option to renew the lease at the end of the lease term. The above disclosure excludes rentals for optional extension periods and which the Group can avoid by exercising lease break clauses. Leased vehicles and other operating equipment are negotiated over an average lease term of four years.

38. Share-based payments

Long Term Incentive Plan (LTIP)

Shares allocated under the Group's LTIP are subject to performance conditions and forfeitures, as detailed in the Directors' Remuneration report on page 109.

Under the Group's LTIP, Relative Total Shareholder Return (a market performance condition) constitutes 30% (2017: 30%) of the performance criteria and is measured over three financial years. The Relative Total Shareholder Return is measured against a comparator group of selected relevant companies. 25% of this element of the award vests upon the Group's Total Shareholder Return being ranked median against the comparator group. To reflect the targeted achievement of median ranking, the fair value of the shares awarded which is subject to this market performance condition has therefore been reduced by 75%.

Deferred Bonus Share Plan (DBSP) and Restricted Share Plan (RSP)

Shares allocated under the Group's DBSP and RSP are not subject to further financial performance conditions, but in both cases, are subject to forfeitures, either in part or in full, subject to continued employment, unless a participant is deemed a good leaver by the Remuneration Committee.

Share-based payment plans information

All three share plans have a three-year vesting period from their dates of grant.

The following table shows the movements in the number of shares held under the share-based payment plans outstanding but not exercisable:

	DBSP and RSP 2018 Number	LTIP 2018 Number	Total 2018 Number	DBSP and RSP 2017 Number	LTIP 2017 Number	Total 2017 Number
Outstanding at 1 January	**2,912,326**	**15,299,231**	**18,211,557**	1,518,118	20,587,152	22,105,270
Granted during the year	**771,618**	**6,874,519**	**7,646,137**	1,620,857	6,085,959	7,706,816
Exercised during the year	**(541,475)**	**(3,267,335)**	**(3,808,810)**	(183,563)	(4,745,747)	(4,929,310)
Forfeited during the year	**(240,277)**	**(726,287)**	**(966,564)**	(43,086)	(5,188,807)	(5,231,893)
Expired during the year	**–**	**(1,728,716)**	**(1,728,716)**	–	(1,439,326)	(1,439,326)
Outstanding at 31 December	**2,902,192**	**16,451,412**	**19,353,604**	2,912,326	15,299,231	18,211,557

The weighted-average remaining contractual life of conditional share allocations outstanding at 31 December 2018 was 13 months (2017: 15 months). The weighted-average share price at the date of allocation of shares allocated conditionally during the year was 258.9p (2017: 283.1p) and the contractual life of all conditional allocations was three years. The weighted-average share price at the date of exercise for the shares exercised during the year was 248.5p (2017: 279.0p).

The consolidated income statement is charged with an estimate for the vesting of shares awarded conditionally and subject to non-market performance conditions. The charge for 2018 was £8m (2017: £10m), all of which (2017: £9m) arose from equity-settled share-based payments. The total carrying amount for the liabilities arising from share-based payment transactions as at 31 December 2018 was £4m (31 December 2017: £6m).

39. Related party transactions

Transactions and balances with joint ventures

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. All transactions with related parties are entered into in the normal course of business.

Transactions with joint ventures included revenue recorded of £60m (2017: £56m) and purchases recorded of £nil (2017: £6m). Amounts due from related parties include £2m (2017: £5m) from joint ventures. Amounts due to related parties include £nil (2017: £2m) to joint ventures.

No expense (2017: £nil) has been recognised in the year for impairment in respect of amounts owed by related parties.

The Group has a legal interest in a number of joint ventures and joint arrangements, where the economic interest was divested by the Global Solutions Group prior to its acquisition by G4S plc in 2008. Transactions with these entities during the year comprised:

	2018 Services/sales to £m	2017 Services/sales to £m
White Horse Education Partnership Limited	**3**	3
Integrated Accommodation Services plc	**50**	46
Fazakerley Prison Services Limited	**41**	39
Onley Prison Services Limited	**17**	17
UK Court Services (Manchester) Limited	**2**	2
East London Lift Company Limited	**2**	1
Total	**115**	108

The Group had outstanding balances of £12m due from these entities at 31 December 2018 (2017: £11m).

Transactions with post-employment benefit schemes

Details of transactions with the Group's post-employment benefit schemes are provided in note 31. Unpaid contributions owed to schemes amounted to £0.2m at 31 December 2018 (31 December 2017: £0.3m).

Transactions with other related parties

In the normal course of the Group's business the Group provides services to and receives services from certain non-controlling interests on an arm's-length basis.

Remuneration of key management personnel

The Group's key management personnel are deemed to be the non-executive directors and those individuals, including the executive directors, whose remuneration is determined by the Remuneration Committee. Their remuneration is set out below. Further information about the remuneration of individual directors included within key management personnel is provided in the audited part of the Directors' Remuneration report on pages 105 to 127.

	2018 £	2017 £
Short-term employee benefits	**8,168,995**	11,112,484
Post-employment benefits	**21,788**	121,781
Other long-term benefits	**33,514**	27,833
Share-based payment	**4,596,918**	7,349,358
Total	**12,821,215**	18,611,456

40. Events after the balance sheet date

In January 2019 the Group arranged a bridging facility of £300m for one year, to finance upcoming debt maturities as described in note 30.

In January 2019 the Group agreed the settlement of a class action relating to claims for employee meal and rest breaks for the period 2001 to 2010 in California - see note 32 for details.

41. Significant investments

The companies listed below are those which were part of the Group at 31 December 2018 and which, in the opinion of the directors, significantly affected the Group's results and net assets during the year. A comprehensive list of all Group undertakings is disclosed on pages 204 to 216.

The principal activities of the companies listed below are indicated according to the following key:

Secure Solutions	S
Cash Solutions	C

	Product segment	Country of incorporation	Ultimate ownership
Subsidiary undertakings			
G4S Soluciones de Seguridad S.A.	S	Argentina	100%
G4S Custodial Services Pty Limited	S	Australia	100%
G4S Secure Solutions AG (Austria)	S	Austria	100%
G4S Secure Solutions SA/NV	S	Belgium	100%
G4S Cash Solutions (Belgium) NV	C	Belgium	100%
G4S Interativa Service Ltda	S	Brazil	100%
Vanguarda Segurança e Vigilância Ltda	S	Brazil	100%
G4S Secure Solutions (Canada) Limited	S	Canada	100%
G4S Secure Solutions Colombia S.A.	S	Colombia	100%
G4S Security Services A/S	S	Denmark	100%
G4S Care and Justice Services (UK) Limited	S	England	100%
G4S Cash Centres (UK) Limited	C	England	100%
G4S Cash Solutions (UK) Limited	C	England	100%
G4S Facilities Management (UK) Limited	S	England	100%
G4S Risk Management Limited	S	England	100%
G4S Secure Solutions (UK) Limited	S	England	100%
AS G4S Baltics	S+C	Estonia	100%
G4S Secure Solutions (India) Pvt. Limited[1,3]	S	India	49%
G4S Kenya Limited	S+C	Kenya	100%
G4S Security Solutions S.A.R.L.	S+C	Luxembourg	100%
Safeguards G4S Sdn Bhd[2,3]	S+C	Malaysia	49%
G4S Cash Solutions BV	C	Netherlands	100%
G4S Security Services BV	S	Netherlands	100%
G4S Peru S.A.C.	S	Peru	100%
Al Majal Service Master LLC[3]	S	Saudi Arabia	49%
G4S Cash Solutions (SA) (Pty) Limited	C	South Africa	75%
G4S Secure Solutions (SA) (Pty) Limited[3]	S	South Africa	72%
G4S Security Services (Thailand) Limited	S	Thailand	98%
G4S Secure Solutions LLC[3]	S	United Arab Emirates	49%
G4S Retail Solutions (USA) Inc.	C	USA	100%
G4S Secure Solutions (USA) Inc.	S	USA	100%
G4S Technology LLC	S	USA	100%

These businesses operate principally in the country in which they are incorporated.

1. G4S Secure Solutions (India) Pvt. Limited has a year end of 31 March.
2. Safeguards G4S Sdn Bhd has a year end of 30 June.
3. By virtue of shareholder agreements, options, pre-emption rights and other contractual arrangements, the Group has the power to govern the financial and operating policies, so as to obtain the benefits from the activities of these companies. These are therefore consolidated as full subsidiaries.

42. Details of Related Undertakings of G4S plc

Subsidiaries

Entities listed below are subsidiaries at 31 December 2018, by reason of the holding of a majority of the voting rights or, if a majority is not held, by virtue of section 1162 (2) (c) of the Companies Act 2006. Not all of the companies listed below are trading entities

Company Name	Country of Incorporation	% owned by group	% owned by plc
Byls Bridge Office Park, Building 11, 13 Candela Street, Highveld Ext 73, 0157 Centurion, South Africa			
SECURICOR GRAY SECURITY SERVICES (ANGOLA) (PTY) LTD	Angola	100	
Rua di reita da Samba, No 58, Corimba, Samba Luanda, Angola			
G4S SERVICOS DE SEGURANCA (ANGOLA) LIMITADA	Angola	63	
Timoteo Gordillo 5697/5611, C1439 GKA Buenos Aires, Argentina			
G4S SOLUCIONES DE SEGURIDAD S.A.	Argentina	100	
G4S SERVICIOS DE SEGURIDAD S.A.	Argentina	92	
PROTECCION E INVERSIONES, S.A.	Argentina	93.3	
G4S APPLIED SECURITY S.A.	Argentina	100	
G4S CONTROL SYSTEMS S.A.	Argentina	100	
Peru 338 San Fernando del Valle de Catamarca, K4700AKJ Catamarca, Argentina			
INDOMEGA S.A.	Argentina	99.9	
MANAR S.A.	Argentina	100	
Jose Demaria 4470 (C1425AEB), Buenos Aires, Argentina			
G4S SOLUCIONES GLOBALES S.A.	Argentina	100	
Lavalle 1528, 3° "E" (C1048AAL), Ciudad Autónoma de Buenos Aires, Argentina			
G4S DETCON S.A.	Argentina	99.4	
c/o HLB Mann Judd, Level 19, 207b Kent Street, 2000 Sydney, Australia			
G4S INTERNATIONAL LOGISTICS (AUSTRALIA) PTY LTD	Australia	100	
P.O. Box 7332 (Level 3, 182-184 Bourke Road), NSW 2015. Alexandria, Australia			
G4S COMPLIANCE & INVESTIGATIONS PTY LTD	Australia	100	
Level 4 616 St Kilda Road, Melbourne, 3004 Victoria, Australia			
G4S AUSTRALIA PTY LTD	Australia	100	
G4S HEALTH SERVICES AUSTRALIA PTY LTD	Australia	100	
G4S CUSTODIAL SERVICES PTY LTD	Australia	100	
G4S AUSTRALIA HOLDINGS PTY LTD	Australia	100	
G4S INTEGRATED SERVICES PTY LTD	Australia	100	
G4S CORRECTIONAL SERVICES (AUSTRALIA) PTY LTD	Australia	100	
Peilsteinerstr. 5-7, A-5020 Salzburg, Austria			
G4S SECURITY SYSTEMS GMBH	Austria	100	
Dresdner Strasse 91/1, A-1200 Vienna, Austria			
G4S SECURE SOLUTIONS AG (AUSTRIA)	Austria	100	
G4S DIENSTLEISTUNGS GMBH	Austria	100	
Villa 925, Road 3830, Manama, Qudaybiyah 338, P. O. Box 15193 Adliya, Bahrain			
G4S SECURE SOLUTIONS BAHRAIN W.L.L	Bahrain	34.3	
2235 West Tower BFH Manama, Bahrain			
G4S REGIONAL CONSULTANCY SERVICES (NAMESA) WLL	Bahrain	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
House # KA 79, Joar Sahara, Dhaka, 1212 Dhaka, Bangladesh			
G4S SECURE SOLUTIONS BANGLADESH (P) LTD	Bangladesh	100	
Apartment 10/A, Rupsha Tower, 7 Kamal Ataturk Avenue, Banani, Dhaka, Bangladesh			
FIRST SELECT BANGLADESH LIMITED(iii)	Bangladesh	40	
Brighton, Spring Garden, St. Michael, Barbados			
G4S SECURE SOLUTIONS (BARBADOS) LTD	Barbados	51	
Buro & Design Center PB 77 Heizel Esplanade 1020 Brussels, Belgium			
G4S CASH SOLUTIONS (BELGIUM) SA/NV	Belgium	100	
G4S SUPPORT SERVICES SA/NV	Belgium	100	
G4S SECURE SOLUTIONS SA/NV	Belgium	100	
G4S CARGO SOLUTIONS SA/NV	Belgium	100	
G4S TRAINING & CONSULTANCY SERVICES SA/NV	Belgium	100	
G4S AVIATION SECURITY SA/NV	Belgium	100	
G4S SECURE MONITORING SA/NV	Belgium	100	
G4S SECURITY SYSTEMS SA/NV	Belgium	100	
G4S CARE SA/NV	Belgium	50.4	
G4S EVENT SERVICES SA/NV	Belgium	100	
G4S EVENT SECURITY SA/NV	Belgium	100	
G4S FIRE AND SAFETY BV/BA	Belgium	100	
G4S BELGIUM NOMINEE NV	Belgium	100	100
Abtsdreef 10, 2940 Stabroek, Belgium			
G4S SAFETY SYSTEMS N.V.	Belgium	100	
ASC SAFETY SERVICES B.V./B.A.	Belgium	100	
Marcelo terceros Banzer S/N, 3er Anillo Ext. Equipetrol, (Frente Hotel Casa Blanca), Santa Cruz, Bolivia			
G4S BOLIVA S.A.	Bolivia	99.9	
C/o Grant Thornton Business Services (Pty) Ltd, Acumen Park, Plot 50370, Fairgrounds Gaborone Botswana			
G4S (BOTSWANA) LTD	Botswana	70	
FIDELITY CASH MANAGEMENT SERVICES (BOTSWANA) PTY LTD	Botswana	100	
Plot 50370, Fairgrounds Office Park, Gaborone, Botswana			
G4S FACILITIES MANAGEMENT BOTSWANA (PTY) LTD	Botswana	34.2	
Rua Rui Barbosa 70, 2° andar, 01326-010 São Paulo, Brazil			
G4S BRAZIL HOLDING LTDA	Brazil	100	
Rua Rui Barbosa 70, 3° andar, Bela Vista, São Paulo, Brazil			
G4S MONITORAMENTO E SISTEMAS LTDA.	Brazil	100	
Rua Maria José 69, Bela Vista, 01324-010 São Paulo, Brazil			
G4S SERVIÇOS LTDA.	Brazil	100	
Rua Rui Barbosa 191,1° andar, 01326-010 São Paulo, Brazil			
G4S ENGENHARIA E SISTEMAS LTDA	Brazil	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Rua Santa Rosa, 911, Bairro Santa Paula, Sao Caetano do Sul, Sao Paulo, Brazil			
G4S INTERATIVA SERVICE LTDA.	Brazil	100	
Rua Rui Barbosa 70-A, 01326-010 São Paulo, Brazil			
G4S VANGUARDA SEGURANÇA E VIGILÂNCIA LTDA	Brazil	100	
Rua Maria José 133, Bela Vista, 01324-010 São Paulo, Brazil			
EMPRESA NACIONAL DE SEGURANCA LTDA	Brazil	100	
Rua Rui Barbosa 70, 1° andar, Bela Vista 01326-010 São Paulo, Brazil			
G4S PARTICIPAÇÕES LTDA	Brazil	100	
CITCO Building, Wickhams City, P.O. Box 662, Road Town, Tortola, British Virgin Islands			
G4S GROUP HOLDING (ASIA) LTD	British Virgin Islands	100	
Flat/ RM 101B & 104/F, Tower 2, The Harbourfront, 22 Tak Fung Street, Kowloon, Hong Kong			
G4S SECURE SOLUTIONS (ASIA) LTD	British Virgin Islands	100	
1395 University Blvd, 33458 Jupiter, FL, United States			
G4S HOLDINGS LTD	British Virgin Islands	100	
G4S (BVI) HOLDCO (COLOMBIA II) LTD	British Virgin Islands	100	
ASHINO HOLDINGS LTD	British Virgin Islands	100	
Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands			
ARMORGROUP (SPECIAL CLEARANCE SERVICES) LTD	British Virgin Islands	100	
Kingston Chambers, P.O. Box 173, Road Town Tortola, British Virgin Islands			
HILL & ASSOCIATES CONSULTANTS LTD	British Virgin Islands	100	
P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands			
HILL & ASSOCIATES CONSULTANTS (MIDDLE EAST) LTD	British Virgin Islands	100	
Old Airport Road, Bonapriso Doula, Cameroon			
G4S SECURITY SERVICES CAMEROON PLC	Cameroon	48.54	
150 Ferrand Drive, Suite 600, M3C 3E5 Toronto, Ontario, Canada			
G4S SECURE SOLUTIONS (CANADA) LTD. (G4S SOLUTIONS DE SECURITE (CANADA) LTEE)	Canada	100	
5255 Orbitor Drive, L4W 5M6 Mississauga Ontario, Canada			
INDO BRITISH GARMENTS (CANADA) LTD	Canada	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, k1-1102 Grand Cayman, Cayman Islands			
SERVICE MASTERS LTD	Cayman Islands	100	
No 48/85, Avenue Kolwezi, Gombe, Kinshasa, DRC			
G4S CENTRAFRIQUE SECURITE SOLUTION SURL	Central African Republic	100	
Avda. Zañartu 1680, Ñuñoa – Santiago, Chile			
G4S HOLDINGS CHILE S.A.	Chile	100	
G4S SECURITY SERVICES REGIONES, S.A.	Chile	100	
G4S SECURITY SERVICES LIMITADA	Chile	100	
ARRIENDOS FAST CAR, LTDA.	Chile	100	
CAPACITACIÓN Y DESARROLLO, LTDA.	Chile	100	
13F, Hui Shang Building, 1286 Min Sheng Road, Pudong New District, 200122, Shanghai, China			
G4S FACILITIES MANAGEMENT LTD.	China	100	
G4S MANAGEMENT SERVICES (SHANGHAI) CO. LTD	China	100	
West Floor 9, Bus Tower 1001, Lianhau branch, Futian District, 518036 Shenzhen, China			
SHENZHEN G4S DONAR TECHNOLOGY CO. LTD	China	100	
Room 01-4 Tower A 8F, Yi Cheng International Centre No.10 Rong Hua Middle Road Beijing Development Area, 100176 Beijing, China			
G4S SECURITY SYSTEMS (BEIJING) CO. LTD	China	75	
Room 710A, 7/F, Nan Fang Securities Building, 140 -148 Ti Yu Dong Lu, Tian He District, Guangzhou, China			
G4S TECHNOLOGY (CHINA) LTD	China	100	
6A, Huamin Empire Plaza, No. 728 Yan An Road (W), 200050 Shanghai, China			
HILL & ASSOCIATES (PRC) LTD	China	100	
17-1 Bai Ma Miao Xiang, Shangcheng District, Hangzhou, China			
G4S ZHEJIANG SECURE SOLUTIONS CO. LTD	China	90	
Room 204-7, 2/Floor, China Diamond Exchange Center Building, Tower B, No. 1701 Century Boulevard, Pudong New Area, Shanghai, China			
G4S INTERNATIONAL LOGISTICS (SHANGHAI) CO. LTD	China	100	
Avenida 26 No 69A-51 Torre A, Int 1 Piso 3, Bogota, Colombia			
G4S SECURE SOLUTIONS COLOMBIA S.A.	Colombia	100	
G4S HOLDING COLOMBIA SA	Colombia	100	
G4S TECHNOLOGY COLOMBIA S.A.	Colombia	100	
EBC INGENIERIA S.A.S	Colombia	100	

42. Details of Related Undertakings of G4S plc *continued*

Subsidiaries *continued*

Company Name	Country of Incorporation	% owned by group	% owned by plc
Avenida 26 No. 69A – 51 Torre A, Int 1, Piso 2, Bogota, Colombia			
G4S RISK MANAGEMENT COLOMBIA S.A.	Colombia	94	
Sabana Sur Yamuni 200 Sur de Frente a Consejo Nacional de Produccion, San Jose, Costa Rica			
GFOURS S.A.	Costa Rica	100	
WACKENHUT SERVICIOS DE SEGURIDAD, S.A.	Costa Rica	100	
WACKENHUT SERVICIO DE ESCOLTAS, S.A.	Costa Rica	100	
G FOUR S GRUPO DE SERVICIOS ESPECIALES DE SEGURIDAD, S.A.	Costa Rica	100	
G FOUR S CONSULTOR EN SEGURIDAD, S.A.	Costa Rica	100	
Cinco Esquinas de Tibas de la Clinica, Clorito Picado 150 mts. Oeste, San Jose, Costa Rica			
G CUATRO S VALOURS S.A.	Costa Rica	100	
G CUATRO S CASH SOLUTIONS S.A.	Costa Rica	100	
Kaya Flamboyan 6, Curaçao, Dutch West Indies, Curacao			
G4S GULF HOLDINGS NV	Curacao	100	
Diianiras 17, 2045 Strovolos Nicosia, P.O. Box 23989 1687, Nicosia, Cyprus			
G4S SECURE SOLUTIONS (CYPRUS) LTD	Cyprus	74	
G4S AVIATION (CYPRUS) LTD	Cyprus	80	
P.O. Box 23989, 1687 Nicosia, Cyprus			
G4S HOLDING CYPRUS LTD	Cyprus	100	
Na Kosince 2257/9, 180 00 Prague 8, Czech Republic			
G4S SECURE SOLUTIONS (CZ), A.S.	Czech Republic	100	
G4S CASH SOLUTIONS (CZ) A.S.	Czech Republic	100	
G4S SERVICES S.R.O.	Czech Republic	100	
108, Boulevard du 30 Juin, Gombe, Kinshasa, Democratic Republic of Congo			
G4S (DRC) S.A.R.L.	Democratic Republic of Congo	95	
Roskildevej 157, DK-2620 Albertslund, Denmark			
G4S HOLDINGS (DK) A/S	Denmark	100	100
G4S INTERNATIONAL (DK) A/S	Denmark	100	
G4S SECURITY SERVICES A/S	Denmark	100	
G4S KYHLENSO A/S	Denmark	100	
G4S VIKINGA SURAMERICANA APS	Denmark	100	
G4S SURAMERICANA HOLDING APS	Denmark	100	
Paseo de los Locutores #36, Ensanche Piantini, Santo Domingo, Dominican Republic			
G4S SECURE SOLUTIONS	Dominican Republic	95	28.5
G4S CASH SOLUTIONS	Dominican Republic	95	
Gral. Giacomo Roca N33-92 y Bosmediano, Quito, Ecuador			
G4S SECURE SOLUTIONS (ECUADOR) CIA LTDA.	Ecuador	99.9	
Luis Cordero E12-114 y Toledo, Quito, Ecuador			
G4S HOLDING (ECUADOR) S.A.	Ecuador	99.9	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Calle Moscú E09-8 y Av. República del Salvador, Quito, Ecuador			
DEFENCE SYSTEMS ECUADOR DSE CIA LTDA	Ecuador	99	
G4S FACILITY MANAGEMENT CIA LTDA	Ecuador	99.9	
Av. Principal la Perla S52-136 y Quinta Transversal Quito Ecuador			
CEFOSEG CIA. LTDA.	Ecuador	100	
2nd District, 90th Street, Area 6, 5th Settlement, New Cairo, Cairo, Egypt			
G4S SECURE SOLUTIONS (EGYPT) LLC	Egypt	85	
Head Office: Ismalia Public Free Zone Area, Egypt			
INDO BRITISH GARMENTS EGYPT S.A.E.	Egypt	99	
7 El Sherka El Porsaidia St., Auba Boula Sq. Ard El Golf, Heliopolis, Cairo, Egypt			
FS INVESTMENTS LLC	Egypt	99	
3A Nabatat Street, Garden City, Cairo, Egypt			
G4S LOTUS FACILITIES MANAGEMENT COMPANY	Egypt	51	
12 Suhag St. Extension of Harun El-Rasheed St., Heliopolis, Cairo, Egypt			
G4S FACILITIES MANAGEMENT (EGYPT) LLC	Egypt	100	
Av. Olimpica 3765, San Salvador, El Salvador			
G4S SECURE SOLUTIONS EL SALVADOR S.A. DE C.V.	El Salvador	100	
Paldiski mnt 80, 10617 Tallinn, Estonia			
AS G4S BALTICS	Estonia	100	
AS G4S GRUPP	Estonia	100	
AS G4S EESTI	Estonia	100	
Töökoja 1, 11313 Tallinn, Estonia			
ALARMTEC AS	Estonia	100	
Tarta mnt 80j, 10112 Tallinn, Estonia			
AS ÜHISTEENUSED	Estonia	100	
Fabianinkatu, 29B, Helsinki, 00100, Finland			
G4S SECURE SOLUTIONS FINLAND OY	Finland	100	
18 R Pasquier, 75008 Paris, France			
G4S INTERNATIONAL HOLDINGS (FRANCE) SAS	France	100	
9 Place de la Madeleine 75008 Paris, France			
G4S AVIATION SECURITY (FRANCE) SAS	France	100	
G4S SECURE SOLUTIONS FRANCE SAS	France	100	
Quartier Ambowe, BP 4000 Libreville, Gabon			
G4S GABON SECURE SOLUTIONS S.A.	Gabon	99.9	
9 Booster Street, Fajara, SK Serrekunda, Gambia			
G4S SECURE SOLUTIONS (GAMBIA) LTD	Gambia	100	
Rathenaustrasse 53, D-63263 Neu-Isenburg, Germany			
G4S INTERNATIONAL LOGISTICS (GERMANY) GMBH	Germany	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
C/o Baker Tilly GmbH & Co KG AG Wirtschaftspruefungsgesellschaft Valentinskamp 88 20355 Hamburg, Germany			
G4S SECURITY HOLDINGS DE GMBH	Germany	100	
G4S IMMOBILIEN-VERWALTUNGS GMBH	Germany	100	5.2
G4S SECURITY SOLUTIONS (GERMANY) GMBH	Germany	100	
31 Second Labone Street, Labone, Accra, Ghana			
G4S SECURITY SERVICES (GHANA) LTD	Ghana	100	
G4S (GHANA) LTD	Ghana	100	
G4S SECURE SOLUTIONS (GHANA) LTD	Ghana	100	
G4S RISK MANAGEMENT (AFRICA) LTD	Ghana	49	
7, Sorou Str., 144 52 Metamorphosis, Athens, Greece			
G4S SECURE SOLUTIONS SA	Greece	100	
G4S HELLAS HOLDING SA	Greece	100	
G4S CASH SOLUTIONS SA	Greece	100	
G4S TELEMATIX SA	Greece	39.4	
G4S AVIATION AND PORTS SECURE SOLUTIONS SA	Greece	100	
G4S RMS LTD	Greece	100	
G4S SECURITY SYSTEMS AND MONITORING SERVICES (GREECE) SA	Greece	100	
5 klm, Spaton-Loutsas aven., 190 19 Spata, Greece			
WSW SKYKAP SERVICES SA	Greece	42.5	
National Road Palaiokastritsas, 491 00 Kerkiras, Greece			
HELLAS GUARD S.A. UNDER LIQUIDATION	Greece	18	
35 Kountouriotou, 555-35 Thessaloniki, Greece			
CSI DEFENSE LTD	Greece	50	
Maurice Bishop Highway Grand Anse St. George's, Grenada			
G4S SECURE SOLUTIONS (GRENADA) LTD.	Grenada	51	
1851A Army Drive, Harmon, Guam, 96913, Guam			
G4S SECURE SOLUTIONS (GUAM), INC.	Guam	100	
G4S SECURITY SYSTEMS (GUAM) INC.	Guam	100	
Avenida Petapa 42-51, Zona 12 Guatemala City, Guatemala			
WACKENHUT DE GUATEMALA SA	Guatemala	50	
WACKENHUT ELECTRONICA SA	Guatemala	47.5	
G4S DOCUMENTA, S.A.	Guatemala	50	
FACILITY SERVICES, S.A.	Guatemala	28	
G4S SECURE SOLUTIONS, S.A.	Guatemala	50	
Homefield Rue de L'Epinel Forest, GY8 0HL, Guernsey			
G4S SECURE SOLUTIONS (GUERNSEY) LTD	Guernsey	100	
P.O. Box 384, 4th Floor, The Albany, South Esplanade, GY1 4NF St. Peter Port, Guernsey			
G4S INSURANCE (GUERNSEY) LTD	Guernsey	100	100
Commune de Ratoma, Kipe Centre Emetteur, Pres de la Seg, Conakry, Guinea			
G4S SECURITY SERVICES (GUINEA) SARL	Guinea	75	

Company Name	Country of Incorporation	% owned by group	% owned by plc
1/F, Securicor Ctre, 481 Castle Peak Rd, Cheung Sha Wan, Kowloon, Hong Kong			
G4S (HONG KONG – HOLDING) LTD	Hong Kong	100	
VERDI LTD	Hong Kong	100	
G4S SECURE SOLUTIONS (HONG KONG) LTD	Hong Kong	100	
G4S GURKHA SERVICES LTD	Hong Kong	100	
HONG KONG SECURITY LTD	Hong Kong	100	
G4S DOCUMENT MANAGEMENT SERVICES (HONG KONG) LTD	Hong Kong	100	
G4S FACILITY SERVICES (HONG KONG) LTD.	Hong Kong	100	
G4S CASH SOLUTIONS (HONG KONG) LTD	Hong Kong	100	
SECURICOR MACAU INVESTMENT LTD	Hong Kong	100	
G4S GROUP HOLDING (CHINA) LTD	Hong Kong	100	
STARPOINT INVESTMENTS LTD	Hong Kong	100	
G4S SECURITY SYSTEMS (HONG KONG) LTD	Hong Kong	100	
GREAT STEP INVESTMENT LTD	Hong Kong	100	
VICTORY STEP GROUP LTD	Hong Kong	75	
G4S TECHNOLOGY (HONG KONG) LTD	Hong Kong	100	
Unit 02, 7/F, Beautiful Group Tower, 77 Connaught Rd Central, Hong Kong			
G4S INTERNATIONAL LOGISITICS (HONG KONG) LTD	Hong Kong	100	
Suite 1701-08, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong			
HILL & ASSOCIATES LTD	Hong Kong	100	
C-16, Community Centre, Janakpuri, Behind Janak Cinema, 110058 New Delhi, India			
G4S CENTRAL MONITORING SERVICES (INDIA) PVT. LTD	India	100	
G4S SECURE SOLUTIONS (INDIA) PVT. LTD	India	49	
INDO-BRITISH GARMENTS (P) LTD	India	100	
G4S CASH SOLUTIONS (INDIA) PVT LTD	India	100	18.5
G4S FLEET MANAGEMENT SERVICES (INDIA) PVT. LTD	India	100	
G4S SECURITY SYSTEMS (INDIA) PVT. LTD	India	100	
G4S CORPORATE SERVICES (INDIA) PVT. LTD.	India	100	
FIRST SELECT (P) LTD	India	100	
G4S FACILITY SERVICES (INDIA) PVT. LTD	India	100	
MONITRON SUPPORT SERVICES PVT. LTD	India	49.5	
Office Unit No.301, Third Floor, A-Wing,Eureka Tower, Building No. 7, Mind Space, Link Road, Malad (west), 400064 Mumbai, India			
MONITRON SECURITY (P) LTD	India	100	
Block B3, 3rd Floor, DLF World Tech Park, DLF IT SEZ, Silokhera122001 Gurgaon, Haryana, India			
G4S IT SERVICES (INDIA) PVT. LTD	India	100	84.5
Plot No. 43, Road No. 14, Banjara Hills, 500034 Hyderabad, India			
PROTEX SECURITY SERVICES (AP) PVT. LTD	India	48.9	
INVESTIGATION AND SECURITY SERVICES (INDIA) PVT. LTD	India	46.6	
Upper Ground Floor, Tower B, Building No. 10, DLF Cyber City, 122002 DLF Phase II, Gurgaon, Haryana, India			
HILL & ASSOCIATES (INDIA) PVT. LTD	India	100	

42. Details of Related Undertakings of G4S plc *continued*

Subsidiaries *continued*

Company Name	Country of Incorporation	% owned by group	% owned by plc
C-30, Chirag Enclave, , 110048 New Delhi, India 110048 New Delhi, India			
SOPEDU SECURITY PRIVATE LIMITED	India	100	
The Security Center- Unit 407, Cilandak Commercial Estate KKO, 12560 Jakarta, Indonesia			
PT G4S SECURITY SERVICES	Indonesia	97	
PT G4S EURONET (INDONESIA)	Indonesia	53	
PT G4S SECURITY SOLUTION SERVICES	Indonesia	51	
Jl. Ciputat Raya No. 18, Pondok Pinang, Kebayoran Lama, 12310 Jakarta, Indonesia			
PT G4S CASH SERVICES	Indonesia	83.9	
Menara Jamsostek Fl.22, Jl. Jend. Gatot Subroto No. 38, Kuningan Barat, Jakarta Selatan, Indonesia			
PT CASINTRANS PERDANA	Indonesia	100	
Gedung Setiabudi 2 Lt.3A Suite 3A-01 Jl. H.R. Rasuna, Said Kav.62, 12920 Jakarta, Indonesia			
PT HILL KONSULTAN INDONESIA	Indonesia	99	
Jl. Administrasi Negara 1A No. 30, Bendungan Hilir, Tanah Abang, 10210 Jakarta, Indonesia			
PT ARGENTA ADHILOKA PRATAMA	Indonesia	86.7	
Unit 5 Calmount Buisness Park, Ballymount, Dublin 12, Ireland			
GROUP 4 SECURICOR GLOBAL RISKS LTD	Ireland	100	
G4S SECURE SOLUTIONS (IRE) LTD	Ireland	100	
G4S SUPPORT SERVICES (IRELAND) LTD	Ireland	100	
G4S HOLDINGS (IRELAND) LTD	Ireland	100	
G4S MONITORING (IRE) LTD	Ireland	100	
A1 SECURITY TECHNOLOGIES LTD	Ireland	100	
G4S FACILITIES MANAGEMENT (IRE) LTD	Ireland	100	
ALARM MONITORING SERVICES LTD	Ireland	100	
G4S FINANCE (IRELAND) LTD	Ireland	100	
GDJS SECURITY LTD	Ireland	100	
Bluebell Industrial Estate, Bluebell Ave, Dublin 12, Ireland			
G4S CASH SOLUTIONS IRELAND LTD	Ireland	100	
Unit B Offices, City West Shopping Centre, Dublin 24, D24 P650, Ireland			
G4S COMPLIANCE AND INVESTIGATIONS (IRELAND) LIMITED	Ireland	100	
IOM Buisness Park, Ballacottier, Braddon, Isle of Man, IM2 2SE			
G4S SECURE SOLUTIONS (ISLE OF MAN) LTD	Isle of Man	100	
14 Scacham St., Petch Tikva, Israel			
G4S ISRAEL PPP LTD	Israel	100	
111, Arlozorov Street, Tel Aviv-Yafo, Israel, 6209809			
G4S INTERNATIONAL LOGISTICS (ISRAEL) LTD	Israel	100	
20 B.P., 845 Abidjan 20, Ivory Coast			
WACKENHUT SA	Ivory Coast	97.5	

Company Name	Country of Incorporation	% owned by group	% owned by plc
3 Boulevard Valerie Giscard d'Estaing, 01 BP 6065 ABJ 01 Abidjan, Ivory Coast			
G4S SECURE SOLUTIONS (CI) SA	Ivory Coast	97.5	
Rue B31, Lot 29, Cocody danga Nord Abidjan, 20 BP 845 Abidjan 20 Abidjan, Ivory Coast			
ARMORGROUP COTE D'IVOIRE SA	Ivory Coast	100	
6-8 East Avenue, 5 Kingston W.I., Jamaica			
G4S JAMAICA LTD	Jamaica	100	
202, Musashino Hills, 2299-4 Fussa, Fussa-shi, 1970011 Fussa-shi, Japan			
G4S SECURE SOLUTIONS JAPAN K.K	Japan	100	
2-2-15, #403, Minami-Aoyama, Minato-ku, 107-0062 Tokyo, Japan			
HILL & ASSOCIATES (JAPAN) KK	Japan	100	
Third Floor, 37 Esplanade, JE2 3QA St Helier, Jersey			
G4S HOLDINGS INDIA LTD(iii)	Jersey	100	
The Security Centre Rue des Pres Trading Estate, JE2 7QP St Saviour, Jersey			
G4S SECURE SOLUTIONS (JERSEY) LTD	Jersey	100	
The Old Chapel, Sacre Coeur, Rouge Bouillon St Helier, Jersey, JE2 3ZA			
G4S INTERNATIONAL EMPLOYMENT SERVICES LTD	Jersey	100	
# 12, Mithqual El Fayez St., Third Circle, Jebel, P.O. Box 831358, 11183 Amman, Jordan			
G4S SECURE SOLUTIONS INTERNATIONAL INC (JORDAN) LTD.	Jordan	50	
Roxy Al Ozaizi Street – Dana Center 2, 11183 Amman, Jordan			
G4S SECURE SOLUTIONS INT. (JORDAN) FOR INTEGRATED SOLUTIONS	Jordan	60	
Witu Rd off Lusaka Rd, P O Box 30242, GPO 00100 Nairobi, Kenya			
G4S KENYA LTD	Kenya	100	
G4S FIRE SERVICES (KENYA) LTD	Kenya	100	
Plot No. LR 209/368/10, Armor House, Lenana Road, P.O. Box 2714 Nairobi, Kenya			
ARMORGROUP KENYA LTD	Kenya	100	
P.O. Box 22063, 13081 Safat, Kuwait			
GROUP 4 SECURITY SOLUTIONS CO.WLL	Kuwait	48.51	
P.O. Box 117, 13002 Safat , Kuwait			
AL MULLA SECURITY SERVICES KSCC	Kuwait	49	
Stigu Str 10, LV-1021, Riga, Latvia			
AS G4S LATVIA	Latvia	100	
AS G4S CASH SERVICES LATVIA	Latvia	100	
Saliba Building Awkar Dbayeh, 70-461, Antelias Beirut, Lebanon			
GROUP 4 SECURITY SERVICES LEBANON SAL	Lebanon	50	50.6
G4S SECURITY SYSTEMS LEBANON SAL	Lebanon	50.5	
397 Hilton Hill Road Maseru, Lesotho			
G4S SECURE SOLUTIONS LESOTHO (PTY) LTD	Lesotho	100	
G4S CASH SOLUTIONS LESOTHO (PTY) LTD	Lesotho	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
J.Jasinskio 16C, LT-01112 Vilnius, Lithuania			
UAB G4S LIETUVA	Lithuania	100	
14 Rue du Père Raphaël – P.O. Box 1513, L-1015 Luxembourg			
G4S SECURITY SOLUTIONS S.A.R.L.	Luxembourg	100	
G4S GENERAL SERVICES SA	Luxembourg	100	
G4S FINANCE (LUXEMBOURG) SARL	Luxembourg	100	100
Avenida Venceslau de Morais, 185-191, 1 Andar A, Macau			
G4S (MACAU – HOLDING) LTD	Macau	100	
Avenida Venceslau de Morais, 157, BL 2,2, Edificio Centro Ind. Keck Seng, Fase II, 2 Andar H, Macau			
HILL & ASSOCIATES (MACAU) LTD	Macau	100	
G4S SECURE SOLUTIONS (MACAU) LTD	Macau	100	
GREAT WALL SECURITY SERVICES LTDA.	Macau	100	
GREAT WALL PROPERTY MANAGEMENT SERVICES LTD	Macau	100	
GREAT WALL HOLDINGS LTD	Macau	100	
Lot II, 161 HC Ambohijatovo Ivandry Immeuble Millenium, 10101 101 Antananarivo Renivohitra C.U., Madagascar			
G4S MADAGASCAR SOLUTIONS DE SECURITE SARL	Madagascar	100	
Chirimba Industrial Area, P O Box 720, Blantyre, Malawi			
G4S SECURE SOLUTIONS (MALAWI) LTD	Malawi	99.72	
G4S PREMIER GUARDING SERVICES (MALAWI) LTD	Malawi	100	
25-2, Jalan PjU 1/42A, Dataran Prima, 47301 Petaling Jaya, Malaysia			
G4S MALAYSIA SDN. BHD	Malaysia	60	
ALMO SYSTEMS SDN BHD	Malaysia	48.8	
Suite 226, 1st floor, FAS Business Avenue, No.1, Jalan Perbandaran, 47301 Petaling Jaya, Malaysia			
GROUP 4 FALCK CMS SDN BHD	Malaysia	48.8	
No 1 & 1A, 2nd Floor (Room 2), Jalan Ipoh Kecil, 50350 Kuala Lumpur, Malaysia			
SAFEGUARDS G4S SDN BHD	Malaysia	48.8	
SECURICOR (MALAYSIA) SDN BHD	Malaysia	48.8	
SAFEGUARDS G4S (SABAH) SDN BHD	Malaysia	48.8	
SAFEGUARDS G4S (SARAWAK) SDN BHD	Malaysia	48.8	
SAFEGUARDS G4S SECURITY SYSTEMS SDN BHD	Malaysia	48.8	
910 (Suite 1), Block B, Phileo Damansara 2, No 15, Jalan 16/11, Off Jalan Damansara, Petaling Jaya,46350 Selangor Darul Ehsan, Malaysia			
GWENKENS SECURITY SERVICES SDN BHD	Malaysia	43.9	
SAFEGUARDS G4S ACADEMY SDN BHD	Malaysia	43.9	
GWENKENS CENTRAL MONITORING SDN BHD	Malaysia	43.9	
1st Floor, Lot 6, Jalan 225, Sec 51A, Petaling Jaya, 46100 Selangor, Malaysia			
G4S MANAGEMENT SERVICES (ASIA PACIFIC) SDN BHD	Malaysia	100	
2nd floor, No 2-4 Jalan Manau, 50460 Kuala Lumpur, Malaysia			
HILL CORPORATE SERVICES SDN BHD	Malaysia	100	
Level 15B, Main Office Tower, Financial Park, Jalan Merdeka, 87000 Labuan, Malaysia			
RISK CONSULTING (L) LTD	Malaysia	100	
Unit No 9-7, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia			
HILL RISK CONSULTING (MALAYSIA) SDN BHD	Malaysia	100	
Level 21, Suite 21.10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia			
VIVA POWERTECH SDN. BHD	Malaysia	100	
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing No 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia			
INDO BRITISH GARMENTS MALAYSIA SDN BHD	Malaysia	100	
Hamdallaye ACI 2000, street 405 – gate 558, Bamako, Mali			
G4S (MALI) SARL	Mali	100	
Ent A, Level 1, Capital Business Centre, Triq ta-Zwejt, SGN 3000 San Gwann, Malta			
G4S SECURITY SERVICES (MALTA) LTD	Malta	50.1	
G4S SECURITY SERVICES LTD	Malta	50.1	
G4S HOLDINGS (MALTA) LTD	Malta	100	
G4S COMMUNITY SERVICES LIMITED	Malta	50.1	
BP 4201, Nouakchott, Tevragh Zeina Ilot C, No. 261, Nouakchott, Mauritania			
G4S SECURITY SERVICES (MAURITANIA) SA	Mauritania	70	
c/o Multiconsult Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius			
G4S HOLDINGS CHINA LTD	Mauritius	100	
HILL RISK MANAGEMENT LTD	Mauritius	100	
HILL & ASSOCIATES (MAURITIUS) LTD	Mauritius	100	
HILL RISK CONSULTING (MAURITIUS) LTD	Mauritius	100	
210 St James Court, Rue St Denis, Port Louis, Mauritius			
CROSSKEYS (MAURITIUS) HOLDINGS LTD	Mauritius	100	
c/o Intercontinental Trust LTD, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius			
S GRAY MANAGEMENT SERVICES LTD	Mauritius	100	
Barranca del Muerto #380, CP 01020 Mexico, D.F., Mexico			
G4S HOLDINGS MÉXICO, SA DE CV	Mexico	100	
G4S SECURITY SYSTEMS S.A. DE C.V.	Mexico	100	
G4S PRIVATE SECURITY SERVICES, SA DE CV	Mexico	100	
Cvijetna Street no.25, Podgorica, Montenegro			
G4S SECURITY SERVICES CRNA GORA DOO PODGORICA	Montenegro	85	
24 Lotissement la Colline, Sidi Maarouf, 20150 Casablanca, Morocco			
MAROC PROTECTION SURVEILLANCE SA	Morocco	100	
G4S (MAROC) SA	Morocco	100	
FIRST SELECT MOROCCO SA	Morocco	99.9	
G4S INTERGRATED SERVICES MOROCCO SA	Morocco	100	

42. Details of Related Undertakings of G4S plc *continued*

Subsidiaries *continued*

Company Name	Country of Incorporation	% owned by group	% owned by plc
Rua Mariano Machado nr. 99/186, Maputo, Mozambique			
WACKENHUT MOZAMBIQUE LIMITADA	Mozambique	90	
Av da Organizacao da Unidade Africana, 121, Maputo, Mozambique			
G4S SECURE SOLUTIONS MOCAMBIQUE LIMITADA	Mozambique	87.5	
No 2085, Avenida Ahmed Sekoe Toure, Maputo, Mozambique			
G4S ORDNANCE MANAGEMENT (MOCAMBIQUE), LIMITADA	Mozambique	90	
33 General Murtala Ramat Muhammed Street, Eros, Windhoek, Namibia			
G FOUR S MANNED SECURITY (NAMIBIA) (PTY) LTD	Namibia	100	
G FOUR S AVIATION SECURITY (NAMIBIA) (PTY) LTD	Namibia	100	
G FOUR S SECURE SOLUTIONS (NAMIBIA) (PTY) LTD	Namibia	100	
G FOUR S CASH SOLUTIONS (NAMIBIA) (PTY) LTD	Namibia	100	
Ichhunadi Marg, Baluwatar, Ward No. 4, Kathmandu Metropolitan City, Kathmandu, Nepal			
G4S SECURITY SERVICES NEPAL (P) LTD	Nepal	99	
SECURITAS PRODUCT NEPAL P. LTD	Nepal	100	
G4S FACILITY & EMPLOYMENT SERVICES NEPAL PVT. LTD	Nepal	100	
P.O. Box 20423, House # 75/45, Lazimpat, Kailash Chaur, Kathmandu, Nepal			
FIRST SELECT NEPAL (P) LTD	Nepal	100	
Hogehilweg 12, 1101CD Amsterdam Zuidoost, Netherlands			
G4S INTERNATIONAL (NL) BV	Netherlands	100	
G4S HOLDING (B) BV	Netherlands	100	
G4S INDIA HOLDINGS (NL) BV	Netherlands	100	
G4S SECURE MONITORING BV	Netherlands	100	
G4S INTERNATIONAL HOLDINGS 101 (NL) BV	Netherlands	100	
G4S SECURITY SERVICES BV	Netherlands	100	
G4S HOLDINGS 102 (NL) B.V.	Netherlands	100	
G4S HOLDINGS 103 (NL) BV	Netherlands	100	
G4S GROUP HOLDING (ASIA) BV	Netherlands	100	
G4S BEHEER BV	Netherlands	100	
G4S SERVICES BV	Netherlands	100	
G4S PUBLIC SECURITY BV	Netherlands	100	
IBG EUROPE BV	Netherlands	100	
G4S OVERSEAS HOLDINGS BV	Netherlands	100	
Evert van de Beekstraat 1 rumimtenummer 66, Luchthaven Schiphol, 1118 CL Netherlands			
G4S AVIATION SECURITY BV	Netherlands	100	
Ptolemaeuslaan 61, 3528 BR Utrecht, Netherlands			
G4S CASH SOLUTIONS BV	Netherlands	100	
G4S CASH MANAGEMENT BV	Netherlands	100	
Galvanistraat 89, 6716 AE Ede, Netherlands			
G4S TRAINING & SAFETY BV	Netherlands	100	
G4S DIRECT BV	Netherlands	100	
ROTUS BV	Netherlands	100	
Amperestraat 25, 6716 BN Ede, Netherlands			
G4S PERSONNEL BV	Netherlands	100	
Donk 1D, 2991 LE Barendrecht, Netherlands			
G4S FIRE & SAFETY BV	Netherlands	100	
Tolnasingel 1, 2411PV Bodegraven, Netherlands			
INZETBAAR BV	Netherlands	100	
Level 3, 2 Kalmia Street, Ellerslie, 1051, New Zealand			
G4S NEW ZEALAND LTD	New Zealand	100	
Reparta Belmonte, Dr. Hospital Velez Paiz, 1 Cuadra Holis Arriba, Nicaragua			
G4S SECURE SOLUTIONS NICARAGUA, SOCIEDAD ANÓNIMA	Nicaragua	51	
27, Oba Akinjobi Street, GIRA, Ikeja, Lagos, Nigeria			
OUTSOURCING SERVICES LTD	Nigeria	99.9	
G4S SECURE SOLUTIONS NIGERIA LTD	Nigeria	100	
ARMORGROUP (NIGERIA) LTD	Nigeria	100	
13A, A.J. Marinho Drive, Victoria Island, Lagos, Nigeria			
SCHC LTD	Nigeria	99.9	
AIB Plaza, Off Akin Adesola Street, Victoria Island, Lagos, Nigeria			
G4S TRACKING SOLUTIONS LTD	Nigeria	60	
1 Murtala Mohammed Drive (Formerly Bank Road), Ikoyi, Lagos, Nigeria			
ASSETGUARD SERVICES LTD	Nigeria	100	
Plot 7a Acme Road, Block C, Ogba Instrial Scheme, Ikeja, Lagos, Nigeria			
G4S/GLOBAL RISKS NIGERIA LTD	Nigeria	100	
PMB 384 PPP Box 1000, 96950 Saipan, Northern Mariana Islands			
G4S SECURE SOLUTIONS (CNMI) INC.	Northern Mariana Islands	100	
P.O. Box 1625, 112, Ruwi Muscat, Oman			
G4S SECURITY SOLUTIONS LLC	Oman	49	
G4S SERVICES LLC	Oman	49	
B-61, KDA Scheme 01, 7550 Karachi, Pakistan			
HILL & ASSOCIATES PAKISTAN (PVT.) LTD	Pakistan	100	
Calle 41, 2-40 Bella Vista, Panama			
INVERSIONES SETESCA	Panama	100	
SEGURIDAD TECNICA SA	Panama	44	
TELEMETRIA Y ALARMA SA	Panama	17.6	
DETECTA SA	Panama	44	
LIMPIE SA	Panama	44	
METERS CORP.	Panama	100	
Marbella, Ave. Aquilino de la Guardia Ocean Business Plaza, Piso 17-1704, Panama City, Panama			
G4S S.A.	Panama	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Section 61, Allotment 13, Morata Street, Gordons, National Capital District, Papua New Guinea			
G4S SECURE SOLUTIONS (PNG) LTD	Papua New Guinea	100	
c/o Sinton Spence Chartered Accountants 2nd Floor Brian Bell Plaza Turmu St. Boroko, Boroko, Papua New Guinea			
MONT BLANC LTD	Papua New Guinea	100	
PO Box 5392 Boroko NCD, Papua New Guinea			
G4S PNG LTD	Papua New Guinea	100	
Nery Quevedo 315 Esq. Hipolito Garron, Asuncion, Paraguay			
WACKENHUT PARAGUAY SA	Paraguay	80	
Av. El Sol 916, Urbanización La Campiña., Chorrillos, Lima, Peru			
G4S PERU S.A.C.	Peru	99	
G4S SECURE MONITORING AND RESPONSE PERU S.A.C.	Peru	99	
100 E. Rodriquez Avenue, Ugong Norte, 1552 Quezon City, Philippines			
G4S CASH SOLUTIONS PHILLIPINES INC.	Philippines	51	
Carretera #1 Plaza Bairoa, Suite 211, Caguas, Puerto Rico			
G4S SECURE SOLUTIONS (PUERTO RICO) INC.	Puerto Rico	100	
15 Charles de Gaulle Square, 12th floor, District 1, Bucharest, Romania			
G4S SECURE SOLUTIONS SRL	Romania	100	
G4S CASH SOLUTIONS SRL	Romania	100	
G4S FIRE & SAFETY S.R.L.	Romania	100	
36 Dzerzhinskogo, 693000 Yuzhno Sakhalinsk, Russia			
LLC PSE G4S SECURITY SERVICES – SAKHALIN	Russia	100	
62A Amurskaya Str, Office 103, 693000 Yuzhno-Sakhalinsk, Russia			
LLC G4S TECNICAL SOLUTIONS – SAKHALIN	Russia	100	
Building 1, 4 Ukhtomsky Pereulok, 111020 Moscow, Russia			
G4S EURASIA LLC	Russia	100	
107023, Moscow, M. Semenovskaya str., 9, bld I Russia			
GROUP 4 SECURICOR LLC	Russia	99	
5698 Nyarutarama, P.O. Box 7230, Kigali, Rwanda			
G4S RWANDA LTD	Rwanda	99	
P.O. Box CP 6098 Conway Post Office, Castries, Saint Lucia			
G4S SECURE SOLUTIONS (ST.LUCIA) LTD	Saint Lucia	51	
P.O. Box 31049, 21497 Jeddah, Saudi Arabia			
AL MAJAL GROUP 4S FOR SECURITY AND SAFETY LIMITED LIABILITY COMPANY	Saudi Arabia	49	
Post Code 6930, 21452 Jeddah, Saudi Arabia			
AL MAJAL SERVICE MASTER LLC	Saudi Arabia	49	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Bulevar Peka Dapcevica 32 Belgrade, Serbia			
G4S SECURE SOLUTIONS D.O.O.	Serbia	85	
6 Spur Road, P.O Box, Freetown, Sierra Leone			
G4S SECURE SOLUTIONS (SL) LTD	Sierra Leone	100	
8 Commonwealth Lane, #04-04 (Annex), 149555 Singapore			
GROUP 4 SECURICOR (S) PTE. LTD	Singapore	100	
G4S SECURITY SYSTEMS (S) PTE. LTD	Singapore	100	
G4S SECURE SOLUTIONS (SINGAPORE) PTE. LTD	Singapore	100	25.3
158 Cecil Street, 069 545 #11-01 Singapore			
G4S INTERNATIONAL LOGISTICS (SINGAPORE) PTE LTD	Singapore	100	
51 Cuppage Road, #10-18, 229469, Singapore			
HILL & ASSOCIATES RISK CONSULTING (SINGAPORE) PTE LTD	Singapore	100	
Visnova 16, 831 01 Bratislava, Slovak Republic			
G4S SECURITY SYSTEMS (SK) S.R.O.	Slovak Republic	100	
G4S SECURE SOLUTIONS (SK), A.S.	Slovak Republic	100	
G4S FIRE SERVICES (SK), S.R.O	Slovak Republic	100	
G4S TECHNOLOGY SOLUTIONS (SK), S.R.O	Slovak Republic	100	
Stegne 21, 1000 Ljubljana, Slovenia			
G4S DRUZBA ZA VAROVANJE D.O.O. (G4S D.O.O.)	Slovenia	49	
Byls Bridge Office Park, Building 11, 13 Candela Street, Highveld Ext 73, 0157 Centurion, South Africa			
GROUP 4 FALCK (PTY) LTD	South Africa	100	
G4S SECURITY SERVICES (AFRICA) (PROPRIETARY) LTD	South Africa	100	
G4S SECURE SOLUTIONS (SA) (PTY) LTD(iii)	South Africa	79.1	
G4S AVIATION SECURITY (SA) (PTY) LTD	South Africa	79.1	
G4S INTEGRITY ASSESSMENT (PTY) LTD	South Africa	79.1	
GRAY SECURITY SERVICES (SA) (PROPRIETARY) LTD	South Africa	79.1	
G4S CASH SOLUTIONS (SA) (PTY) LTD(iii)	South Africa	74.9	
G4S INSURANCE (SA) LTD	South Africa	74.9	
ELWIERDA (GAUTENG) (PTY) LTD	South Africa	74.9	
CMS MICRO FINANCE (PTY) LTD	South Africa	74.9	
G4S EMPOWERMENT VENTURES (SA) (PTY) LTD	South Africa	79.1	
G4S CARE AND JUSTICE SERVICES (SOUTH AFRICA) (PTY) LTD	South Africa	100	
G4S CORRECTION SERVICES (BLOEMFONTEIN) (PTY) LTD	South Africa	81	
GSL REBOUND (PTY) LTD	South Africa	100	
SKYCOM (PTY) LTD	South Africa	79.1	
ACCESS AND BEYOND (PTY) LTD	South Africa	79.1	
INTEGRATED SKY FORCE SOLUTIONS (PTY) LTD	South Africa	79.1	
INVESTMENT SURVEYS (PTY) LTD	South Africa	100	
G4S DEPOSITA (RF) (PTY) LTD	South Africa	74.9	
G4S ATM ENGINEERING (SA) (PTY) LTD	South Africa	74.9	
INTEGRA (PTY) LTD	South Africa	100	
THETHA TECHNOLOGIES (PTY) LTD	South Africa	74.9	
G4S AFRICA (PROPRIETARY) LTD	South Africa	100	

42. Details of Related Undertakings of G4S plc *continued*

Subsidiaries *continued*

Company Name	Country of Incorporation	% owned by group	% owned by plc
G4S VALUABLE LOGISTICS (SA) (PTY) LTD	South Africa	100	
CMS MANCO (PROPRIETARY) LTD	South Africa	74.89	
Unit 31, First Floor Waterford Office Park, Corner Witkoppen & Waterford Road, Fourways 1610, South Africa			
G4S INTERNATIONAL LOGISTICS (SOUTH AFRICA) PTY.	South Africa	100	
Sorento Suite, 5 de Haviland Crescent, Ill Villaggio Persequor Pretoria, Gauteng, South Africa			
INDO BRITISH GARMENTS PVT. LTD, EXTERNAL PROFIT	South Africa	100	
21 Vauxhall Street, 2 Colombo, Sri Lanka			
G4S SECURITY SERVICES (PRIVATE) LTD.	Sri Lanka	60	
8 Mek Nimer Street, P.O. Box 47, Khartoum, Sudan			
ARMORGROUP SUDANESE CO LTD	Sudan	100	
c/o Eversheds Sutherland AG , Stadelhoferstrasse, 22 8001, Zurich, Switzerland			
G4S INTERNATIONAL LOGISTICS (SWITZERLAND) AG	Switzerland	100	
Al-Aasar Building, near the Central Post office, Sinjikdar, Damascus, Syria			
GROUP 4 SYRIA LIMITED LIABILITY COMPANY	Syria	29.4	
20F-1, No. 266, Sec 1, Wenhua 2nd Road, Linkou Dist, 24448 New Taipei City, Taiwan			
G4S SECURE SOLUTIONS (TAIWAN) LTD	Taiwan	100	
G4S ATM SOLUTIONS (TAIWAN) LTD	Taiwan	100	
G4S PROPERTY MANAGEMENT LTD	Taiwan	100	
G4S SECUREWELL SECURE SOLUTIONS (TAIWAN) LTD	Taiwan	100	
HILL & ASSOCIATES (TAIWAN) LTD	Taiwan	100	
20F-2, No. 266, sec 1, wun hua 2nd road, Linko Distt, 24448 Taipei City, Taiwan			
G4S WEI FUNG SECURE SOLUTIONS (TAIWAN) LTD	Taiwan	100	
6F., No.320, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 11493, Taiwan (R.O.C), 22101 Taipei, Taiwan			
G4S SYSTEM ENGINEERING CORPORATION	Taiwan	85	
16th Floor, Suite 1, No. 266, Sec. 1, Wen-Hwa 2nd Road, Linko Hsiang, Taipei, Taiwan, 22101 Taipei, Taiwan			
G4S SECURITY SYSTEMS CO. LTD	Taiwan	85	
Plot No. 37, Ali Hassan Mwinyi Road, Kinondoni Municipality, P O Box 5555, Dar Es Salaam, Tanzania			
G4S SECURE SOLUTIONS (TZ) LTD	Tanzania	100	
TDFL, 3rd Floor (Opposite Sheraton Hotel), Dar-es-Salaam, Tanzania			
ARMORGROUP TANZANIA LTD	Tanzania	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
2922/205-206 Charn Issara Tower II, 11th Floor, New Petchburi Road, Bangkapi, Huaykwang, 10310 Bangkok, Thailand			
G4S (THAILAND) LTD	Thailand	73.5	
G4S SECURITY SERVICES (THAILAND) LTD	Thailand	73.7	
G4S HOLDINGS (THAILAND) LTD	Thailand	73.4	
INTER-ASIAN ENTERPRISES (IAE) COMPANY LTD	Thailand	73.5	
ASIAN HOLDING INTERNATIONAL COMPANY LTD	Thailand	73	
HILL RISK CONSULTING (THAILAND) CO., LTD[iii]	Thailand	49	
G4S HOLDINGS 4 (THAILAND) LTD	Thailand	48.9	
G4S HOLDINGS 3 (THAILAND) LTD	Thailand	48.9	
G4S HOLDINGS 2 (THAILAND) LTD	Thailand	48.9	
G4S HOLDINGS 1 (THAILAND) LTD	Thailand	48.9	
45/1 Silom 19 Building, 2nd Floor, Soi Silom 19, Silom Road, Silom, 10500 Bangrak, Bangkok, Thailand			
G4S INTERNATIONAL LOGISTICS HOLDING (THAILAND) LTD	Thailand	100	
G4S INTERNATIONAL LOGISTICS (THAILAND) LTD	Thailand	100	
61-63 Edward Street, Port of Spain, Trinidad & Tobago			
G4S HOLDINGS (TRINIDAD) LTD	Trinidad & Tobago	51	
G4S SECURE SOLUTIONS (TRINIDAD) LTD	Trinidad & Tobago	51	
Ayazaga Mah. Ataturk Cad Mezarlik Sok No 1 Ayazaga, Sariyer, Istanbul, Turkey			
G4S GÜVENLIK HIZMETLERI ANONIM ŞIRKETI	Turkey	100	
G4S ELEKTRONIK SISTEMLERI ANONIM ŞIRKETI	Turkey	100	
Plot 6, Nakasero Road, Nakasero, Kampala, Uganda			
G4S SECURE SOLUTIONS (UGANDA) LTD	Uganda	100	
Plot 53 Lumumba Avenue, Nakasero, Kampala, Uganda			
ALARM PROTECTION SERVICES LTD	Uganda	100	
US DEFENSE SYSTEMS LLC (UGANDA)	Uganda	100	
21A Moskovskij ave, 02073 Kiev, Ukraine			
GROUP 4 SECURITAS LLC	Ukraine	99.4	
G4S SECURE SOLUTIONS (UKRAINE) LTD	Ukraine	100	
G4S SECURITY SOLUTIONS (UKRAINE) LTD	Ukraine	100	
Chain Tower (Oriental Travel Building), First Floor, Muroor Street, P.O. Box 31859 Abu Dhabi, United Arab Emirates			
G4S SECURE SOLUTIONS LLC	United Arab Emirates	49	
P.O. Box 32634, Dubai, United Arab Emirates			
GROUP 4 FALCK SERVICES LLC	United Arab Emirates	49	
GROUP 4 SECURICOR INFORMATION TECHNOLOGY UAE LLC (G4S)	United Arab Emirates	48.5	
GROUP 4 SECURICOR FACILITY SERVICES LLC (G4S)	United Arab Emirates	48.5	
SHAMS AGRICULTURAL SERVICES L.L.C (G4S)	United Arab Emirates	48.5	
FIRST SELECT UAE LLC	United Arab Emirates	48.5	

Company Name	Country of Incorporation	% owned by group	% owned by plc
P.O. Box 31859, Abu Dhabi, United Arab Emirates			
G4S ALARM MONITORING SERVICES LLC	United Arab Emirates	49	
Unit 1-05, Street W B 4, Airport Free Zone, 54907, United Arab Emirates			
G4S INTERNATIONAL LOGISTICS (MIDDLE EAST) FZE	United Arab Emirates	100	
Dubai, 215634, United Arab Emirates			
G4S EVENTS SERVICES UAE LLC	United Arab Emirates	48	
Unit No. Al Mas 2 – D14, Al Mas Tower, Plot No. LT2, Jumeirah Lake Tower Dubai, United Arab Emirates			
G4S INTERNATIONAL LOGISTICS (MIDDLE EAST) DMCC	United Arab Emirates	100	
Unit no. 2403, JBC 5, Plot no. JLT-PH 2- W1A, Jumeirah Lake Towers, Dubai, United Arab Emirates			
G4S REGIONAL MANAGEMENT CONSULTANCY ME DMCC	United Arab Emirates	100	
Level 14 – Tower 2, Al Fattan Currency House, Dubai International Financial Centre, Dubai, Uinited Arab Emirates			
G4S CASH 360 INTERNATIONAL FZCO	United Arab Emirates	100	
Level 14 203 Al Shamal Building Plot # 113-242, Al Daghya Deira, United Arab Emirates			
G4S INTERNATIONAL LOGISTICS MIDDLE EAST LLC	United Arab Emirates	49	
Southside, 105 Victoria Street, London, SW1E 6QT, United Kingdom			
G4S UK HOLDINGS LTD(iii)	United Kingdom	100	
G4S 084 (UK) LTD	United Kingdom	100	99.8
G4S CARE AND JUSTICE SERVICES (UK) LTD	United Kingdom	100	
G4S GOVERNMENT SERVICES LTD	United Kingdom	100	
G4S 308 (UK) LTD	United Kingdom	100	
G4S 309 (UK) LTD	United Kingdom	100	
G4S 182 (UK) LTD	United Kingdom	100	
G4S REGIONAL MANAGEMENT (UK&I) LTD(iii)	United Kingdom	100	
G4S FACILITIES MANAGEMENT (UK) LTD(iii)	United Kingdom	100	
G4S OVERSEAS HOLDINGS LTD	United Kingdom	100	
G4S GOVERNMENT AND OUTSOURCING SERVICES (UK) LTD	United Kingdom	100	
STRATUS INTEGRATED SERVICES LTD	United Kingdom	100	
G4S HEALTH SERVICES (UK) LTD	United Kingdom	100	
G4S INVESTIGATION SOLUTIONS (UK) LTD	United Kingdom	100	
G4S FINANCE (SOUTH AFRICA) LTD	United Kingdom	100	100
G4S MONITORING TECHNOLOGIES LTD	United Kingdom	100	
G4S INTEGRATED SERVICES HOLDINGS LTD	United Kingdom	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Challenge House, International Drive, Tewkesbury, Gloucestershire, GL20 8UQ, United Kingdom			
G4S TECHNOLOGY LTD	United Kingdom	100	
AMAG TECHNOLOGY LTD	United Kingdom	100	
Sutton Park House, 15 Carshalton Road, Sutton, Surrey, SM1 4LD, United Kingdom			
G4S SECURITY SERVICES (UK) LTD	United Kingdom	100	
G4S AVIATION SERVICES (UK) LTD	United Kingdom	100	
G4S SECURE SOLUTIONS (UK) LTD	United Kingdom	100	
G4S CASH SOLUTIONS (UK) LTD	United Kingdom	100	
G4S CASH CENTRES (UK) LTD	United Kingdom	100	
G4S TRUSTEES LTD*	United Kingdom	100	100
G4S CASH SOLUTIONS EMPLOYEES' CRIMINAL ATTACK FUND LTD (v)	United Kingdom		
G4S BULLION SOLUTIONS (UK) LTD	United Kingdom	100	
G4S GURKHA SERVICES (UK) LTD	United Kingdom	100	
5th Floor, Southside, 105 Victoria Street, SW1E 6QT London, United Kingdom			
GROUP 4 LTD	United Kingdom	100	
G4S GLOBAL HOLDINGS LTD	United Kingdom	100	
SECURICOR LTD	United Kingdom	100	
G4S INTERNATIONAL 105 (UK) LTD	United Kingdom	100	
G4S AMERICAS (UK) LTD	United Kingdom	100	
G4S AVIATION (FRANCE) LTD	United Kingdom	100	
G4S HOLDINGS UK (AG) LTD	United Kingdom	100	
G4S MP (UK) LTD	United Kingdom	100	
G4S NOMINEES LTD	United Kingdom	100	
G4S INTERNATIONAL HOLDINGS LTD	United Kingdom	100	
G4S FINANCE MANAGEMENT (AG) LTD	United Kingdom	100	
G4S FINANCE LTD	United Kingdom	100	100
FIRST SELECT HOLDINGS LTD	United Kingdom	100	
G4S US HOLDINGS LTD	United Kingdom	100	
G4S WORLDWIDE HOLDINGS LTD	United Kingdom	100	
G4S DEFENCE SYSTEMS EURASIA LTD	United Kingdom	100	
G4S DSL HOLDINGS LTD	United Kingdom	100	
G4S HOLDINGS INTERNATIONAL (AG) LTD	United Kingdom	100	
G4S US INVESTMENTS LTD	United Kingdom	100	
IBG HOLDINGS (UK) LTD	United Kingdom	100	
G4S INTERNATIONAL FINANCE PLC	United Kingdom	100	100
G4S CORPORATE SERVICES LTD	United Kingdom	100	100
G4S FINANCE (BRAZIL) LTD	United Kingdom	100	100
G4S INVESTMENT LONDON LTD	United Kingdom	100	100
Unit 6, Central Park Estate, Staines Road, Hounslow, England, TW4 5DJ			
G4S INTERNATIONAL LOGISTICS (UK) LTD	United Kingdom	100	
46 Gillingham Street, London, SW1V 1HU, United Kingdom			
G4S RISK MANAGEMENT LTD	United Kingdom	100	
G4S SECURE SOLUTIONS (IRAQ) LTD	United Kingdom	100	
G4S RISK CONSULTING LTD	United Kingdom	100	
G4S ORDNANCE MANAGEMENT LTD	United Kingdom	100	
Site 16 Sydenham Buisness Park Airport Road West, Belfast, BT3 9LN, United Kingdom			
G4S FIRE AND SECURITY SYSTEMS LTD	United Kingdom	100	
20701 Manhattan Place, CA 90501-1829 Torrance, United States			
AMAG TECHNOLOGY INC(iii)	United States	100	

* Pension trust not part of the consolidation.

42. Details of Related Undertakings of G4S plc *continued*

Subsidiaries *continued*

Company Name	Country of Incorporation	% owned by group	% owned by plc
2711 Centerville rd, 19808 Wilmington, DE, United States			
G4S HOLDING ONE INC.	United States	100	
WACKENHUT U.S. PROPERTIES INC.	United States	100	
WACKENHUT FOREIGN PROPERTIES INC.	United States	100	
US DEFENSE SYSTEMS LLC(iv)	United States	100	
G4S RETAIL SOLUTIONS (USA) INC.	United States	100	
900 Market Street, Suite 200, DA 19801 Wilmington, Delaware, United States			
TUHNECKCAW INC.	United States	100	
4200 Wackenhut Drive, Suite 100, FL 33410 Palm Beach Gardens, FL, United States			
AMERICAN GUARD & ALERT INC.	United States	100	
TWC/FL/01 INC.	United States	100	
WACKENHUT HOMELAND SECURITY, INC.	United States	100	
G4S US INC.	United States	100	
PROLOGIS Cargo Center 75, JFK International Airport, North Hangar Road, Suite 210 Jamaica 11430 New York, United States			
G4S INTERNATIONAL LOGISTICS (USA), INC.	United States	100	
1395 University Blvd, 33458 Jupiter, FL, United States			
VEBA TRUST	United States	100	
G4S GUATEMALA HOLDING, LLC(iv)	United States	100	
G4S ELECTRONICA HOLDING, LLC(iv)	United States	100	
G4S GUATEMALA FACILITY SERVICES, LLC(iv)	United States	100	
G4S SECURE SOLUTIONS (USA) INC.	United States	100	
G4S SECURE SOLUTIONS INTERNATIONAL INC.	United States	100	
910 Paverstone Drive, 27615 Raleigh, NC, United States			
G4S COMPLIANCE & INVESTIGATIONS, INC.	United States	100	
21 North Avenue, MA 01803 Burlington, United States			
G4S TECHNOLOGY HOLDINGS (USA) INC.	United States	100	
G4S TECHNOLOGY SOFTWARE SOLUTIONS LLC(iv)	United States	100	
1209 Orange Street, DE 19801 Wilmington, Delaware, United States			
RONCO CONSULTING CORPORATION	United States	100	
1200 Landmark Center, Ste 1300, 68102 Omaha, NE, United States			
G4S SECURE INTEGRATION LLC(iv)	United States	100	
ADESTA LLC	United States	100	
601 Abbot Rd., 48823 Lansing, United States			
RENAISSANCE CENTER MANAGEMENT COMPANY(iii)	United States	90.9	
156 College Street, 3rd Floor, 05401 VT, IS, United States			
TITANIA INSURANCE CO OF AMERICA	United States	100	
701 Brazos Suite 1050, 78701 Austin, Texas, United States			
SERVICE AND SUPPLY INTERNATIONAL, INC.	United States	100	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Cufre 2320, Montevideo, Uruguay			
G4S SECURE SOLUTIONS (URUGUAY) S.A.	Uruguay	80	
Los Ruices Sur, Calle Milan 1013, Caracas, Venezuela			
SETECSA DE VENEZUELA CA	Venezuela	30	
P.O. Box 32914, 10 H Kabulonga Road, Lusaka, Zambia			
G4S SECURE SOLUTIONS ZAMBIA LTD	Zambia	100	
Plot 3144, Mukwa Road, Lusaka, Zambia			
SAFETECH (COPPERBELT) LTD	Zambia	100	
Plot 7305, Kambala Road, Lusaka, Zambia			
SAFETECH ZAMBIA LTD	Zambia	100	

Holdings in other undertakings

The Group has a legal interest in the entities listed below which are joint ventures, where the economic interest has been divested and are therefore not included in the consolidation.

Company Name	Country of Incorporation	% owned by group	% owned by plc
3rd Floor, Broad Quay House, Prince Street, Bristol BS1 4DJ, United Kingdom			
G4S INVESTMENTS LTD	United Kingdom	16.78	
G4S JOINT VENTURES LTD	United Kingdom	16.78	
G4S JOINT VENTURES (FAZAKERLEY) LTD	United Kingdom	16.78	
FAZAKERLEY PRISON SERVICES LTD	United Kingdom	16.78	
G4S JOINT VENTURES (ONLEY) LTD	United Kingdom	16.78	
ONLEY PRISON SERVICES LTD	United Kingdom	16.78	
OCHRE SOLUTIONS (HOLDINGS) LTD	United Kingdom	3.36	
OCHRE SOLUTIONS LTD	United Kingdom	3.36	
NORTH WILTSHIRE SCHOOLS LTD	United Kingdom	16.78	
UK COURT SERVICES (MANCHESTER) HOLDINGS LTD	United Kingdom	16.78	
UK COURT SERVICES (MANCHESTER) LTD	United Kingdom	16.78	
WHITE HORSE EDUCATION PARTNERSHIP LTD	United Kingdom	16.78	
HULL MATERNITY DEVEOPMENT LTD	United Kingdom	16.78	
HEALTHCARE PROVIDERS LTD	United Kingdom	16.78	
ALBION HEALTHCARE (OXFORD) HOLDINGS LTD	United Kingdom	4.19	
ALBION HEALTHCARE (OXFORD) LTD	United Kingdom	4.19	

Company Name	Country of Incorporation	% owned by group	% owned by plc
Challenge House, International Drive, Tewkesbury, GL20 8UQ, United Kingdom			
ACCOMMODATION SERVICES (HOLDINGS) LTD	United Kingdom	8.39	
INTEGRATED ACCOMODATION SERVICES PLC	United Kingdom	8.39	
EAST LONDON LIFT ACCOMMODATION SERVICES LTD	United Kingdom	5.03	
EAST LONDON LIFT COMPANY LTD	United Kingdom	5.03	
EAST LONDON LIFT INVESTMENT LTD	United Kingdom	8.39	
EAST LONDON LIFT HOLDCO NO2 LTD	United Kingdom	5.03	
EAST LONDON LIFT ACCOMMODATION SERVICES NO2 LTD	United Kingdom	5.03	
EAST LONDON LIFT HOLDCO NO4 LTD	United Kingdom	5.03	
EAST LONDON LIFT HOLDCO NO3 LTD	United Kingdom	5.03	
ELLAS NO3 LTD	United Kingdom	5.03	
ELLAS NO4 LTD	United Kingdom	5.03	
LIFT HEALTHCARE INVESTMENTS LTD	United Kingdom	2.85	
BEXLEY BROMLEY & GREENWICH LIFT COMPANY LTD	United Kingdom	1.71	
BBG HOLDCO LTD	United Kingdom	1.71	
BBG LIFT ACCOMMODATION SERVICES LTD	United Kingdom	1.71	
BBG LIFT HOLDCO (NO 2) LTD	United Kingdom	1.71	
BBG LIFT ACCOMMODATION SERVICES (NO 2) LTD	United Kingdom	1.71	
BHH LIFT COMPANY LTD	United Kingdom	1.71	
BHH HOLDCO LTD	United Kingdom	1.71	
BHH LIFT ACCOMMODATION SERVICES LTD	United Kingdom	1.71	
HEALTHCARE IMPROVEMENT PARTNERSHIP (WOLVERHAMPTON CITY AND WALSALL) LTD	United Kingdom	1.71	
WOLVERHAMPTON CITY AND WALSALL HOLDCO LTD	United Kingdom	1.71	
WOLVERHAMPTON CITY AND WALSALL LIFT ACCOMMODATION SERVICES LTD	United Kingdom	1.71	
WALSALL HOLDCO LTD	United Kingdom	1.71	
WALSALL LIFT ACCOMMODATION SERVICES LTD	United Kingdom	1.71	
LONDON LIFTCO PS LTD	United Kingdom	2.82	

Other Significant Holdings

Company Name	% owned by group	Profit or loss	Registered address
G4S-SJC LLC	20	not material	1395 University Blvd., 33458 Jupiter, United States
G4S PARSONS PACIFIC LLC	20	not material	7121 Fairway Drive, Suite 301, 33418 Palm Beach Gardens, FL, United States
POLICITY - OPERATOR LIMITED	25	not material	Virginia I, Beit Shemesh, Israel

Joint Ventures

Company Name	Registered address	% owned by group undertakings	Factors on which joint management is based	Date of last financial year if not 31/12
PARKSEC LIMITED	Ent A, Level 1, Capital Business Centre, Triq ta-Zwejt, SGN 3000 San Gwann, Malta	50.1	Joint venture agreement	
PACIFIC BUILDING SERVICES MANAGEMENT LIMITED (JV)	Level 6, Era Rumana Building Champions Parade, Port Moresby, Papua New Guinea	50	1 director appointed to the board	
BRIDGEND CUSTODIAL SERVICES LIMITED(ii)	Challenge House, International Drive, Tewkesbury, GL20 8UQ, United Kingdom	58.68	Joint venture agreement	30 September
BLOEMFONTEIN CORRECTIONAL CONTRACTS (PTY) LIMITED	Byls Bridge Office Park, Building 11, 13 Candela Street, Highveld Ext 73, 0157 Centurion, South Africa	20	Joint venture agreement	30 September
FORBES G4S SOLUTIONS PVT LTD	C-16, Community Centre, Janakpuri, Behind Janak Cinema, 110058 New Delhi, India	50	Joint venture agreement	
G4S QATAR S.P.C	Villa no. 321, Corner of Abduallah Bin Rawaha Street, C Ring Road, P.O. Box 18592 Doha, Qatar	0	Joint venture agreement	
BUSINESS CASH CENTER S.A.	Parc Industriel de la CFCIM, lot No63, Bouskoura, Casablanca, Morocco	45.7	Joint venture agreement	
T.I.S. TOTAL INTEGRATED SERVICES LTD	Diianiras 17, 2045 Strovolos Nicosia, P.O. Box 23989 1687, Nicosia, Cyprus	50	Joint Venture Agreement	

CLASSIFICATIONS KEY
(i) Ordinary shares
(ii) Deferred shares
(iii) Preference including cumulative, non-cumulative and redeemable shares
(iv) Units
(v) Limited by guarantee

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserve £m	Reserve for own shares £m	Total equity £m
At 1 January 2018	**388**	**258**	**918**	**–**	**(12)**	**1,552**
Comprehensive expense:						
Loss for the year	**–**	**–**	**(76)**	**–**	**–**	**(76)**
Other comprehensive income/(expense):						
Change in fair value of cash-flow hedging financial instruments	**–**	**–**	**–**	**1**	**–**	**1**
Cash-flow hedging fair value transferred to income statement	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Re-measurements relating to defined retirement benefit scheme	**–**	**–**	**38**	**–**	**–**	**38**
Tax on items taken directly to equity	**–**	**–**	**(7)**	**–**	**–**	**(7)**
Total comprehensive expense	**–**	**–**	**(45)**	**–**	**–**	**(45)**
Transactions with owners:						
Dividends paid	**–**	**–**	**(150)**	**–**	**–**	**(150)**
Own shares purchased	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Own shares awarded	**–**	**–**	**(9)**	**–**	**9**	**–**
Share-based payments	**–**	**–**	**8**	**–**	**–**	**8**
	–	**–**	**(151)**	**–**	**(2)**	**(153)**
At 31 December 2018	**388**	**258**	**722**	**–**	**(14)**	**1,354**
At 1 January 2017	388	258	945	–	(13)	1,578
Comprehensive income:						
Profit for the year	–	–	87	–	–	87
Other comprehensive (expense)/income:						
Change in fair value of cash-flow hedging financial instruments	–	–	–	(4)	–	(4)
Cash-flow hedging fair value transferred to income statement	–	–	–	4	–	4
Re-measurements relating to defined retirement benefit scheme	–	–	40	–	–	40
Tax on items taken directly to equity	–	–	(7)	–	–	(7)
Total comprehensive income	–	–	120	–	–	120
Transactions with owners:						
Dividends paid	–	–	(145)	–	–	(145)
Own shares purchased	–	–	–	–	(10)	(10)
Own shares awarded	–	–	(11)	–	11	–
Share-based payments	–	–	9	–	–	9
	–	–	(147)	–	1	(146)
At 31 December 2017	388	258	918	–	(12)	1,552

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Intangible assets	(e)	3	4
Investments in subsidiaries	(f)	3,101	3,098
Trade and other receivables	(g)	7	11
Retirement benefit surplus	(k)	75	80
Deferred tax assets	(l)	96	99
		3,282	3,292
Current assets			
Trade and other receivables	(g)	956	1,358
Cash and cash equivalents		1	14
		957	1,372
Total assets		4,239	4,664
LIABILITIES			
Current liabilities			
Bank overdraft		(1)	–
Loan notes (unsecured)	(h)	(464)	(210)
Current tax liability		(2)	(5)
Trade and other payables	(i)	(1,982)	(1,964)
		(2,449)	(2,179)
Non-current liabilities			
Loan notes (unsecured)	(h)	(148)	(603)
Retirement benefit obligations	(k)	(288)	(330)
		(436)	(933)
Total liabilities		(2,885)	(3,112)
Net assets		1,354	1,552
EQUITY			
Share capital	(m)	388	388
Share premium		258	258
Retained earnings[1]	(n)	722	918
Reserve for own shares	(o)	(14)	(12)
Total equity		1,354	1,552

1. The loss for the financial year was £76m (2017: profit of £87m).

The parent company financial statements on pages 217 to 226 were approved by the board of directors and authorised for issue on 12 March 2019.

They were signed on its behalf by:

ASHLEY ALMANZA
Director

TIM WELLER
Director

(a) General information

G4S plc (the 'company') is incorporated in the United Kingdom, registered in England and Wales, and domiciled in the UK. It is a public company, limited by shares. The company's registered office is given on page 228. The company's principal activities during the year have been as a holding company.

The financial statements are presented in sterling, which is the company's functional currency, and in millions of pounds.

(b) Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard ('FRS') 101-Reduced Disclosure Framework.

(c) Significant accounting policies

Basis of preparation

The financial statements have been prepared under the going concern basis and using the historical cost convention, except for the revaluation of certain financial instruments, in accordance with Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')). The principal accounting policies and measurement bases adopted are the same as those disclosed in note 3 to the consolidated financial statements including the new standards adopted, except as noted below, and have been applied consistently to all the years presented, unless stated otherwise. Judgments made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, have been disclosed in note 4 to the consolidated financial statements.

Going concern

Pages 144 to 182 of the consolidated financial statements contain information on the performance of the Group, its financial position, cash flows, net debt position and borrowing facilities. Further information, including financial risk management policies, exposures to market and credit risk and hedging activities, is given in note 30 to the consolidated financial statements, 'Financial risk'. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Exemptions

In accordance with section 408(3) of the Companies Act 2006, the company is exempt from the requirement to present its own income statement.

The company has taken advantage of certain disclosure exemptions in FRS 101, in part because its financial statements are included in the publicly-available consolidated financial statements of G4S plc.

These disclosure exemptions relate to:

- the requirements of IAS 7 – Statement of Cash Flows;
- the statement of compliance with International Financial Reporting Standards adopted by the European Union;
- new IFRSs that have been issued but are not yet effective and which have not been applied by the company;
- comparative information for the movements from the beginning to the end of the year in respect of intangible assets and certain other additional comparative information;
- information on the assumptions used in the determination of fair value and recoverable amounts of cash-generating units containing goodwill and management's approach to determining these amounts;
- financial instruments disclosures required by IFRS 7 – Financial Instruments: Disclosures;
- disclosures required by IFRS 13 – Fair Value Measurement;
- certain related-party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a Group; and
- capital management disclosures.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less provisions for impairment. The accounting policy for impairments is disclosed in note 3(i) to the consolidated financial statements.

Amounts owed by/to Group undertakings

Amounts owed by/to Group undertakings are recognised initially at fair value and are subsequently stated at amortised cost. Finance income and expense are recognised in the income statement on an accruals basis using the effective interest method.

(c) Significant accounting policies *continued*

Share-based payments

The company issues equity-settled share-based payments to certain employees. The fair value of equity settled share-based payments is determined at the date of grant and is either expensed in income statement if it relates to employees of the company or capitalised as an investment in the relevant subsidiary if it relates to the employees of a subsidiary company, with a corresponding increase in equity, and amortised on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest. The amount expensed or capitalised 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 company also issues cash-settled share-based payments to certain employees, which are recognised as a liability at fair value at the date of grant. The value of the liability is re-measured at each reporting date and at the date on which the liability is settled. The fair value of cash settled share-based payments is expensed in the income statement if it relates to employees of the company and capitalised as an investment in the relevant subsidiary if it relates to employees of a subsidiary company.

Financial guarantees

The company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group. The company considers these to be insurance arrangements and accounts for them as such. The company therefore treats such contracts as a contingent liability unless and until such time as it becomes probable that the company will be required to make a payment under the guarantee. The contingent liabilities are disclosed in note (t).

(d) Adoption of new and revised accounting standards and interpretations

The company has applied IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments for the first time in the year ended 31 December 2018.

IFRS 15 – Revenue from Contracts with Customers

The company has adopted IFRS 15 – Revenue from Contracts with Customers with effect from 1 January 2018 and has prepared its financial statements in accordance with the requirements of this new standard. The company has chosen to apply the standard fully retrospectively and has restated comparatives where appropriate.

The company derives its revenue principally from its group companies as license or royalty fees by providing them intellectual property rights. The license or royalty fees is determined based on pre-defined terms as per the terms of the contract.

The impact of adopting IFRS 15 on the company's financial position as at 31 December 2017 and as at 1 January 2017 was £nil.

IFRS 9 – Financial Instruments

The company has adopted IFRS 9 – Financial Instruments with effect from 1 January 2018, and has prepared its financial statements in accordance with the requirements of this new standard.

The new standard is applicable to the classification, measurement, impairment and re-categorisation of financial assets and liabilities. It also introduces a new hedge accounting model.

There has been no material change to the company's statement of other comprehensive income, statement of changes in equity or statement of financial position on adoption. The company has no financial liabilities held at fair value other than derivatives. The introduction of an expected-loss impairment model has had no material effect given the general quality and short-term nature of the company's trade receivables. There has been no re-categorisation of assets on adoption of the new standard and the company's existing hedging relationships have been assessed as compliant with the new requirements following a review of the existing hedging arrangements.

Hedge accounting

The company has adopted the new general hedge accounting model in IFRS 9. This requires the company to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Following a review of the company's hedging arrangements, the company has determined that its existing hedges are compliant with the new requirements. In accordance with the accounting policy, the company has elected to present separately the cost of hedging reserve in equity.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. Other than described above, the company has not made any voluntary elections on adoption.

(e) Intangible assets

	Software £m
Cost	
At 1 January 2018	12
At 31 December 2018	12
Accumulated amortisation	
At 1 January 2018	(8)
Amortisation charge	(1)
At 31 December 2018	(9)
Carrying amount	
At 31 December 2017	4
At 31 December 2018	**3**

(f) Investments in subsidiaries

Subsidiary undertakings	2018 £m	2017 £m
Shares at net book value:		
At 1 January	**3,098**	3,045
Additions	**1,479**	46
Contribution through share-based payments	**3**	7
Disposal	**(1,479)**	–
At 31 December	**3,101**	3,098

As part of an internal reorganisation, the company has transferred its 100% investment in one of its wholly owned subsidiaries to another subsidiary in exchange for new shares issued at cost with no profit and loss arising as a result of the transaction.

Full details of all investments held by the parent company are disclosed in note 42 to the consolidated financial statements. There were no impairment charges recorded in respect of the company's investments in subsidiaries during the current or prior years.

(g) Trade and other receivables

	2018 £m	2017 £m
Within current assets		
Amounts owed by Group undertakings	**950**	1,341
Other receivables	**5**	3
Derivative financial instruments at fair value (note (j))	**1**	14
Total trade and other receivables within current assets	**956**	1,358
Within non-current assets		
Derivative financial instruments at fair value (note (j))	**7**	11
Total trade and other receivables within non-current assets	**7**	11

Amounts owed by Group undertakings are unsecured, interest-free or interest-bearing based on market rates, and repayable on demand.

(h) Loan notes (unsecured)

	2018 £m	2017 £m
The loan notes are repayable as follows:		
Within one year	**464**	210
In the second year	**59**	461
In the third to fifth years inclusive	**89**	142
Total loan notes	**612**	813

The company issued fixed rate loan notes in the US Private Placement market totalling US$550m on 1 March 2007. US$100m of these notes matured and were repaid on 1 March 2014, US$ 200m of these notes matured and were repaid on 1 March 2017, US$145m of these notes matured and were repaid on 1 March 2019, and the remaining notes mature in March 2022 (US$105m).

The company issued further fixed-rate loan notes in the US Private Placement market totalling US$514m and £69m on 15 July 2008. US$65m of these notes matured and were repaid on 15 July 2013, US$150m matured and were repaid on 15 July 2015, £25m matured and were repaid on 15 July 2016, US$224m and £44m matured and were repaid on 15 July 2018. The remaining notes mature in July 2020 (US$75m).

The company issued its inaugural public note of £350m using its European Medium Term Note Programme on 13 May 2009. The note matures in May 2019.

All loan notes are stated at amortised cost. The loan notes issued in March 2007 are designated in a fair value hedge relationship and their carrying value includes a fair value adjustment in relation to the hedged interest rate risk. Derivatives relating to the loan notes, described in note (j), have a fair value loss in the year of £5m (2017: £11m). The management of currency risk and interest rate risk is also described in note (j).

Together with G4S International Finance plc, the company amended the available revolving credit facility in August 2018, reducing it from £1bn to £750m while extending the maturity for a further one and a half years to August 2023. As at 31 December 2018 there were no drawings from this facility. In addition, a £300m bridge facility has also been arranged in January 2019 for 1 year by the company and G4S International Finance plc.

(i) Trade and other payables

	2018 £m	2017 £m
Within current liabilities:		
Amounts owed to Group undertakings	**1,953**	1,927
Other taxation and social security costs	**2**	2
Accruals	**23**	30
Other payables	**4**	5
Total trade and other payables	**1,982**	1,964

Amounts owed to Group undertakings are unsecured, interest-free or interest-bearing based on market rates, and repayable on demand.

(j) Derivative financial instruments

The carrying values of derivative financial instruments at the reporting date are presented below:

	2018 Assets £m	2017 Assets £m
Cross currency swaps designated as cash flow hedges	–	12
Interest rate swaps designated as fair value hedges	8	13
Total	8	25
Less: maturity within 12 months:		
Cross currency swaps designated as cash flow hedges	–	12
Interest rate swaps designated as fair value hedges	1	2
Included within current assets	1	14
Maturing after 12 months	7	11

The mark-to-market valuation of the derivatives has decreased by £17m (2017: decreased by £15m), partly due to derivatives maturing during the year. The gain/(loss) recognised in respect of movements in the fair value of the derivatives is analysed below:

	2018 Income statement £m	2017 Income statement £m	2018 Other Comprehensive Income £m	2017 Other Comprehensive Income £m
Cross currency swaps designated as cash flow hedges	1	–	–	(4)
Interest rate swaps designated as fair value hedges	(5)	(11)	–	–
	(4)	(11)	–	(4)

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 2 of the valuation hierarchy as explained in note 3(g) to the consolidated financial statements. The fair values are calculated using discounted cash flow models. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument, which are discounted back to the balance sheet date.

Currency risk and cross-currency swaps

The Group conducts business in many currencies. The Group presents its consolidated financial statements in Sterling and as a consequence is subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The company, together with its subsidiary G4S International Finance plc, hedges a substantial portion of the Group's exposure to fluctuations in the translation into sterling of the Group's overseas net assets by holding loans in foreign currencies. On consolidation, translation adjustments arising on the translation of foreign currency loans are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges. However, in the company's own financial statements, translation adjustments arising on the translation of foreign currency loans are recognised in the income statement and are in part hedged by cross currency swaps.

The company uses cross currency interest rate swaps to manage part of the foreign currency risk associated with non functional currency debt. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The ineffective portion of movements in the fair value of hedging instruments is recognised immediately in the consolidated income statement.

There were no cross-currency interest rate swaps outstanding as at 31 December 2018 (2017: £12m).

Cost of Hedging

Currency basis is considered an unavoidable 'cost' of the derivatives that the company uses in cash flow hedges. Currency basis spread is an element that is only present in the hedging instrument, but not in a hedged item that is a single currency exposure. As such, when designating the foreign currency transactions, the Group has excluded the currency basis spread. The change in fair market value which relates to currency basis spread is recognised in OCI in a separate component of equity; 'cost of hedging reserve'.

The balance held in this reserve was nil (2017: nil).

(j) Derivative financial instruments *continued*

Interest rate risk and interest rate swaps

Borrowings issued at fixed rates expose the company to fair value interest rate risk, which the company manages within policy limits approved by the directors. When fixed/floating interest rate debt in the preferred mix is unavailable directly from investors, interest rate swaps are utilised to create the desired blend in accordance with Group Treasury policy which is to maintain a fixed percentage of debt within the range of 25% to 75%. The quantity of interest rate swaps outstanding in the company is expected to continue to decline as treasury activity is increasingly conducted by G4S International Finance plc.

The £350m public notes have a coupon step-up of 1.25%, which is triggered should the credit rating of the company fall below investment grade.

(k) Retirement benefit obligations

The company is the sponsoring company for the Group's UK defined benefit pension scheme, to which it provides a guarantee over all payments to be made to the scheme by the operating companies. The following disclosures relate to the UK scheme only and are given because the disclosures in note 31 of the Group financial statements refer to the consolidated Group position and include certain non-UK schemes.

The amounts recognised in the statement of financial position and the various components of income, other comprehensive income and cash flow are as follows:

2018	Obligation £m	Assets £m	Deficit £m
At 1 January 2018	**(2,595)**	**2,345**	**(250)**
Amounts recognised in income			
Current service cost (in cost of sales)	(4)	–	(4)
Past service cost – equalisation of benefits (in specific items)	(35)	–	(35)
Interest on obligations and assets (in finance costs)	(65)	60	(5)
Administration costs paid from plan assets (in administration expenses)	(1)	–	(1)
Total amounts recognised in income	(105)	60	(45)
Re-measurements			
Actuarial gain – change in financial assumptions	130	–	130
Actuarial gain – change in demographic assumptions	56	–	56
Actuarial loss – experience	(26)	–	(26)
Return on assets	–	(122)	(122)
Re-measurement effects recognised in other comprehensive income	160	(122)	38
Cash			
Employer contributions	–	44	44
Benefits paid from plan assets	108	(108)	–
Net cash	108	(64)	44
At 31 December 2018[1]	**(2,432)**	**2,219**	**(213)**

1. Retirement benefit surplus £75m and retirement benefit obligation £288m.

2017	Obligation £m	Assets £m	Deficit £m
At 1 January 2017	(2,659)	2,339	(320)
Amounts recognised in income			
Current service cost (in cost of sales)	(4)	–	(4)
Interest on obligations and assets (in finance costs)	(65)	58	(7)
Administration costs paid from plan assets (in administration expenses)	(2)	–	(2)
Total amounts recognised in income	(71)	58	(13)
Re-measurements			
Actuarial gain – change in financial assumptions	32	–	32
Actuarial loss – change in demographic assumptions	(2)	–	(2)
Actuarial gain – experience	15	–	15
Return on assets	–	(5)	(5)
Re-measurement effects recognised in other comprehensive income	45	(5)	40
Cash			
Employer contributions	–	43	43
Benefits paid from plan assets	90	(90)	–
Net cash	90	(47)	43
At 31 December 2017[1]	(2,595)	2,345	(250)

1. Retirement benefit surplus £80m and retirement benefit obligation £330m.

Contributions in 2018 included £41m (2017: £40m) of additional contributions in respect of the deficit in the UK scheme.

(l) Deferred tax assets

The reconciliation of deferred tax assets is as follows:

	Intangible assets £m	Retirement benefit obligation £m	Share-based payments £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2018	1	44	2	49	3	99
Credit/(charge) to the income statement	–	–	–	(4)	8	4
Charge to equity	–	(7)	–	–	–	(7)
At 31 December 2018	**1**	**37**	**2**	**45**	**11**	**96**
At 1 January 2017	1	57	2	58	–	118
Credit/(charge) to the income statement	–	(6)	–	(9)	2	(13)
(Charge)/credit to equity	–	(8)	–	–	1	(7)
Charge to equity – change in tax rate	–	1	–	–	–	1
At 31 December 2017	1	44	2	49	3	99

At 31 December 2018, the company had unutilised tax losses of approximately £250m (2017: £271m) potentially available for offset against future profits. A deferred tax asset of £43m (2017: £49m) has been recognised in respect of these unutilised tax losses based on expected/forecast profitability from approved budgets and business plans. The recognition of deferred tax assets on tax losses is predicated on the projected generation of income in the company which should result in the utilisation of the available tax losses within a foreseeable period. This income stream is driven by the current and future global results of the Group in line with business plans.

In addition, the company has estimated capital losses of approximately £2.7bn (2017: £2.6bn) of which £139m (2017: £15m) have been agreed with HMRC. In 2018 the company has recognised a deferred tax asset of £2m (2017: £nil) in relation to capital losses on the basis of future planned transactions which would result in a capital gain.

(m) Share capital

Disclosures about the share capital of the company have been included in note 34 to the consolidated financial statements.

(n) Retained earnings

Included in the company's retained earnings are £684m (2017: £885m) of distributable profits.

(o) Reserve for own shares

Disclosures about the reserve for own shares of the company have been included in note 35 to the consolidated financial statements.

(p) Auditor's remuneration

Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements have been disclosed in note 10 to the consolidated financial statements.

(q) Staff costs and employees

The average monthly number of employees, including executive directors was:

	2018 Number	2017 Number
Average number of employees (corporate)	**16**	19

The aggregate remuneration of employees, including executive directors, employed by the Company comprised:

	2018 £m	2017 £m
Wages and salaries	**6**	7
Social security costs	**1**	1
Employee benefits	**5**	6
Total staff costs	**12**	14

Information about the directors' remuneration, long-term incentive plans, pension contributions and entitlements is set out in the Directors' Remuneration Report on pages 105 to 127.

(r) Share-based payments

The company has both equity-settled and cash-settled share-based payment schemes in place, being the conditional allocations of G4S plc shares. An Employee Benefit Trust established by the Group holds shares to satisfy the vesting of conditional allocation awards. Share-based payments disclosures relevant to the company are presented within note 38 to the consolidated financial statements.

(s) Related-party transactions

Certain disclosures relevant to the company are presented within note 39 to the consolidated financial statements. Company transactions with Group undertakings primarily consist of royalty charges, central service charges and loan transactions.

(t) Contingent liabilities

To help secure cost-effective finance facilities for its subsidiaries, the company issues guarantees to some of the Group's finance providers. At 31 December 2018 guarantees totalling £540m (2017: £466m) were in place in support of such facilities.

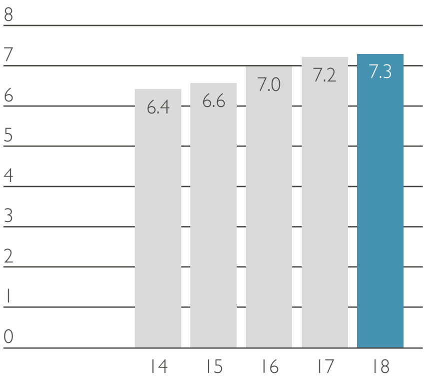
The company also guarantees the debt obligations of certain subsidiaries. At 31 December 2018 contingent liabilities of £1,393m (2017: £1,333m) were outstanding in support of such debt obligations.

(u) Dividends

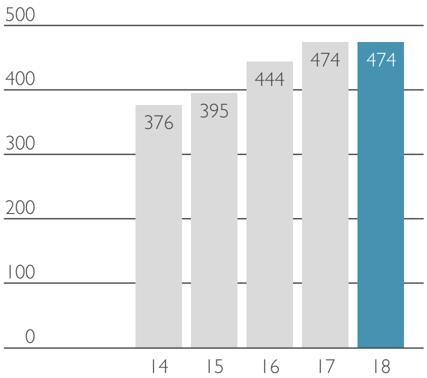
Amounts recognised as distributions to equity holders of the company in the year have been disclosed in note 14 to the consolidated financial statements.

GROUP FINANCIAL RECORD

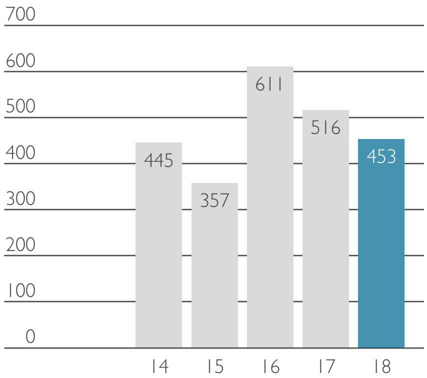
Revenue* (£bn)



Adjusted PBITA* (£m)



Operating cash flow* (£m)



£7.3 billion

Revenue in 2018

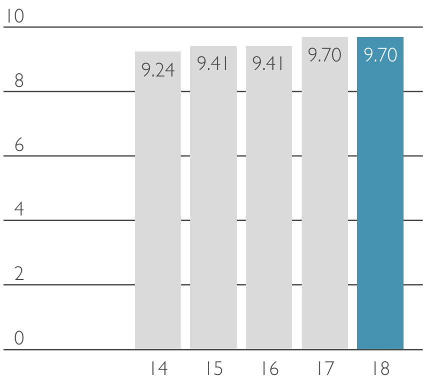
£474 million

Adjusted PBITA defined as profit before interest, tax and amortisation and excluding specific and other separately disclosed items, in 2018

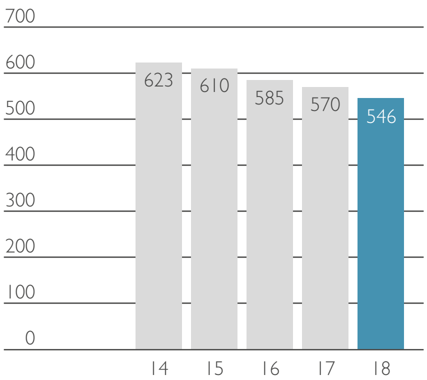
£453 million

Operating cash flow in 2018

Dividend (pence per share)



Employees ('000)



9.70p

Total dividend per share for 2018

546,000

(including joint ventures and businesses held for sale or closure)

* Underlying revenue, Adjusted PBITA and operating cash flow are Alternative Performance Measures (APMs) as described on pages 41 and 42 and exclude results from disposed businesses, onerous contracts and specific and other separately disclosed items. A reconciliation between underlying results and statutory results is provided on page 50.

GENERAL INFORMATION

Financial calendar

Results announcements
Q1 Trading update – May
Half-year results – August
Q3 Trading update – November
Final Results – March

Dividend payment
Interim paid – 12 October 2018
Final payable – 14 June 2019

Annual General Meeting
16 May 2019

Corporate addresses

Registered office
5th Floor
Southside
105 Victoria Street
London
SW1E 6QT
Telephone +44 (0)207 963 3100

Registered number
4992207

Legal Entity Identifier code
549300L3KWKK8X35QR12

Auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Stockbrokers
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Citigroup Global Markets Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB

Financial advisors
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

G4S website
g4s.com

GENERAL SHAREHOLDER INFORMATION

Registrars and transfer office
All enquiries relating to the administration of shareholdings should be directed to:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: within the UK 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. If you are outside the UK call +44 (0)371 644 0300. Calls from outside the UK will be charged at the applicable international rate)
Email: enquiries@linkgroup.co.uk
Secure shareholder portal: signalshares.com

Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the company or the company's registrar.

Link shareholder portal
Signal shares is an online facility provided by the company's registrars, Link Asset Services, for shareholders to manage their holding securely online reducing the need for paperwork. By registering for a free portal account, shareholders are able to access a range of online facilities 24 hours a day including those described below.

View account holding details
Allows shareholders to access their personal account, shareholding balance, share transaction history, indicative share valuation and dividend payment history. It also enables shareholders to buy and sell shares.

Change of address, bank mandates, downloadable forms
Allows shareholders to update their postal address and complete, change or delete bank mandate instructions for dividends. A wide range of shareholder information, including downloadable forms such as stock transfer forms, is also available.

Dedicated helpline
Link Asset Services also has a helpline to help users with all aspects of the service. The numbers are noted above. Lines are open 8.30am to 5.30pm Monday to Friday.

Buy and sell shares
Link Asset Services provide a service to buy and sell shares, there is no need to pre-register and there are no complicated application forms to fill in.

For further information on this service, or to buy and sell shares visit linksharedeal.com or call 0371 664 0445.

www.g4s.com

G4S plc
5th Floor
Southside
105 Victoria Street
London
SW1E 6QT
United Kingdom

Telephone: +44 (0) 207 963 3100
Email: investor@g4s.com

Registered in England No. 4992207