Registration number: 07254591

G4S International Finance plc

Annual Report and Financial Statements

for the Year Ended 31 December 2019

G4S International Finance plc

Contents

G4S International Finance plc

Company Information

Directors	C A V Barroche
	S Lundsberg-Nielsen
	T P Weller
Company secretary	V J Patel
Registered office	5th Floor Southside 105 Victoria Street London SW1E 6QT
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

G4S International Finance plc

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

Principal activities

The principal activities of G4S International Finance plc ("the Company") are to enter into external debt funding arrangements and perform financial risk management hedging activities in order to support the G4S plc group ("the Group"). In accordance with the Group Treasury policy, the Company only holds or issues derivative financial instruments to manage its own and the Group's exposure to financial risk. No derivative financial instruments are held for trading purposes.

Derivative financial instruments and hedge accounting

In accordance with the treasury policies of G4S plc, the Company only holds or issues derivative financial instruments to manage its exposure to financial risk. No derivatives are held for trading purposes. Refer to note 15 for a full description of these risks and information on how they are managed.

Financial performance

The Company made a loss before income tax for the financial year of £7m (2018: £13m) as set out in the income statement on page 15. Loss before income tax includes £60m (2018: £47m) of finance income that the Company received in respect of the funding provided to other Group companies. This was offset by £67m (2018: £60m) of finance costs mainly relating to external bank overdrafts, loans and publicly listed loan notes.

Fair value gains from derivative financial instruments of £11m (2018: losses of £23m) were included directly in the income statement and losses of £67m (2018: gains of £31m) were included in the hedging reserve.

During the year, the Company issued $162m of US private loan notes maturing in May 2026, and $188m of US private loan notes maturing in May 2029. As at 31 December 2019, the Company had drawn down £240m from the RCF (2018: undrawn). In June 2019, the Company exercised an option to extend the term of £716m of the £750m RCF by a further year, taking it to 2024. In July 2019 the Company entered into a £300m bridge facility for 12 months with an option to extend for a further six months, amended in December 2019 to £250m with a 3 month extension so that, if the option is exercised, final maturity is October 2020. This was undrawn as at 31 December 2019.

Future developments

The directors expect the general level of activity of the Company to remain consistent with the prior years and the Company's principal activity is not expected to change substantially.

Key performance indicators

Given the straight-forward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for understanding of the performance or development of the business.

Principal risks and uncertainties

All businesses are subject to risk. Many individual risks are macro-economic or social in nature and thus they are common to many businesses. Below, the risks considered key to the Company have been listed. The key risks are those which would materially damage the Company's strategy, reputation, business, profitability or assets. This list is in no particular order and it is not an exhaustive list of all potential risks. Some risks may be unknown at present and it may transpire that risks currently considered immaterial become material in the future.

(1) *Currency risk*

The Company and its parent, G4S plc, conduct their business in many currencies which reflects the Group's global operations. However, the Company presents its financial statements in GBP. As a result, the Company is subject to the foreign exchange risk due to having internal and external loans in foreign currencies. The Company is also exposed to the risk as a result of engaging in the related hedging activities.

Risk mitigation approach

The Company and its parent, G4S plc, hedge a substantial portion of the Group's foreign currency risk by holding loans in foreign currencies.

(2) *Interest rate risk*

The Company enters into external borrowing agreements with fixed and floating interest rates. The floating rate exposes the Company to interest rate risk should the interest rates fluctuate rapidly or in an adverse manner.

Risk mitigation approach

The Company aims to obtain borrowing directly from the debt capital markets at fixed rates. Only where fixed rate borrowing is unavailable to the extent required, the Company utilises interest rate swaps.

(3) *Counterparty credit risk*

The Company holds balances with multiple external third parties and internal counterparties. The counterparty default could lead to cash flow issues for the Company and adversely affect its operational activities.

Risk mitigation approach

The Company manages the external counterparty credit risk by setting minimum credit ratings for counterparties. The ratings are monitored on a regular basis. For treasury-related transactions, the 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. For transactions with internal counterparties, the risk is managed through monitoring of results and engagement with stakeholders.

(4) *Liquidity Risk*

The liquidity risk has the potential that the Company will be unable to acquire the cash required to meet short or intermediate term obligations.

Risk mitigation approach

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short term debt finance.

Subsequent to the year end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions being made by governments to support national and global economies. Further details of the risks faced by the Company and the G4S plc Group as a result of Covid-19 and the Group's ability to manage its growing global effects are included in the G4S plc 2019 consolidated financial statements. The directors have reassessed the position at the date of signing these financial statements and there is no change in view.

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Company operates as a subsidiary of G4S plc and is managed centrally. Summary of how the directors fulfil their duties is listed in the strategic report of the G4S plc 2019 consolidated financial statements.

Stakeholder engagement

The Company operates as a subsidiary of G4S plc and is managed centrally. Summary of how the the Company engages with its stakeholders is listed in the strategic report of the G4S plc 2019 consolidated financial statements.

Approved by the Board on 26 May 2020 and signed on its behalf by:

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T P Weller
Director

G4S International Finance plc

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors of the Company
The directors of the Company, who were in office during the year and up to the date of signing, were as follows:

C A V Barroche

S Lundsberg-Nielsen

T P Weller

Company secretaries
The Company secretaries, who were in office during the year and up to the date of signing, were as follows:

V J Patel

Results and dividends
The results for the year are set out on page 15. The directors do not recommend the payment of a dividend (2018: £Nil).

A review of the progress of the Company's business during the year, likely future developments, the financial risk management part for the financial instruments, the engagement with others, key performance indicators and principal business risks are contained in the Strategic Report on page 2.

Going concern
The financial statements have been prepared on a going concern basis, notwithstanding the Company's net liabilities, which the directors believe to be appropriate for the following reasons. The Company received a financial support letter from a parent company to provide sufficient financial assistance to the Company if and when it is needed to enable the Company to continue its operations and fulfil its currently anticipated financial obligations now and in the future. This undertaking is provided for a period of at least 12 months from the date of these financial statements provided the Company remains a member of the parent company's group.

The Group has considerable financial resources including unutilised bank facilities of £510m, a £250m bridge facility and net cash of £519m at 31 December 2019. In addition, the sale of the majority of the Group's conventional cash businesses to Brink's is expected to generate net proceeds of approximately £670m, of which 75% is expected to be received by June 2020 and a further 22% is expected to be received before the end of 2020. These proceeds, together with the Group's long-term customer contract portfolio, flexible cost base coupled with the geographically diverse operating footprint of the Group and breadth of customer industry groupings, means that the Group is well placed to manage the direct business impacts and the current global economic uncertainty arising from the Covid-19 pandemic.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on a parent undertaking for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Additionally, the Company's debt is guaranteed by G4S plc.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Environmental matters
The Company's business does not have a significant direct impact on the environment. However, the Company recognises the importance of its responsibilities to reduce environmental impact in areas such as energy usage, recycling or environmentally-friendly products. In these areas the Company operates in accordance with the policies of G4S plc which are detailed in the G4S plc's annual report.

Political donations

The Company made no political donations during the year (2018: none).

Events since the end of the financial year

Subsequent to the year end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions being made by governments to support national and global economies. Further details of the risks faced by the Company and the G4S plc Group as a result of Covid-19 and the Group's ability to manage its growing global effects are included in the G4S plc 2019 consolidated financial statements. The directors have reassessed the position at the date of signing these financial statements and there is no change in view.

Financial risk management

The Company operates under the financial risk management objectives and policies of its ultimate parent, G4S plc, into which the results of the Company are consolidated. G4S plc's key objectives and policies include:

- Mitigating liquidity risk by ensuring there are sufficient undrawn committed facilities available to the G4S plc group;
- Conducting operating and financing activities, wherever possible, in the Company's local currency; and
- Utilising interest rate swaps and cross-currency swaps to manage future cash outflows.

Further details of the financial risk management objectives and policies of the G4S plc group, which the Company is a member of, are included in the consolidated financial statements of G4S plc.

Corporate governance statement on internal controls and risk management in relation to the financial reporting process

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Company and for reviewing the effectiveness of the system. This is implemented by applying Group's internal control procedures and its global risk reporting information system. The internal controls and processes 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 misstatements or loss.

The main features of the Group's control systems include clearly defined reporting lines and authorisation procedures, a comprehensive budgeting and monthly reporting system and written policies and procedures. The Group's budget is approved by the G4S board, and regular updates are provided by the Group CFO on the outlook. Actual results are reported monthly and variances reviewed.

The risks faced by the Group are captured in a global risk reporting information system. These risks are reviewed formally at least annually, and the principal residual risks to the group as a whole are discussed in depth by the Group Executive Committee. The Board Risk Committee reviews the most significant risks on a regular basis, and the G4S plc board reviews regularly the overall impact of these major risks on the Group's activities.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution confirming their appointment will be approved at the Annual General meeting.

Approved by the Board on 26 May 2020 and signed on its behalf by:

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T P Weller
Director

G4S International Finance plc

Independent Auditors' Report to the Members of G4S International Finance plc

Report on the audit of the financial statements

Opinion

In our opinion, G4S International Finance plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity 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 Board of Directors.

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 Company 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 Company.

We have provided no non-audit services to the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall materiality: £10 million (2018: £10 million), based on approximately 0.5% of Total liabilities.
- Our audit included a full scope statutory audit.
- Valuation of derivatives and Impact of Covid-19 were considered key audit matters in the current year.

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax regulations, unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to areas where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Audit procedures performed by the engagement team included discussions with in-house legal counsel, challenging assumptions and judgements made by management in their significant accounting estimates, and testing journal entries.

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. Also, 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, 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***
Valuation of derivatives Interest rate swaps and cross currency swaps are used by the Company to manage the currency and interest profile of debt held by G4S plc group companies and currency exposures arising from Group entities that have a different functional currency to G4S plc group's functional currency. The total derivative asset and liability values as at 31 December 2019 were £2m (2018: £36m) and £32m (2018: £10m) respectively. Accounting for derivatives requires estimation to determine the fair value of the instrument and the application of hedge accounting requires formal designation and regular effectiveness testing. The fair value change in derivatives resulted in a direct impact to the income statement and reserves of £11m gain (2018: £23m loss) and £67m loss (2018: £31m gain) respectively. Refer to Note 16 in the financial statements.	We tested the valuation of the derivatives entered into by the Company by independently recalculating their fair value on a sample basis. We tested the completeness and existence of the derivatives through third party confirmation procedures. Our approach in respect of the derivatives designated in a hedge relationship included examining hedge documentation, testing of hedge effectiveness as well as assessing the related accounting entries including the cash flow hedge reserve. As a result of our work, we determined that the derivatives have been valued appropriately in the context of the financial statements taken as a whole and that adequate disclosures have been provided.

Independent Auditors' Report to the Members of G4S International Finance plc (continued)

Key audit matter	*How our audit addressed the key audit matter*
Impact of Covid-19 There is no direct impact on the Company from Covid-19 as the Company does not trade and its income is derived from intercompany interest. The Company has recorded a loss for the year and is also in a net liabilities position and hence as a result has obtained a letter of support from its parent entity G4S plc. In assessing the ability of G4S plc to provide such support it is important to assess the impact of Covid-19 on G4S plc and its subsidiary undertakings (the 'Group') as a whole. Following the 2019 year-end the impact of the Covid-19 pandemic on the global economy and markets in which the Group operates has increased significantly. This has impacted the results of the Group for the 2020 financial year to-date and is expected to continue to impact the Group for the remainder of 2020, albeit the severity of the impact is expected to reduce over time. The different industry sectors in which the Group operates in each country have been affected in different ways. Group management have performed a detailed bottom-up analysis of the impact of Covid-19 on revenue, profit and cashflows including possible cost mitigation and relief obtained from the counter-measures taken by national governments. In doing so, management have made estimates and judgements that are critical to the outcome of these considerations. This analysis has been used in conjunction with an assessment of the Group's liquidity and consideration of loan covenants, which are based on the ratio of net debt to EBITDA. Disclosure of the risk to the Group of Covid-19 and management's conclusions on going concern and viability have been included within the relevant sections of the G4S plc Annual Report and Accounts.	We have read the letter of support provided by G4S plc to ensure the nature of the support is sufficient, is for an appropriate period and is signed by an authorised individual. In order to assess G4S plc's ability to provide such support we have relied on the relevant procedures over going concern and viability carried out at the time of signing the Group financial statements and have updated that assessment for the purpose of the G4S International Finance plc financial statements. We have obtained an updated assessment from Group management on the expected impact on profits and cash flows of Covid-19 and have applied this to the forecasts used in the baseline going concern model prepared for the Group. In conjunction with this we have reviewed management's analysis of both liquidity and loan covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment. The actual performance for the Group is in line with this forecast. On the basis of the analysis performed we are satisfied that management's going concern assessment, based on the letter of support provided by G4S plc, provides an appropriate basis for management's conclusion on going concern and that this has been appropriately disclosed in the financial statements.

Independent Auditors' Report to the Members of G4S International Finance plc (continued)

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 Company, the accounting processes and controls, and the industry in which it operates.

The Company is responsible for the treasury management operations of the G4S Group. The Company's principal activity is to engage in external debt funding arrangements and risk management hedging activities to support the G4S Group companies. Our detailed audit procedures are tailored to test material Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position accounts, together with related financial statement disclosures.

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 judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£10 million (2018: £10 million).
How we determined it	Approximately 0.5% of total liabilities.
Rationale for benchmark applied	G4S International Finance plc is a not-for-profit entity, as the Company's principal activity is to engage in external debt funding arrangements and risk management hedging activities to support G4S Group companies. As such, total liabilities is deemed the appropriate benchmark applied.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £500,000 (2018: £500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent Auditors' Report to the Members of G4S International Finance plc (continued)

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 and Directors' Report, 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, ISAs (UK) require us also to report certain opinions and matters as described below.

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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 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 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' Report to the Members of G4S International Finance plc (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

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 5 years, covering the years ended 31 December 2015 to 31 December 2019.

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Sandeep Dhillon (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

26 May 2020

G4S International Finance plc

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ m	2018 £ m
Operating result		-	-
Finance income	8	60	47
Finance costs	9	(67)	(60)
Loss before income tax		(7)	(13)
Income tax credit/(expense)	10	-	-
Loss for the financial year		(7)	(13)

G4S International Finance plc

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ m	2018 £ m
Loss for the financial year		(7)	(13)
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedging financial instruments	16	(67)	31
Tax on items taken directly to equity		1	(2)
Cash flow hedging fair value transferred to the income statement		59	(17)
Other comprehensive (expense)/income for the financial year, net of tax		(7)	12
Total comprehensive expense for the financial year		(14)	(1)

G4S International Finance plc

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ m	Hedging reserves £ m	Accumulated losses £ m	Total share-holders' deficit £ m
At 1 January 2018	15	(1)	(35)	(21)
Comprehensive expense:				
Loss for the financial year	-	-	(13)	(13)
Other comprehensive (expense)/income:				
Change in fair value of cash flow hedging financial instruments	-	31	-	31
Tax on items taken directly to equity	-	(2)	-	(2)
Cash flow hedging fair value transferred to the income statement	-	(17)	-	(17)
Total comprehensive income/(expense) for the financial year	-	12	(13)	(1)
At 31 December 2018	15	11	(48)	(22)
At 1 January 2019	15	11	(48)	(22)
Comprehensive expense:				
Loss for the financial year	-	-	(7)	(7)
Other comprehensive (expense)/income:				
Change in fair value of cash flow hedging financial instruments	-	(67)	-	(67)
Tax on items taken directly to equity	-	1	-	1
Cash flow hedging fair value transferred to the income statement	-	59	-	59
Total comprehensive expense for the financial year	-	(7)	(7)	(14)
At 31 December 2019	15	4	(55)	(36)

G4S International Finance plc

(Registration number: 07254591)
Statement of Financial Position as at 31 December 2019

	Note	2019 £ m	2018 £ m
Current assets			
Trade and other receivables	11, 16	2,753	2,098
Cash and cash equivalents		3	137
Deferred tax assets - amounts falling due after more than one year	10	1	2
		2,757	2,237
Creditors: Amounts falling due within one year			
Trade and other payables	12, 16	(643)	(641)
Bank overdrafts	13	(308)	(221)
		(951)	(862)
Total assets less current liabilities		1,806	1,375
Creditors: Amounts falling due after more than one year			
Bank loans	13	(240)	-
Loan notes	13	(1,570)	(1,385)
Trade and other payables	12, 16	(32)	(10)
Deferred tax liabilities	10	-	(2)
		(1,842)	(1,397)
Net liabilities		(36)	(22)
Equity			
Share capital	14	15	15
Hedging reserves		4	11
Accumulated losses		(55)	(48)
Total shareholders' deficit		(36)	(22)

The financial statements on pages 15 to 42 were approved by the Board on 26 May 2020 and signed on its behalf by:

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T P Weller
Director

The notes on pages 19 to 42 form an integral part of these financial statements.

1 General information

G4S International Finance plc is incorporated in the United Kingdom, registered in England and Wales, and domiciled in the UK. It is a private company, limited by shares. The Company's registered office is: 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

The financial statements are presented in sterling, which is the Company's functional currency, and in millions of pounds, unless stated otherwise.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The presentation of the Statement of Financial Position has been changed from the IAS 1 format used in previous years. Following a review of certain current assets it was considered that these assets may need to be reclassified as non-current assets under IAS 1, however presenting them as non-current assets would be misleading to the users of the financial statements. The Company has therefore adopted the Companies Act 2006 format in the current year as the assets would continue to be presented as current assets and this is deemed to be a more appropriate presentation to show the symmetry between intercompany receivables and payables. As a consequence of the change, trade and other receivables of £36,000,000 presented as non-current assets in the prior year have been reclassified as current assets.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the Company's net liabilities, which the directors believe to be appropriate for the following reasons. The Company received a financial support letter from a parent company to provide sufficient financial assistance to the Company if and when it is needed to enable the Company to continue its operations and fulfil its currently anticipated financial obligations now and in the future. This undertaking is provided for a period of at least 12 months from the date of these financial statements provided the Company remains a member of the parent company's group.

2 Accounting policies (continued)

Going concern (continued)

The Group has considerable financial resources including unutilised bank facilities of £510m, a £250m bridge facility and net cash of £519m at 31 December 2019. In addition, the sale of the majority of the Group's conventional cash businesses to Brink's is expected to generate net proceeds of approximately £670m, of which 75% is expected to be received by June 2020 and a further 22% is expected to be received before the end of 2020. These proceeds, together with the Group's long-term customer contract portfolio, flexible cost base coupled with the geographically diverse operating footprint of the Group and breadth of customer industry groupings, means that the Group is well placed to manage the direct business impacts and the current global economic uncertainty arising from the Covid-19 pandemic.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on a parent undertaking for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of the approval of these financial statements, they have no reason to believe that it will not do so.

Additionally, the Company's debt is guaranteed by G4S plc.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Summary of disclosure exemptions

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. Copies of the consolidated financial statements of G4S plc may be obtained by writing to the Company Secretary, G4S plc, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

These disclosure exemptions relate to:

- the requirements of IAS 7 "Statement of cash flows";
- paragraphs 30 and 31 of IAS 8, "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the following paragraphs of IAS 1, "Presentation of financial statements": 10(d) (statement of cash flows); 16 (statement of compliance with all IFRS); 38A (requirement for minimum of two primary statements, including cash flow statements); 38B-D (additional comparative information); 111 (statement of cash flows information); and 134-136 (capital management disclosures).
- the requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures" and the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more wholly-owned members of a group; and
- capital management disclosures required by paragraphs 134 of 136 of IAS 1 "Presentation of Financial Statements".

2 Accounting policies (continued)

New standards, interpretations and amendments effective for the first time

Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest Rate Benchmark Reform
The Company holds a EUR 100m interest rate swap in fair value hedge relationships which reference 1 year EURIBOR. The replacement of interbank offered rates (such as LIBOR and EURIBOR) has been announced as a priority for global regulators which has potential implications for the hedge effectiveness of these relationships.

The Company adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 in respect of Interest Rate Benchmark (IBOR) Reforms early, with effect from 1 January 2019. The amendments provide temporary relief from the need to apply certain specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. As a result, the prospect of IBOR reform should not result in the Company's hedging relationships ceasing to meet the requirements for hedge accounting. The relief in the amendments will cease to apply when the uncertainty arising from IBOR reform no longer exists. The adoption of the amendments did not have a material effect on the results for the year or the statement of financial position as at 31 December 2019. The implications on the wider business of IBOR reform will be assessed during 2020.

There was no material effect from the adoption of any other new standards or interpretations in the year ended 31 December 2019.

Finance income and finance costs
Finance 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.

Finance costs are recognised as an expense in the income statement on the same basis.

Foreign currencies
These financial statements are presented in sterling, which is the Company's functional currency. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities which are denominated in other currencies are retranslated at the rates prevailing on that date. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on retranslation are included in the income statement.

2 Accounting policies (continued)

Income tax

Tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is recognised in equity or in other comprehensive income. The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 Company'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 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.

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 contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Trade and other receivables

Trade and other receivables do not carry interest. They are initially recognised at fair value which represents the amount of consideration that is unconditional. They are subsequently carried at amortised cost using the effective interest method less loss allowances.

Amounts owed by/to Group undertakings

Amounts owed by/to Group undertakings (members of the G4S plc group) are recognised initially at fair value and are subsequently stated at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Trade and other payables

Trade and other payables do not carry interest. They are initially recognised at fair value and they are subsequently carried at amortised cost using the effective interest method.

Bank overdrafts

Bank overdrafts comprise cash and cash equivalent balances in an overdrawn position. Interest expense on these balances is recognised in finance costs using effective-interest method. Bank overdrafts are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2 Accounting policies (continued)

Financial instruments (continued)

Cost of hedging

Currency basis is considered to be an unavoidable cost of the derivatives that the Company uses in the cash flow hedges. Currency basis spread is an element that is only present in the hedging instrument, but not in the hedged item, as the hedged item is exposed only to a single currency. As such, when designating the foreign currency transactions, the Company has excluded the currency basis spread. The change in the fair value which pertains to the currency basis is recognised in the statement of other comprehensive income as a separate component of equity, within the cost of hedging reserve.

Derivative financial instruments and hedge accounting

In accordance with the treasury policies of G4S plc, the Company only holds or issues derivative financial instruments to manage its exposure to financial risk. No derivatives are held for trading purposes. Refer to note 15 for a full description of these risks and information on how they are managed.

Derivative financial instruments are recognised in the statement of financial position at fair value, either as financial assets or liabilities.

The gain or loss on re-measurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for hedge accounting. Where derivatives do qualify for hedge accounting, the treatment of any resultant gain or loss depends on the nature of the item being hedged.

If the financial instrument is a fair value hedge, then the change in the fair value of both the hedging instrument and the hedged item is recognised immediately in the income statement.

If the financial instrument is a cash flow hedge, then the change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised in equity and subsequently recycled to the income statement when the hedged cash flow impacts the income statement. The ineffective portion of the fair value of the hedging instrument is recognised immediately in the income statement.

Impairment of financial assets

For loans and balances with Group companies, the general approach permitted by IFRS 9 is applied, which requires 12 month expected credit losses to be recognised on initial recognition of these receivables. If a significant increase in credit occurs, this requires expected lifetime credit losses to be recognised on these receivables.

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 income statement on an accrual basis using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Hedging reserves

Included within the hedging reserves are the cash flow hedge reserve and the cost of hedging reserve. Cash flow hedge reserve comprises 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). Cost of hedging reserve comprises the currency basis relevant to the cross-currency interest rate swaps (net of tax).

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies. These judgements, estimates and associated assumptions are based on historical experience, current and expected economic conditions, and in some cases, actuarial techniques as well as the various other factors that are believed to be reasonable under the circumstances.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

The judgements, estimates and assumptions which are of most significance in the preparation of the Company's financial statements are detailed below:

Fair value of derivative financial instruments
The fair value of derivative financial instruments is calculated using a discounted cash flow method. Observable market data are used as inputs. Management judgement is required to determine the relevant inputs, currency yield curves and discount rates.

Loss allowances against amounts owed by Group undertakings
The Company holds amounts owed by other G4S plc group entities. The decision whether to recognise a loss allowance against such receivables requires judgement in respect of the underlying operational performance and economic risks faced by other Group companies.

4 Operating segments

It is considered that the Company has only a single operating segment. This is because the Company engages in a single principal activity, namely supporting fellow subsidiary companies in external debt funding arrangements and risk management hedging activities. Consequently, no additional operating segment information has been disclosed.

5 Staff costs

There were no employees during the current or prior year and therefore the Company incurred no staff costs.

6 Directors' remuneration

The directors received no remuneration or accrued pension benefits in respect of their services to the Company during the current or prior year.

7 Auditors' remuneration

Auditors' remuneration of £39,000 (2018: £37,000) was borne by another Group company. The Company did not incur any non-audit fees in the current or prior year.

8 Finance income

	2019 £ m	2018 £ m
Net changes in fair value of hedging instrument in a fair value hedge	2	-
Interest receivable from Group undertakings	58	47
	60	47

9 Finance costs

	2019 £ m	2018 £ m
Interest on bank overdrafts and revolving credit facility	6	4
Interest on loan notes	31	31
Net interest rate swap expense	14	13
Bank arrangement fees	6	4
Foreign exchange and fair value losses	10	7
Ineffective portion of changes in fair value of cash flow hedge	-	1
	67	60

Included within foreign exchange losses is the release in respect of movement in the fair value of the derivatives as disclosed in note 16.

10 Income tax expense

Tax expensed in the income statement is as follows:

	2019 £ m	2018 £ m
Current tax		
UK corporation tax	-	-
Total current tax	-	-

The tax on loss for the year is higher than (2018: higher than) the standard effective rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ m	2018 £ m
Loss before income tax	(7)	(13)
Corporation tax at standard effective rate	(1)	(2)
Increase from transfer pricing adjustments	1	2
Total income tax expense	-	-

The standard effective rate of corporation tax for the current year is the same as the standard effective rate of corporation tax for the prior year.

Under UK transfer pricing rules, the Company should impute interest on any inter-company loans which are not on arm's length terms. As a result, a taxable interest income of £11m (2018: £11m) has been claimed on its non-interest bearing inter-company loans with the corresponding interest deduction recognised in other UK Group companies.

Similarly, as the Company functions as a limited risk finance intermediary, it should earn no more than an arm's length margin on its finance administration activities. As a result, a deductible expense of £2m (2018: taxable income of £2m) has been imputed, with the corresponding income recognised in another UK Group company.

The combined impact of these transfer pricing adjustments is to increase the tax charge by £1.6m (2018: £2m).

10 Income tax expense (continued)

Deferred tax

Deferred tax assets and liabilities are as follows:

2019	Asset £ m	Liability £ m	Net deferred tax £ m
Derivatives	-	(1)	(1)
Tax losses carry-forwards	2	-	2
	2	(1)	1

2018	Asset £ m	Liability £ m	Net deferred tax £ m
Derivatives	-	(2)	(2)
Tax losses carry-forwards	2	-	2
	2	(2)	-

Deferred tax movement during the year is as follows:

	At 1 January 2019 £ m	Recognised in equity £ m	At 31 December 2019 £ m
Derivatives	(2)	1	(1)
Tax losses carry-forwards	2	-	2
Net tax assets/(liabilities)	-	1	1

Deferred tax movement during the prior year is as follows:

	At 1 January 2018 £ m	Recognised in equity £ m	At 31 December 2018 £ m
Derivatives	-	(2)	(2)
Tax losses carry-forwards	2	-	2
Net tax assets	2	(2)	-

10 Income tax expense (continued)

Deferred tax assets and liabilities on temporary differences have been calculated using the UK corporation tax rate which will apply in the period during which they are expected to reverse.

Deferred tax assets and liabilities on temporary differences expected to reverse in the period from 1 January 2020 to 31 March 2020 have been provided at 19%. Deferred tax assets and liabilities on timing differences expected to reverse on or after 1 April 2020 have been provided at 17% as this was the future rate that had been enacted as at 31 December 2019. On 11 March 2020 the Chancellor announced that the reduction of the corporation tax rate to 17% as of 1 April 2020 would be cancelled. This cancellation was legislated for on 17 March 2020. This change will not have a significant impact on the deferred tax balances of the Company.

At 31 December 2019, the Company had unutilised tax losses of approximately £9m (2018: £9m) available for offset against future taxable profits. The Company earns a small margin from its activities of a finance intermediary. Therefore, the Company is projected to have taxable profits for the foreseeable future and a deferred tax asset of £2m (2018: £2m) has been recognised on the unutilised tax losses.

11 Trade and other receivables

	2019 £ m	2018 £ m
Within current assets		
Amounts owed by Group undertakings	2,746	2,058
Prepayments	2	2
Other receivables	3	2
Derivative financial instruments	2	36
	2,753	2,098

Included in amounts owed by Group undertakings are loans of £2,742m (2018: £2,054m) which are unsecured and repayable on demand. Interest is charged on these loans at 0% to LIBOR + 2.5% (2018: 0% to LIBOR + 2.5%). All other amounts owed by Group undertakings are trading in nature, unsecured, interest-free and repayable on demand.

Information on credit risk of receivables is detailed in note 15.

12 Trade and other payables

	2019 £ m	2018 £ m
Current trade and other payables		
Accrued expenses	25	23
Amounts owed to Group undertakings	618	618
	643	641
Non-current trade and other payables		
Derivative financial instruments (see note 16)	32	10
	32	10
Total trade and other payables	675	651

Included in amounts owed to Group undertakings are loans of £617m (2018: £618m) which are unsecured, interest-free and repayable on demand. All other amounts owed to Group undertakings are trading in nature, unsecured, interest-free and repayable on demand.

13 Bank borrowings, overdrafts and loan notes

	2019 £ m	2018 £ m
Bank overdrafts	308	221
Bank loans	240	-
Loan notes	1,570	1,385
Total bank overdrafts, bank loans and loan notes	2,118	1,606

The borrowings are repayable as follows:

	2019 £ m	2018 £ m
On demand or within one year	308	221
In the second year	-	-
In the third to fifth years inclusive	1,083	448
After five years	727	937
Total bank overdrafts, bank loans and loan notes	2,118	1,606

Less amount due for settlement within 12 months (shown under current liabilities):

	2019 £ m	2018 £ m
Bank overdrafts	(308)	(221)
	(308)	(221)
Amount due for settlement after 12 months	**1,810**	**1,385**

Analysis of bank overdrafts, bank loans and loan notes by currency:

	GBP £ m	EUR £ m	USD £ m	Total £ m
Bank overdrafts	308	-	-	308
Bank loans	240		-	240
Loan notes	-	1,308	262	1,570
At 31 December 2019	548	1,308	262	2,118
Bank overdrafts	221	-	-	221
Loan notes	-	1,385	-	1,385
At 31 December 2018	221	1,385	-	1,606

13 Bank borrowings, overdrafts and loan notes (continued)

The weighted average interest rates on bank overdrafts, bank loans and public loan notes at 31 December adjusted for hedging were as follows:

	2019 %	2018 %
Bank overdrafts	1.4	2.0
Bank loans	1.5	N/A
Loan notes	3.0	2.7

At 31 December 2019, the Company's bank borrowings comprised overdrafts and bank loans.

Together with G4S plc, the Company has available a revolving credit facility of £750m, of which £716m matures in August 2024 and £34m matures in August 2023. As at 31 December 2019 the Company has drawn down £240m of this facility. In July 2019 the Company entered into a £300m bridge facility for 12 months with an option to extend for a further six months, amended in December 2019 to £250m with a 3 month extension so that, if the option is exercised, final maturity is October 2020. This was undrawn as at 31 December 2019.

On 13 May 2019 the company entered into a US Private Placement Note Purchase Agreement comprising Series A senior notes representing $162,000,000 maturing 13 May 2026 and Series B senior notes representing $188,000,000 maturing 13 May 2029.

Interest on the committed bank borrowing facility is at prevailing LIBOR or EURIBOR rates (with a floor of zero), dependent upon the period of drawdown, plus an agreed margin, and re-priced within one year or less.

The Company also has five loan notes:

- €500m 1.500% note issued on 9 November 2016 maturing 9 January 2023;
- €500m 1.500% note issued on 2 June 2017 maturing 2 June 2024;
- €550m 1.875% note issued on 24 May 2018 maturing 27 May 2025;
- $162m 4.9% note issued on 13 May 2019 maturing 13 May 2026; and
- $188m 5.12% note issued on 13 May 2019 maturing 13 May 2029.

All loan notes are stated at amortised cost. €100m (£85m) of the loan notes issued in June 2017 are designated in a fair value hedge relationship (2018: €100m (£90m)) which has a fair value adjustment in relation to the hedged interest rate risk. Information on the significant assumptions underlying the valuation model used and the interest rates on the borrowings are disclosed in note 15.

The management of currency risk and interest rate risk is detailed in note 15.

The Group operates a multi-currency notional pooling cash management system with a wholly-owned subsidiary of an A-rated bank. At year end, balances in deposit of £296m (2018: £221m) were pooled with overdraft balances of £3m (2018: £99m), resulting in a net pool overdraft balance of £293m (2018: £122m deposit balance). In accordance with IFRS Interpretations Committee requirements, the cash and overdraft pool balances are presented gross in the consolidated statement of financial position.

14 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary shares of £1 each	15,012,500	15,012,500	15,012,500	15,012,500

15 Financial risk review

This note presents information about the Company's exposure to financial risks and the Company's management of capital.

Credit risk

The Company's largest debtors are G4S plc and G4S Finance Limited which comprise approximately 71% and 24% respectively (2018: 59% and 34% respectively) of the total non-derivative financial instruments balance as at 31 December 2019.

The Company does not hold any collateral over these balances and they are repayable on demand. The Company follows the Group Finance Manual guidelines with respect to assessing these balances for impairment. As at 31 December 2019, there was no allowance for doubtful accounts (2018: £Nil).

The directors believe that the fair value of trade and other receivables, being the present value of future cash flows, approximates to their book value.

Liquidity risk

The Company mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the Company's bank overdrafts, bank loans and loan notes see note 13.

To reduce re-financing risk, Group Treasury obtains finance with a range of maturities and hence minimises the impact of a single material source of finance terminating on a single date.

Re-financing risk is further reduced by Group Treasury opening negotiations to either replace or extend any major medium-term facility at least 12 months before its termination date.

Maturity profile of financial assets and liabilities

The contractual maturities of financial assets and liabilities and their carrying amounts in the statement of financial position, including interest payments estimated based on expectations at the reporting date, are as follows (whereby positive figures designate inflow of cash and negative figures designate outflow of cash):

15 Financial risk review (continued)

Liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued)

31 December 2019	Note	Carrying amount	Fair value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
		£ m	£ m	£ m	£ m	£ m	£ m
Derivative financial assets:							
Derivative financial instruments (interest-rate swaps)	16	2	2	(5)	(1)	(4)	-
Financial assets designated as fair value hedges		**2**	**2**	**(5)**	**(1)**	**(4)**	**-**
Non-derivative financial assets:							
Trade and other receivables (excluding prepayments)	11	2,751	2,751	2,751	2,751	-	-
Cash and cash equivalents		3	3	3	3	-	-
Loans and receivables		**2,754**	**2,754**	**2,754**	**2,754**	**-**	**-**
Derivative financial liabilities:							
Derivative financial instruments (cross currency swaps)	16	-	-	(17)	8+(13)	379+(391)	-
Derivative financial instruments (interest-rate swaps)	16	-	-	-	-	-	-
Financial liabilities designated as fair value though profit or loss		**-**	**-**	**(17)**	**(5)**	**(12)**	**-**
Derivative financial instruments (cross-currency swaps)	16	(32)	(32)	(69)	27+(36)	670+(722)	615+(623)
Financial liabilities designated as cash flow hedges		**(32)**	**(32)**	**(69)**	**(9)**	**(52)**	**(8)**

15 Financial risk review (continued)

Liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued)

31 December 2019	Note	Carrying amount	Fair value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
		£ m	£ m	£ m	£ m	£ m	£ m
Non-derivative financial liabilities:							
Loan notes (issued in November 2016, 1.5%, maturing 2023)	13	(422)	(432)	(448)	(6)	(442)	-
Loan notes (issued in June 2017, 1.5%, maturing 2024)*	13	(423)	(431)	(455)	(6)	(449)	-
Loan notes (issued in May 2018, 1.875%, maturing 2025)	13	(463)	(480)	(518)	(9)	(35)	(474)
Loan notes (issued in May 2019, 4.9%, maturing 2026)	13	(121)	(126)	(161)	(6)	(24)	(131)
Loan notes (issued in May 2019, 5.1%, maturing 2029)	13	(141)	(146)	(210)	(7)	(29)	(174)
Bank overdrafts and bank loans	13	(548)	(548)	(571)	(316)	(255)	-
Trade and other payables [1]	12	(640)	(640)	(640)	(640)	-	-
Financial liabilities measured at amortised cost		**(2,758)**	**(2,803)**	**(3,003)**	**(990)**	**(1,234)**	**(779)**

**€100m (£85m) of June 2017 public loan notes is designated in fair value hedge relationship.*

[1] The amount excludes any non-financial assets included within the amounts reported in the relevant note.

15 Financial risk review (continued)

Liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued)

31 December 2018	Note	Carrying amount £ m	Fair value £ m	Total contractual cash flows £ m	Within 1 year £ m	2-5 years £ m	Over 5 years £ m
Derivative financial assets:							
Derivative financial instruments (interest-rate swaps)	16	1	1	3	1	2	-
Financial assets designated as fair value hedges		**1**	**1**	**3**	**1**	**2**	**-**
Derivative financial instruments (cross-currency swaps)	16	35	35	(31)	16+(26)	306+(345)	738+(720)
Financial assets designated as cash flow hedges		**35**	**35**	**(31)**	**(10)**	**(39)**	**18**
Non-derivative financial assets:							
Trade and other receivables (excluding prepayments)	11	2,060	2,060	2,060	2,060	-	-
Cash and cash equivalents		137	137	137	137	-	-
Loans and receivables		**2,197**	**2,197**	**2,197**	**2,197**	**-**	**-**
Derivative financial liabilities:							
Derivative financial instruments (cross currency swaps)	16	(9)	(9)	(37)	8+(13)	34+(54)	354+(366)
Derivative financial instruments (interest-rate swaps)	16	(1)	(1)	(1)	(1)	-	-
Financial liabilities designated as fair value though profit or loss		**(10)**	**(10)**	**(38)**	**(6)**	**(20)**	**(12)**

15 Financial risk review (continued)

Liquidity risk (continued)

Maturity profile of financial assets and liabilities (continued)

31 December 2018	Note	Carrying amount	Fair value	Total contractual cash flows	Within 1 year	2-5 years	Over 5 years
		£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Non-derivative financial liabilities:							
Loan notes (issued in November 2016, 1.5%, maturing 2023)	13	(448)	(449)	(483)	(7)	(476)	-
Loan notes (issued in June 2017, 1.5%, maturing 2024)*	13	(447)	(439)	(490)	(7)	(27)	(456)
Loan notes (issued in May 2018, 1.875%, maturing 2025)	13	(490)	(485)	(559)	(9)	(37)	(513)
Bank overdrafts and bank loans	13	(221)	(221)	(221)	(221)	-	-
Trade and other payables [1]	12	(638)	(638)	(638)	(638)	-	-
Financial liabilities measured at amortised cost		**(2,244)**	**(2,232)**	**(2,391)**	**(882)**	**(540)**	**(969)**

**€100m (£90m) of June 2017 public loan notes is designated in fair value hedge relationship.*

[1] The amount excludes any non-financial assets included within the amounts reported in the relevant note.

The fair values of the financial instruments above have been measured on the following bases:

- Derivative financial instruments: using techniques consistent with Level 2 of the valuation hierarchy, as disclosed in Note 16.
- Trade and other receivables, trade and other payables and overdrafts: these approximates to their book values, being the present value of future cash flows, given the short-term nature of these balances.
- Public loan notes: using techniques consistent with Level 1 of the valuation hierarchy (quoted prices, unadjusted, in active markets for identical assets or liabilities).
- Bank loans: these approximates to their book values, being the present value of future cash flows as bank loans, whilst drawn from a long dated facility, are reset every three months.

The gross cash flows disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes. These financial assets and liabilities are usually not closed out before contractual maturity. The disclosure presents both the net cash flow amount for derivatives that are net cash-settled as well as gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement, for example, cross-currency interest rate swaps.

15 Financial risk review (continued)

Liquidity risk (continued)

Set-off of financial assets and liabilities
Financial assets and liabilities are offset and the net amount reported in the 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 statement of financial position or associated with enforceable master netting agreements.

The committed bank facilities and the private loan notes are subject to a financial covenant of 3.5x net debt to Adjusted EBITDA ratio (where Adjusted EBITDA is based on G4S Group Adjusted PBITA before depreciation and amortisation of non-acquisition-related intangible assets) adjusted to exclude investments and the effect of adopting IFRS 16 - Leases. Non-compliance with the covenant may lead to an acceleration of maturity. During the 2019 and 2018 reporting periods the Group has complied with the financial covenants of its borrowing facilities and has not defaulted on, or breached, the terms of any material loans.

Market risk

Currency risk
The principal activities of the Company are to enter into external debt funding arrangements and perform financial risk management hedging activities in order to support the G4S plc group. The Company is exposed to foreign exchange risk when these activities are not in the same currency as the Company's functional currency. The company uses cross currency swaps and foreign currency loans to manage this exposure.

Cross-currency swaps with a nominal value of $449m (£339m) are in place and are held at fair value through the profit and loss for the Company (2018: $449m or £352m).

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 and USD denominated USPP loan notes to mitigate the functional currency cash flow exposure on principal and interest payments. The company'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.

Change in value of hedging instrument and hedged item

Nominal value	Hedged risk	Maturity	Hedge ratio	Effective hedge rate	**Change in value of hedging instrument**	**Change in value of hedged item** [1]	Change in value of hedging instrument	Change in value of hedged item [1]
					2019	**2019**	**2018**	**2018**
					£ m	**£ m**	**£ m**	**£ m**
£244m	€270m	Jan-23	1:1	1.088	(17)	17	8	(8)
£346m	€400m	Jun-24	1:1	1.1570	(24)	24	12	(12)
£350m	€400m	May-25	1:1	1.1440	(22)	22	13	(13)
£124m	$162m	May-26	1:1	1.3029	(1)	1	-	-
£115m	$150m	May-29	1:1	1.3029	(2)	2	-	-

[1] Used to determine effectiveness.

15 Financial risk review (continued)

Market risk (continued)

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship and periodically thereafter on a qualitative basis throughout the life of the hedge relationship. The qualitative assessment identifies whether any sources of ineffectiveness have been introduced. The qualitative assessment is performed by verifying and documenting whether an economic relationship between the hedged item and the hedging instrument continues to exist and that the effect of credit risk does not dominate value changes that result from the economic relationship. Additionally, the assessment verifies that the hedged ratio remains the same as that resulting from the quantity of the hedged item that the entity hedges and quantity of the hedging instrument that entity uses to hedge the quantity of hedged item. Assuming there are no changes to the terms of the hedging instrument/hedged item, and/or to the risk management policies and objectives, the hedge will be considered to be highly effective.

The Company 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.

Potential sources of ineffectiveness:

- Potential changes in the actual settlement date (timing) and/or settlement amount could result in hedge ineffectiveness.
- Credit risk - Credit risk exists in the hedging instrument, but not in the hedged item. Credit risk is not anticipated to be of a magnitude such that it dominates fair value changes.

There was no ineffectiveness recorded during 2019 or 2018 in relation to cross currency swaps.

The Company has calculated the impact of a 10% movement in the exchange rates of its principal foreign currencies. On balances denominated in Euro, this would result in a £Nil (2018: £Nil) increase or decrease to operating profit. On balances denominated in US Dollar, this would result in a £3m (2018: £14m) increase or decrease to operating profit.

15 Financial risk review (continued)

Market risk (continued)

Interest rate risk and interest rate swaps

Borrowings at floating rates expose the company to cash flow interest rate risk and borrowings issued at fixed rates expose the company to fair value interest rate risk. The Company manages these risks 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 and meet Treasury policy.

The interest on €100m of the public loan notes issued in June 2017 was swapped from fixed of 1.50% to floating using fair value interest rate swaps, until these loan notes mature in June 2024. The resulting average coupon on these loan notes was six month Euribor + 102bps (2018: + 102bps). These swaps have been documented as fair value hedges of the fixed interest public loan notes. Movements in their fair value are recognised directly in the income statement at the same time as the movement in the fair value of the public loan notes.

The public loan notes all have a coupon step up of 1.25% which is triggered should the credit rating of G4S plc fall below investment grade. G4S plc's credit rating at 31 December 2019 was BBB- with a stable outlook (2018: BBB- with a stable outlook), one rating notch above the sub-investment grade coupon step up trigger.

The Company's core borrowings are held in USD, EUR and GBP. 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 the yield curve in each of these currencies with the 31 December 2019 debt position constant throughout 2019, would lead to an expectation of an additional interest charge of £5m (2018: £2m).

Capital risk management

In May 2019 the Company issued two tranches of US Private Placement notes: Tranche A, S162m maturing May 2026 paying an annual coupon of 4.9% and Tranche B, $188m maturing May 2029 paying 5.12%. Both tranches are guaranteed by G4S plc.

The Company also exercised the first of two available options to extend maturity of the £750m revolving credit facility. This extension was accepted by all but one of the sixteen participant banks, resulting in £716m, now maturing in August 2024. The remaining £34m matures in August 2023. As at 31 December 2019 drawings from this facility amounted to £240m (2018: £Nil).

In July 2019 the Company entered into a £300m bridge facility for 12 months with an option to extend for a further six months, amended in December 2019 to £250m with a 3 month extension so that final maturity, if the option is exercised, is October 2020. This was undrawn as at 31 December 2019.

Overall the debt portfolio has a medium to long-term debt maturity profile. With the support of G4S plc, the Company is currently well placed to access finance from the debt capital markets and the bank market if required. Borrowings are principally in GBP, USD and EUR reflecting the geographies of significant operational assets and profits of the wider G4S plc group.

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

15 Financial risk review (continued)

Counterparty credit risk

The Company's strategy for credit risk management is to set minimum credit ratings for counterparties and monitor these on a regular basis.

For treasury-related transactions and transactions with internal counterparties, the 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), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of BBB+/BAA1 from Standard & Poor's or Moody's.

Treasury transactions are dealt with the Company's relationship banks, all of which have a strong investment grade rating. Therefore, the credit risk on derivative transactions and cash and cash equivalents is not significant.

The risk on transactions with internal counterparties is managed through careful monitoring of monthly results and engagement with the stakeholders.

16 Derivative financial instruments

The carrying values of derivative financial instruments at the reporting date are as follows:

	Assets 2019 £ m	Assets 2018 £ m	Liabilities 2019 £ m	Liabilities 2018 £ m
Cross-currency swaps designated as cash flow hedges	-	35	32	-
Cross-currency swaps not in a hedge relationship	-	-	-	9
Interest rate swaps designated as fair value hedges	2	1	-	-
Interest rate swaps not in a hedge relationship	-	-	-	1
Total	2	36	32	10
Less: amount due for settlement within 12 months (shown under current assets and liabilities):				
Cross-currency swaps	-	-	-	-
Interest rate swaps	-	-	-	-
	-	-	-	-
Amount due for settlement after 12 months	2	36	32	10

The gain/(loss) directly recognised in respect of movement in the fair value of derivatives is analysed below:

	Income statement 2019 £ m	Income statement 2018 £ m	Equity 2019 £ m	Equity 2018 £ m
Cross-currency swaps designated as cash flow hedges	1	-	(67)	31
Interest rate swaps designated as fair value hedges	1	-	-	-
Cross-currency swaps not in a hedge relationship	9	(23)	-	-
	11	(23)	(67)	31

16 Derivative financial instruments (continued)

The Company's hedging reserve is analysed below:

	Cost of hedging reserve	Cash flow hedge reserve [1]	Total	Cost of hedging reserve	Cash flow hedge reserve [1]	Total
	2019	2019	2019	2018	2018	2018
	£ m	£ m	£ m	£ m	£ m	£ m
At 1 January	(1)	12	11	-	(1)	(1)
Add: change in fair value [1]	(1)	(66)	(67)	(1)	32	(31)
Less: transferred to income statement [2]	-	59	59	-	(17)	(17)
Less: deferred tax	(1)	2	1	-	(2)	(2)
At 31 December	**(3)**	**7**	**4**	**(1)**	**12**	**11**

[1] Recognised in other comprehensive income.

[2] The amount transferred to the income statement was offset by an equal and opposite foreign exchange movement arising on the hedged loan notes so that the net impact on the consolidated income statement was £Nil.

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 2 of the valuation hierarchy. 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 and finally adjusted to allow for any relevant credit risk.

17 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is G4S plc.

The Company's ultimate parent undertaking and ultimate controlling party is G4S plc, a company incorporated in the United Kingdom. G4S plc is also the parent undertaking of both the smallest and largest groups which include the results of the Company and for which consolidated financial statements are prepared.

Copies of the consolidated financial statements of G4S plc are available upon request from the Company Secretary, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

18 Events after the balance sheet date

Subsequent to the year end Covid-19, which emerged in China during 2019, has developed into a pandemic. Efforts to slow the spread of the virus have resulted in governments across the world taking measures to limit interactions between individuals which has had a consequential effect on the global economy resulting in further significant interventions being made by governments to support national and global economies. Further details of the risks faced by the Company and the G4S plc Group as a result of Covid-19 and the Group's ability to manage its growing global effects are included in the G4S plc 2019 consolidated financial statements. The directors have reassessed the position at the date of signing these financial statements and there is no change in view.