G4S

2016 Half Year Results Presentation

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G4S

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Presentation

Ashley Almanza, Chief Executive Officer
Welcome to our 2016 Half Year Results presentation. I'm joined as usual by our Group CFO, Himanshu Raja, by Helen Parris, our Director of Investor Relations along with some of our management team.

Before we get started I'm going to, as usual, draw your attention to the disclaimer, which is a standard feature of our presentations and ask you please to read that carefully when you have a moment. We have a full agenda this morning starting with our key messages, results highlights, business review, we'll talk a little bit about the longer term, the transformation programme which we set in place in 2013, how we see that programme developing, progress that we've made and where we are going next. Himanshu will take us through the numbers in a bit more detail and we'll have plenty of time to answer any questions that you may have.

So beginning with our key messages, I hope by now you've had an opportunity to see our results announcement and see that the Group delivered, what I think we would characterise as a very satisfactory performance, profitable growth, very strong cash flow - operating and net cash flow.

Our net debt to EBITDA came down slightly, from 3.3 to 3.2 - that is pretty unusual for this time of the year. I think probably as far back as you care to look net debt tends to rise in G4S in the half year and then fall as you go towards year end. And that 3.2 was after absorbing a £59m translation adjustment, which followed sterling's sharp movement in the last week of June. And Himanshu will take us through the net debt reconciliation in more detail later.

Our transformation programme is on track. You will know that we have set about a very substantial long term transformation programme, investing in people, building capacity and capability in our organisation, reinvesting in our organic sales operations - our sales leadership and capability. Investing again in service and product innovation, and I think we've got some very interesting material to share with you around product and service innovation and the effect that that's having on our revenue mix and where we think that might take us.

Our productivity programmes, restructuring, overhead efficiency, procurement, property, etc, good progress although a long way still to go. And of course our portfolio programme, which has dramatically improved our strategic commercial and operational focus.

I think these investments are paying off, that's evident in the growth. Our pipeline is large, it's diversified, I think the diversification of our pipeline is quite unusual in our industry, if not unique. We're not dependent on any single large contract coming good in a quarter, highly diversified by geography service and customer segment. And that is flowing through into sales and ultimately revenue growth. We've got more to do to improve our conversion rates and the way in which we manage our pipeline and our sales function, but good progress.

And when you combine that growth our productivity programmes it's improving our profitability and we saw net margin expansion - we have seen, over the last three years. And as I mentioned a moment ago strong cash flow.

Very importantly the management team looks at the company and see that we still have a very, very long way to go to realise the full potential of this business. That is highly motivating to the management team and we think we can make G4S a stronger and better company for many, many years to come.

We have a positive view on the outlook for our business. There is good demand for our services globally and we think this will translate into annual growth of between 4 and 6% per annum over the medium term.

Turning to the results, this is a slide that Himanshu is going to take us through in more detail. We put it here only to emphasise the point that we're seeking to report our continuing businesses, our onerous contracts and our portfolio businesses in a way that is helpful to everyone. So you can see clearly what's happening in each part of the company and also to highlight any specific items.

My comments for the rest of this presentation will be focused on our continuing businesses, Himanshu will take us through all of this in more detail and we're happy to take any questions you may have at the end.

So in our continuing businesses strong revenue growth, emerging markets continue to perform strongly, notwithstanding weaker global growth and just macroeconomic uncertainty generally. Our emerging market businesses continue to post strong top line growth.

Our developed markets I think turned in a good performance, particularly Europe. That 2.4% growth that you see is after a 1.9% decline in our UK revenues, which was expected. New sales contracts of £700m, annual contract value £1.4bn, total contract value and a healthy diversified pipeline. As I said, I think it's quite a distinctive feature of our business. Our geographic diversity, our diversity of customer and diversity of service give us a very healthy pipeline which stands at £6.3bn at the half year.

Our productivity programmes are starting to work. We saw our profits come in at £199m, up 8.2% and earnings up by 13.3%. Very strong operating cash flow, which again Himanshu will take us through in more detail, up almost 52% year on year. And net cash flow, after meeting the investment needs, tax, interest and dividends of £59m and that compares with an outflow of £79m last year.

I've already mentioned net debt to EBITDA and the £59m foreign exchange impact. Going forward, all things being equal, the foreign exchange impact will be positive, that is to say 80% of our revenues are outside the UK. So weaker sterling translates into higher sterling profits and higher sterling cash flow, all other things being equal.

The Board considered every six months the dividend, we look at the performance of the business, the prospects for the business, the capital needs of the business and we have been delighted to declare an interim dividend of 3.59 pence per share.

So turning now to the regions, Africa - I think everyone knows that Africa has got a very large commodity sector, natural resources sector and we have been somewhat cautious about the prospects for growth in Africa, notwithstanding prolonged low commodity prices our businesses have grown strongly again, up 7.4%, across all markets and service lines.

Our productivity programmes in Africa are relatively immature - and that is to say we're not yet getting the benefits that we have begun to see in UK, Europe and to a lesser degree North America and Asia Pacific. We're beginning now to invest in a more concerted fashion, in productivity programmes in Africa. That has a cost, you invest first and harvest the benefits later.

And we also saw a timing difference between collective bargaining agreement, i.e. wage increase and our price increase programme. Those two things together meant that profit rose by 5.3% against revenue of 7.4%. Or put differently our costs rose faster than our revenues in the first half.

We're confident that as these productivity programmes are implemented and rolled out across Africa we will see that reverse as we have done in some of our developed markets.

Two years ago our team in Africa, led by the initiative of our sales leader down there, Eddie Ueckermann, took the decision to diversify away from natural resources. It remains a very important sector for us, but to start to build our sales book more energetically, or more actively in other areas. And that's started to pay off; we see a more diversified sales pattern in Africa now, good sales with foreign governments, NGOs, multilateral agencies and also banking, retail and leisure. As I said resources remains very important for us, as and when that sector recovers we'll be in a good positon to step up.

In Asia Pacific revenues were up 3.4%. Profits were up very strongly, up 21%, largely a function of two things - firstly contract portfolio high grading we call it, being more selective about the business that you're going to take on, this is against something that we've been doing for several years. Being a bit more disciplined about contract extensions, price increases, contract renewals, and we have a better contract portfolio which has a positive impact on our revenue mix.

And then operation restructuring to a much smaller degree than we've done in the UK and Europe, we have begun to see the benefits of operational restructuring in our Asia Pacific business. Those two things together drove a sharp increase in our profits.

Here too we are stepping up our investment in our sales programme, in particular the transfer of successful new products and services from the UK, Europe and North America into Asia. We're going to be spending some money on that. And also a more structured approach to our productivity programmes, which again have yielded benefits in Europe and we want to take that best practice and implement that in Asia Pacific that will cost some money.

Here too we have a diversified sales book and in this region our sales book also includes Care and Justice Services, along with the UK.

The Middle East and India, we saw, I would say exceptionally strong growth. This region has continued to surprise on the upside for us. That growth was driven primarily by very strong performances in India and in Saudi Arabia. Our Indian business goes from strength to strength. I think some of this is down to the Indian economy and some of it is down to the foundations that were laid in the Indian transformation project, which we discussed last time we were together. And that was work that was done two years ago and we're really starting to see the benefit of that now.

So those two countries drove growth very strongly, I think we have to continue to remind ourselves that we have got prolonged low oil and gas prices in the Middle East and so we would be more cautious about the growth rate going forward. I don't think that we can expect to pencil in 16% for the foreseeable future. Nevertheless we think this region as a whole will be at or near double digit growth for the full year.

Here too we are investing in organisational capacity building and capability building. That investment has started to go in this year. The same with our productivity and operational excellence programmes, sales, service innovation, transferring some of our systems and technology capability from North America to the Middle East, some of our cash technology also out of Africa into the Middle East. That investment is obviously weighing on the P&L and our PBITA growth was 2.6%, again we remain confident that this is a good investment that will yield accretive benefits in the future.

Here too, mindful of being too dependent on any one sector we have diversified our sales book and we have a nice spread of customers across all our service lines.

Latin America is another region that continues to surprise on the upside, I would say, I think it's well known if you look at macroeconomic data, macroeconomic performance has been weak, in some cases economies have been shrinking. And against that backdrop our team in Latin America, led by Martin Alvarez has done a fantastic job at sustaining momentum, top line momentum, our business grew by 9.4%, across again all markets and services with the exception of Chile, where we saw our business decline in the mining sector, there's been a sharp turndown in mining in Chile and that affected our business there, but otherwise as I say Martin and the team and Jesus Rosano who is with us today also laid the foundations for this work and have done a terrific job at building our sales book and keeping our revenues growing.

We saw profits track slightly higher than revenue growth. That was, again, the result of an effective price increase programme and some modest productivity gains. We don't yet have the full suite of our productivity programmes up and running in Latin America, that is still to come. And here too a diversified sales book, a recurring theme in all of our regions.

Europe I mentioned in my introductory comments, very satisfactory growth in our European business and what was really pleasing was that we saw growth in both our Cash Solutions business and our Secure Solutions business. Those of you who have followed the story for a few years will remember that in 2013 we found we had no sales director and most countries had no sales director. We didn't have a regional director, we didn't have country sales directors, our sales organisation had been hollowed out through successive cost reduction programmes. We set about rebuilding that we have a terrific sales leader, Stefan V… if he's listening in, well done Stefan - done a terrific job with the rest of the team right across Europe and delivered a fantastic, I think, top line result.

Again, I want to highlight the fact that this was done in a discipline way, that is to say the approach of high grading our contract portfolio and being disciplined about what business we take on, whether we renew and on what terms we renew contracts has also had a positive effect on our revenue mix. And we're seeing the fruits of the investment in productivity initiatives, restructuring, vehicle tracking, vehicle monitoring, all of these things are starting to contribute to the bottom line. And here too we have a diversified portfolio. We've seen, as I said, good growth in both Cash Solutions and Secure Solutions.

North America, revenue up 3.5%, our business in North America has over three years I think Himanshu will give us the precise numbers, delivered compound average growth on the top line of 9% per annum. So tough comps this half year for our North America business, but this is another team that I think we have to call out and compliment, John, Drew, Fiona, the whole team down in North America have done a sensational job over the last three years growing that business.

Profits were up slightly, higher than our revenue growth, again sales mix and productivity. We have a very substantial pipeline in the world's biggest security market and a strong franchise. And I think one of the standout features of the business over the last three years has been our Retail Solutions service. We had zero sales in the sales book in 2013, December 31st 2013 - zero. We now have an order book of $0.8bn, $800m - that's total contract value. These are five year contracts with typically investment grade counterparties, customers. And this business has got a long way to go, it is growing at a terrific rate and we're going to have a look at the case study in a bit more detail.

That and our pipeline gives us positive momentum in North America into the second half of this year.

Finally the UK and Ireland, as expected our revenues declined by 1.9%, this is largely due to Employment Services contracts with the DWP, UK Government contracts. We have four programmes - we had four programmes in 2015, two of those programmes came to end at the end of 2015 and consequently we saw our revenues step down.

Peter Neden and the team have been working diligently over the last couple of years to take cost out of the business and to get more efficient and that's paid off. Profits, notwithstanding the revenue decline were up 2.1%. Again a diversified sales book. This is our biggest Government business by far across the Group, 5% of Group revenues are central government in the UK. We see good momentum in our Cash Solutions business and in our Health Services business.

That concludes the regional round up and I want to change gears and move on to the transformation programme, take a longer time horizon, looking from 2013 to where we are today and just cover some of the key building blocks in our transformation programme, starting with I hope a very familiar slide, our portfolio management programme. This is a slide that we first set out in November 2013, quite simply it's a profit creaming curve and we explained at the time that we were going to set about a systematic process of streamlining our portfolio to improve our focus and ultimately improve our performance.

We're making, I think, very satisfactory progress with the programme and we've identified around 63 businesses that will leave the Group portfolio, 25 of those have been sold or closed, so far, with annual revenues of £900m, profits of £14m and those disposals have generated £288m of cash.

We have another 38 businesses to go. In total this will represent revenue of £1.5bn, profits of £8m and ultimately we expect through a very structured process of where we have strong active buyer interest for the business that we're selling that over the course of 2016 and 2017 that process will yield additional proceeds of between £250m and £350m.

Most importantly this is absolutely improving our strategic, commercial and operational focus. So when we talk about some of the bottom line benefits that we're seeing in the business there is a direct correlation to this programme.

Our sales programme - as you know there was a conscious and quite sharp shift away from a heavy dependence on M&A to drive growth. We've made no acquisitions over the last 12 months. We are focusing on our organic investment programme. We've invested in our sales organisation, sales leadership. I mentioned Europe a moment ago, that's just one example Europe, right across the Group we've had to replenish and rebuild our sales organisation. Reintroduce sales training, expensive on the P&L, but ultimately you can't have an effective sales force unless you're training that sales force. Putting more resource into account management, there's more we can do but I'm pleased with the progress so far. And a much, much better approach to sales operations and pipeline management. Again, we've got a long way to go but it's night and day from where were three years ago in our management of the pipeline and sales operations.

And the other area of investment is in service and product innovation and we're going to talk more about that in a moment.

So how is this affecting the business? Well we've got a growing and very healthily diversified pipeline, which stood at £6.3bn ACV at the 30th of June. We've talked already about the sales performance in the first half of the year, which I think was very satisfactory. And you may get tired of hearing me say this, but the thing I like most about this pipeline is its diversification. We're not dependent on any one thing coming in in one quarter. It's a broadly diversified pipeline by market, by service line, and by customer segment. And that gives G4S both resilience and opportunity to grow.

I apologise for the small writing, but the sense of this is what's important. In addition to growing the business what we want to do is over time change the sales mix. That it is to say by investing in product and service innovation offer products and services to the marketplace which create more value for our customers. And in creating more value for our customers give us the opportunity to earn a higher margin. And we've been doing that and it's starting to have a positive effect.

We have an enormous opportunity to cross sell and up sell, you've heard me say before one of our greatest intangible assets is our global customer base. we have done historically very little to cross sell between service lines, even though there is a good deal of synergy that could be had by doing so. We've started the programme, we've put in place in some of our businesses incentives to get management teams from different service lines working together and we've invested in upgrading and developing new products and services and this is starting to pay off I'm delighted to say.

Here are some of the things that we've invested in, AMAG is an access control system which is used today by some of the world's leading governments, defence departments, Fortune 500 companies, it's a product that needed a substantial upgrade and investment and we've done that. Together with a product called Symmetry Connect. You should, I hope, have had some marketing literature, we want you to go out and sell on our behalf, so you've got some marketing literature in the audience describing Symmetry Connect, it's a terrific product.

For those of you who are joining online rather than in the room, there should be a link at the bottom of the screen that you can click on after the presentation and you can at your leisure see what we've been doing with Symmetry Connect. But this is a very impressive product that's starting to get good traction in the marketplace. Great credit to our team here in the UK in Tewkesbury; we have a technology centre, and also our team in Boston and Chicago. These three teams worked together to upgrade this product.

RISK360 is a software tool that our customers are starting to use, this is a safety and security incident management tool, and also enables our customers to build up over time diagnostics so you can start to predict where risk is going to materialise across your enterprise rather than playing catch up all the time. A terrific product and again starting to get some take up of this product.

GIS and TravelAware we showcased I think a year ago, this can be downloaded to mobile phone. Our customers who have employees travelling around the world can get real time information and help on when the threat level or risks are changing in a particular location.

We've started to get our teams, as I mentioned a moment ago, working together and we've got our physical security and consulting teams working more closely in some of our regions, not everywhere, this is at a very early stage. And this is starting to work. Unsurprisingly our customers are quite interested in physical security combined with consulting. That is to say we take a risk based approach to designing security solutions for our customers. The first stage of that process involves our risk consultants going in and better understanding the risk profile of the organisation. And unsurprisingly we end up designing a solution that helps our customers and in some cases saves them money. It's very early stage but starting to get good traction.

CASH360, Deposita are both Retail Cash Solutions that we offer, a combination of hardware and software, I'm going to talk more about those in a minute and CASH45 is a self-service CIT programme that we offer to our small and medium sized customers.

All of this has started to show up in our revenues we have 8% growth in our systems and technology service lines. This does not include revenues where we're selling systems and let's say Manned Security together, we're not counting the Manned Security piece, just the pure systems piece, it grow by 8% in the first half of this year and now represents 11% of Group revenues.

And the key here is we're finding ways to add significant value to our customers' organisations and in doing so give ourselves the opportunity to earn a better margin and a more sustainable margin and I think to create longevity in our customer relationship.

We offer these on both a discrete and integrated basis.

I'll take a moment to talk about Retail Solutions and this I think illustrates the point about creating value for our customers. we came at this, or the team that led this, a gentleman called Brian McCabe, he's done a stellar job, led this by first spending time with customers and understanding for retail customers where there was an opportunity to make their business more efficient.

And this product saves our customers labour costs, so we take care of cash management in the store from one end to the other. So effectively for those customers who would open - start the store day by opening the cash office, they don't need to do that. So they can open the store later and they can close earlier. Because the last thing you do at the end of the day is cash up. We do all of that through the day on an automated basis. We save labour costs. We manage their CIT for them, there are fewer CIT trips needed because we're recycling and managing cash in store.

By having tighter control over cash in store our customers have found that they've had leakage where they didn't know they had leakage, so we're now saving them money in terms of leakage. It improves cash flow, because they need to keep lower balances in the store, by recycling we can keep lower cash inventory in the store. We give them same day credit at the bank, through a bank partnership, that's not on our balance sheet. So they have lower holdings of cash, improved cash flow. And they make fewer deposits, because again we're recycling and that reduces their processing fees. All of these things come together and produce significant benefit to our retail customers.

And I think this explains really in one slide why this product and this service has taken off so dramatically in North America in particular. We're marketing this in partnership with one global bank; we're in discussions, advanced stage discussions with a second global bank to market this product to Retail customers.

We offer two solutions, a large stores solution and then for small and medium size store formats. As we stand today we have either installed already, or in the process of commissioning 1100 large stores across North America. We are rolling out at the moment, we're building up to 130 stores per week, we have firm orders to roll out another 1800 stores. And we have an order book on top of that for a further 1600 stores. So you can see this is growing at a pretty dramatic rate.

I'll take you back to the results slide on North America, one of the reasons that we will see profit growth slow versus prior years is we're starting to put money in. We have to mobilise and make sure that you deliver this for customers, so we've been investing. So the growth that we saw in our North American profits was after investing in building and organisation to deliver this, which is all expensed.

And our small and medium store format we have 750 stores installed or in the process of being commissioned and a growing order book.

We enter into five year contracts; typically these are investment grade customers. And this is for an initial period. We are confident that the benefits are sufficiently strong for our customers to seriously consider renewing this. We would somewhat immodestly say this product - this service is unique and that's the other reason that we're growing very strongly. So we're going to push hard to capture as much of the potential market, this is not a market that existed before, it's a new market. And the value we add is reflected in the margins. You won't be surprised to hear we regard those as commercially sensitive, but we're pleased with the bargain that is being struck in the marketplace.

And as I mentioned earlier we have a total contract value today of £800m versus nil at the end of 2013. We have a very large pipeline to go after. Our priority at the moment is delivering on those orders that we have already secured, but at the same time we have strengthened our sales team to go into the market and sell more. So we feel very optimistic about the prospects for this service line.

We think that since this works so well in North America it's very likely going to work well in other markets. Not just developed markets, we've started to talk to customers in both developed markets and emerging markets about how this solution can be applied in retail formats around the world.

I'm going to move on now to productivity, the last building block that we're going to cover. I'm not going to go through every line in this slide, I hope by now this is a familiar set of programmes, from safety all the way down to Lean process automation, these are multiyear programmes. We've made good progress in a number of areas, particularly in route planning and telematics.

In most other areas we've still got a very long way to go, procurement and property we're saying here roughly halfway through the programme. I think that we might find that as we get deeper into the programme there are more benefits that we've not yet identified. But everywhere else we're really at the beginning of this journey, there is so much more that we still have to do.

What does all of this mean? Well one way of measuring it, and there are many ways, this is not the only way, one way of measuring it is to look at our profitability and look at our net profit margin. This is on a like for like basis. So again Himanshu can take us through the detail. Like for like our continuing operations - what has caused our margin to go from 5.1% to 6.4% - portfolio management 0.2%, our sales mix, so the investments we've been making in our sales organisation, but importantly in cross selling and upselling and introducing more systems and technologies and products like CASH360, upgraded CASH360 into the sales mix has made a positive contribution to our net margin.

And our productivity initiatives are the biggest contributor, single contributor and as I keep saying we've still got a long way to go.

Where does that put us today? This is by the way - 6.4% is net margin at a Group level, that is to say after deducting corporate costs. What does that look like on a service line basis? In simple terms, Secure Solutions, Cash Solutions you can see that there's been good progress, particularly in our Cash Solutions business, I think that's a pretty respectable net margin. Having said that we don't think we're finished, there's more to do where, both in terms of revenue mix and cost efficiency.

Where are we going? Well, more of the same. This is a long term transformation programme, all of these programmes are in much better shape today than they were three years ago. But we can't afford to put our feet up, there is so much more still be done.

The eagle eyed amongst you will have spotted that there's a number on the left hand side of the chart but not the right hand side of the chart and we'll leave that to your imagination. But you can rest assured that we are pursuing all of these opportunities with great energy and purpose and we feel confident about where that's going to take us.

I'm going to end very briefly by repeating key messages. I think a satisfactory set of results. My thanks to my Executive team and everyone across the globe who has delivered those results, more work to do. G4S Transformation programme is on track and beginning to deliver tangible benefits. And we reiterate the outlook that we shared with you at the end of last year.

I'm going to pass you through to Himanshu and when Himanshu is done we're going to go to Q&A. Thank you very much.

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Financial Review

Himanshu Raja, Chief Financial Officer
Thanks Ashley. Good morning everyone. Let me go straight into the financial review beginning with the continuing business. As previously all the results will clearly be on a like for like basis, presented at constant currency. And also as I go through, where appropriate, I'll try and help you and guide you on modelling assumptions for the second half or for the full year.

So starting with the continuing business, revenue for the half year was up 5.1%, to £3.1bn. As Ashley said, this was a satisfactory performance really in the current economic environment and we saw both emerging markets growth as well as growth in developed markets, with emerging markets up nearly 10% and developed markets up 2.4%.

We also saw growth in our service lines, so Secure Solutions up 5.5% and Cash Solutions up 3.1%. And you can see again the mix in emerging markets and developed markets for both Secure and Cash in the release this morning.

On profitability our PBITA, our profit before tax, depreciation and amortisation was £199m, up 8.2%. And our PBITA margin was 6.45, up 6.27 12 months ago, a 20 basis point increase since June 2015.

Let me just turn to the interest line - our interest borne was £50m a net £1m lower than 2015. But within that the movement was a £4m benefit offset by a £3m increase. We benefitted from lower interest charges of £3m, following the refinancing of $150m bond in July last which borne an interest rate of around 6.5%. We also saw a reduction in relation to the pension interest charge, the IAS 19 charge as a result of the lower opening IAS 19 pension deficit in the period.

These reductions were partly offset by around £2m from higher average net debt and the translation effect of the weaker pound on both US dollar and euro interest and we had about a million or so on finance leases.

For the full year I expect the full year charge to be in the region of £100m with treasury interest of around £90m and IAS 19 interest of around £10m.

Tax - turning to the tax charge on our continuing businesses was £36m, the effective tax rate of 24% unchanged from last year. now of course the Group's continuing effective tax rate will be a function of the overall geographic mix of our taxable profits, the effects of FX, and of course the respective country tax rates.

As you are no doubt aware also in the March '16 budget the UK Government announced plans to introduce new rules to restrict both the deductibility of net interest costs and the amount of taxable profits available to offset against carry forward losses to 50% of the taxable profits. Both of these proposals will take effect from April '17 and we expect these changes, combined with the other countries likely response to that will result in some upward pressure on the Group's effective tax rate.

For the full year I expect the effective tax rate of our continuing businesses to be around 24 to 25%.

On NCI, our non-controlling interests was unchanged at £11m. NCI for the full year, I expect it to be in the region of £25m to £30m, reflecting both seasonal performance in those businesses as well as the effect of sterling weakness, which increases the NCI.

Our earnings were up 13.3% to £102m and our underlying earnings per share of 6.6 pence.

Operating cash flow from continuing operations was £293m, up 52%, with a £53m working capital inflow, compared to a £64m outflow in the same period last year. Our concerted efforts to improve working capital have produced good results in the half, but we're not complacent, there remains much, much more to do. Our resulting OCF conversion was 147%, after 105% this time last year.

So in summary, overall against a backdrop of global economic uncertainty, the results from the continuing business showed the resilience of the Group as Ashley has repeatedly mentioned today the resilience in terms of geography, service line and also customer segment.

Let me turn to the statutory results. This slide reconciles our statutory results with the continuing business on the left hand side. And going from left to right as you look at it I'd like to pick up onerous contracts, portfolio restructuring, through to the statutory results.

The Group's onerous contracts, as you know, relate mainly to legacy UK public sector contracts. These contributed combined revenues of £114m for the six months to June 2016. The decline in revenue year on year reflects the decline on volumes in some contracts, offset by the expected increase in the Compass volumes, which were in line with expectations and in line with the provision we made at the end of last year.

There have been no new onerous contracts identified now since 2015. And we continue to actively manage the onerous contracts that we have in the portfolio. And all of them operated within the established cost provisions with a £10m utilisation on the provisions in the first half of the year. The detail of which is also in your pack.

We will of course continue to keep the level of provision under review as circumstances change. And you'll remember we've previously talked through the robust controls we now have governing new contract approvals which I'll come back to in a later slide.

I just want to mention the cash flow on onerous contracts; the positive £4m cash flow performance arises from the focus on working capital across the business. Onerous contracts are no exception, the £4m in flow reflects commercial progress on those contracts, really to bring collections up to date and therefore operate as permanent timing benefit on our OCPs. We expect the cash outflow on onerous contracts for the full year to be in the range of £10m to £20m and we've previously guided £20m to £30m outflow for 2016.

Portfolio businesses, these reflect the results of businesses earmarked for sale or closure and the results to date of the businesses sold in the half. The revenues for portfolio businesses were £332m and operating profits of £4m. The businesses not yet sold contributed £306m of that £332m and £5m of profit. In other words we sold businesses with revenues of £26m, they generate losses of £1m, but we generated gross proceeds of £32m from businesses that were losing £1m.

On restructuring, the restructuring investment was £2m and relates mainly to the investment programmes to address organisational efficiency. And as Ashley has outlined we are starting to see the benefit of our productivity programmes coming through and we expect to see further gains from this in the second half.

Lastly acquisition related amortisation and other, mainly comprises the non-cash on amortisation and the impairment of goodwill of £27m in respect of legacy acquisitions.

So overall on a constant currency basis, statutory revenue was £3.5bn, up 1.9%. PBITA was £203m, up 6.8%; earnings were up 25.5% to £69m and operating cash flow £273m, up 71%.

You'll be familiar with our approach to disciplined financial management. So the overall financial performance you see comes not only from the investments we've made in growth, innovation, in productivity, it is also the results of the very significant changes we've made to strengthen our financial management framework. You'll be familiar with this around first of all the contract review process. We continue to rigorously review our contracts, pre bid, through bidding, mobilisation, and in life review; be they at a country level, or a regional level, or those that come up to Group scrutiny.

We also conduct a financial review of our largest 200 or so contracts on a quarterly basis. 218 contracts this quarter, with annualised revenues of £2.6bn. Since 2014 we've also significantly strengthened our financial and risk management capability within the Group. We continue to operate a single pool of capital where all investment opportunities, including revenue and restructuring opportunities need to deliver a greater than 10% post tax internal rate of return. And if it's restructuring, as you know we also insist on a payback within three years.

We have been more efficient in the deployment of capital. You see there capital expenditure was nearly £180m in 2013. For the full year I expect capex to around £100m to £120m, any why the big range? It will really depend upon the revenue opportunities that Ashley talked about in his presentation.

We're also extremely disciplined about monitoring payback and returns on our restructuring investments, with the results flowing through to the P&L this year after the reinvestments of the last couple of years.

The Group's financial management disciplines have vastly improved beyond recognition over the last three years.

Let me now turn to cash flow and net debt. The full movement of the net debt is shown on this slide, apologies for the small font. But you'll see the movement in the non-GAAP cash flow in your pack. Starting with the year end net debt of £1.8bn, the cash generated from continuing operations was £293m, driven by the strong performance on working capital, which I'll come back to on the next slide.

In terms of investing activities we invested £50m in capex and finance leases, we had a £9m restructuring outflow in respect of previously announced restructuring programmes and as I have already explained we received gross proceeds of £32m from disposals.

Looking at the use of funds, we paid £205m, comprising interest, tax, pension obligations and dividends to equity holders and minorities of £99m. And in the first half we generated a net free cash flow of £59m, which covered the £59m translation effect on our US dollar and euro denominated debt. The resulting net debt to EBITDA improved slightly to 3.2 times, compared with 3.3 times in December 2015.

In terms of your modelling assumptions for the full year, I expect the cash tax for 2016 to be around £95m, and that will of course be subject to the mix of profits coming from different territories, the mix of currencies and FX.

On FX, we'll obviously be a beneficiary of the recent sterling weakness on earnings and cash flow. At June 30th spot rates our H1 2016 PBITA would have been better 6% or £12m higher.

And finally a note on pensions. The results of our recent triennial actuarial valuation have shown a strong asset outperformance and a reduction in the actuarial deficit. We're working with the trustees to agree the revised payment plan and we'll announce details in the second half.

So let me turn to working capital. This chart shows our actual revenues on a statutory basis, so you know the real revenues we build, rather than constant currency, as well as the receivables from the balance sheet. And what it shows is our actual revenues growth by £101m, £3.4bn to £3.5bn. And when you look at the receivables on the balance sheet you'll see our receivables grew in absolute terms by only £34m. And receivables as a percentage of revenue remain constant at 40%.

Similarly on payables our efforts on improving supplier management resulted in a modest £11m growth in payables.

And how have we achieved this? On receivables this has been a long journey as you know, focused on addressing the root causes of historic poor collections performance and culture and processes. There remains more to do to improve the working capital performance. And there are plenty of opportunities to continue to improve the effectiveness of our collections and the accuracy and timeliness of our billing. The improvements we've seen come through are not uniform at a business unit and regional level.

On payables we've significantly reduced the number of suppliers through our procurement programme, from around 75,000 suppliers to around 55,000 suppliers over the last two years. And we've also begun to segment the supplier base, focusing on of course improved procurement terms but also improved payments terms.   We've moved some supplier from 15 days to 30 days, some from 30 to 45 days, some to 60 days depending on the nature of the supplier and the services provided.

We also have some longer term initiatives, such as the IT enabled Lean process designed and that will play an important role in the automation of the order to cash cycle, which will further benefit working capital in the medium term.   So good progress overall, there's much, much more to do. And we're fundamentally changing the mindset of the Group so that cash really matters.

Let me turn then to the balance sheet, liquidity and leverage. We have strong liquidity with around £350m of unutilised but committed facilities and around £800m of cash. We have flexible access to long term capital markets and we've recently signed a new committed but undrawn facility for €600m.

Our revolving credit facility is in place through 2021 with an option to extend by a further year. And our business plan and performance supports and net debt to EBITDA of 2.5 times or lower in the next 12 to 18 months, the route map to which is shown on this next slide.

Reducing net debt to EBITDA remains a key priority for the Group and we've actually got multiple routes to achieve our goals by the end of 2017, through a combination of growth and productivity in our continuing businesses top line growth, improved business mix through innovation, profit growth from our productivity programmes.

From cash flow, driving operational improvements in working capital management, continued capital discipline on capex, on onerous contracts and restructuring. And these of course will be supplemented by our portfolio management programme where we expect to raise proceeds of £250m to £350m in 2016 and 2017. And we've made a good start with £32m in this half. And together these steps will strengthen the balance sheet, reduce net debt and bring net debt to EBITDA to two and a half times or lower.

With that let me hand you back to Ashley and to Q&A.

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Questions and Answers

Ashley Almanza, Chief Executive Officer
Thank you very much Himanshu. We'd be very pleased to take your questions. I think you can ask a question if you're online and one of our colleagues in the room will then identify the question coming online. When you ask a question please can you give your name and your affiliation so that those who not in the room know who's asking the question. And we have roving microphones, so if you raise your hand we'll bring a microphone to you and we'll take your questions.

Can we go to Rob at the front please?

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Robert Plant, JP Morgan
Thanks Ashley, two questions please. First of all the Compass contract, any news on whether the government might extend that contract by two years? And then secondly you mentioned how the

pipeline has improved, become more diverse, but you also said that conversion levels weren't where you would like them to be, what needs to be fixed? Thanks.

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Ashley Almanza, Chief Executive Officer
That's Rob. On Compass we're waiting for a proposal from the Home Office and as soon as we've got that we'll be able to provide you with an update. I think you've heard us say it before, that we think this contract needs to be put on a sustainable footing and we're working closely with the Home Office. We've got a dedicated team.

Clearly in the last - well several months there's been quite a lot going on in the UK and in government in particular and unsurprisingly we haven't heard a great deal. So nothing to report on that front.

The contract team that we have now running the contract is, I think, doing a very good job. We operated within our provision, even though numbers increased slightly, I think we were at around 17,000 service users at the end of last year, we're running pretty flat now at 18,000 users and our provision absorbed that increase and we were able to cover our costs.

So you know the contract is operating in line with expectations and we're waiting to sit down with the Home Office and see what they've got in mind. But as we sit here now we don't know.

On sales, I mean I think I should firstly thank our sales leaders and our sales teams across the world for the incredible amount of hard work they've put in to get us to where we are now, where we've got much better visibility on the pipeline, an improving qualification process.

But I think the thing that needs to change, and we touched on this last time we were together is that it's a difficult thing to achieve because good sales people are hunters by nature and optimistic by nature and we want to preserve that, but equally we want to recognise as soon as possible which opportunities we want to out of the pipeline and focus our efforts on. And so pipeline qualification is always a difficult dynamic balance to strike in a sales organisation. But as you get better at qualifying your pipeline earlier your conversion rates get better and productivity improves. So I think that is one of the things that we're focused on.

I mentioned we have Jesus Rosano in the room today, he is our Group Commercial and Strategy Director and he's working with our regional sales leaders, so we now have regional sales which we didn't before. And they sit alongside our regional presidents, regional CEOs and we're just getting greater consistency across the Group in the way we think about pipeline qualification, contract evaluation. So that's what needs to improve in my view. Thank you.

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Nicholas de la Grense, Merrill Lynch
Morning, two questions please. Firstly, I was wondering if you could give us an update on the four larger disposals which were mentioned earlier in the year and which will probably drive most of the proceeds from the disposal programme?

And then also you mentioned the strong growth in your Technology Solutions business and that you were offering that on a standalone and an integrated basis. One of your competitors had a lot of success in bundling security technology with manned guarding, etc, but to do so they've been having to put capex into client sites. I was wondering what your view on bundling of services was? And particularly if G4S was at a disadvantage currently given where the balance sheet is in terms of being to put capex into client sites? Thanks.

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Ashley Almanza, Chief Executive Officer
Thanks Nic, on disposals we've got a structured process. Those of you who've followed the story for a few years will remember in 2013 we called a pause on the portfolio programme, the disposals, and we did a reset. And the reason for that is that we wanted to set these up, the disposals up so that we attracted as many interested parties and stimulated a competitive process. And we did that and that worked I think. And so when we laid this out, or updated the market at the end of '15 we deliberately said this is a 12 to 18 month programme. And the reasons for that I think are obvious, we want to create the conditions for a strong competitive process and not push ourselves up against a deadline which causes us to give value away.

And so far that is the way it's working. We have had very good interest in all of the businesses, not only the four large ones that you mention. In fact in two of the four we've had pre-emptive proposals, which we have deemed to be good but not good enough. And we've persuaded the two offerors to stay in the competitive process. So it's going well. We've got credible, fully financed serious buyers in data rooms, so we've got data rooms open in all of these disposals.

And one measure of the quality of the process I think is the amount of resource that's being committed by interesting parties. People are spending serious money on looking at these businesses. And so far I think the sort of indicative soundings are respectable, but can be made better through the process. So hopefully not too cryptic, but going according to plan and we're going to take the time to get it right.

On bundling, no I don't think we're at a disadvantage, I think the first thing I would say is if you look at some of our offerings like AMAG and Symmetry these are being procured by customers like the state department, the defence ministries of OECD countries, Fortune 500 companies. So large sophisticated buyers are buying this.

Typically our customers want to own the system, they don’t want - they prefer generally not to have us own it and charge them if you like a usage basis. So capex has not been a constraint on our system and technology sales. I think the constraint fundamentally has been historically a lack of investment, P&L investment I'm talking about and a lack of investment in our sales organisations. And we see that where we put money into both of those things, product development and a proper sales organisation you can get some pretty satisfactory outcomes like on CASH360 and Symmetry to name two. So no not a constraint you know if it did become an issue then I'm sure we'd find a way of solving it.

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Nicholas de la Grense, Merrill Lynch
Thank you.

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Ashley Almanza, Chief Executive Officer
Thanks Nic, can we go to Andy.

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Andy Grobler, Credit Suisse
Hi, a few if I may. Just following up on the disposals process, at the end of last year you mentioned you'd sold 23 businesses for £281m and then this year you've sold a further few more for £32m, but the total only seems to be £288m, what's the difference between those two?

Secondly on the pension deficit you mentioned the triennial review had seen the pension deficit come down, the IAS 19 pension deficit has gone up from the end of the year again, could you talk through the moving parts within that?

And then thirdly just one - again a follow up on the Technology Solutions, in terms of the sales force and the incentivisation you put in place for that sales force, historically as I understand it part of the problem was getting the Tech guys and the Manned guys to work together. Have you changed the incentive programmes to encourage that process?

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Ashley Almanza, Chief Executive Officer
Thank you very much Andy, the first two sound like questions for Himanshu let me comment on sales and technology and then some brief comments on pension?

Yes we haven't changed it everywhere, so rather than roll out our sales and technology programme across a very broad front, i.e. globally we've chosen to do that in a select number of markets. So particularly in North America, some countries in Europe and the Middle East is where we've had a bit of a push. And we have in those markets provided incentives for people to cross sell, referral commissions and also participation in the commission if a Manned Security leader brings a systems person into the process.

And what we've also done is we've - on a non-financial, so not on a strict commission basis, but for some of the more senior members of the team as part of their non-financial objectives has been to say, for example, you're a Manned Security leader in a particular region, a market area, you need as part of your strategic objectives for the current year to do - to have three combined pitches where you introduce - you're pitching for a Manned Security job, you have to find a way, a positive way of bringing other colleagues into the room, not only security and technology, but also risk consulting, because we've got real capability in risk consulting. And again the amount of cross sell has been historically very low.

I'll give an example, the world's biggest security market North America, our cross sell between our very successful consulting business and our Manned Security business is still low single digits and we think we can do better than that. So it's a combination of putting in place new commission structure and then also non-financial strategic objectives in the annual performance plan that says you must, in the course of the next year, have three pitches above a certain financial value where you've got a multidisciplinary sales team pitching to that client.

I'm sure there's more we can do but I think that is starting to pay off. It is as much about changing our mindset in the company as anything. So I think our clients tend to be very receptive. In some cases, I'm sorry to say they're surprised. We still find clients who are not familiar with the full breadth of what we have to offer and that's quite an astonishing thing to say. I mean when I client says - I didn't know you did that?

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Andy Grobler, Credit Suisse
And just to follow up on that, do you find that your internal team are embracing the change or are capable of doing it, because we hear lots of companies talking about cross selling and it often doesn't amount to much?

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Ashley Almanza, Chief Executive Officer
It's a very, very good question and I don't want to exaggerate where we are, we're at a very early stage in this journey. I think to begin with actually there was positive resistance to the idea, healthy

- you know not obstructive just a concern about taking that approach for all sorts of reasons. I think in our markets where we've pushed this, that is to say North America, Europe and Middle East we have won that battle. I think people absolutely now see the value in this because of the client response, when you do it and it works and you know the longevity that it offers if you're offering a comprehensive solution.

So there's no reason to be complacent but I think that part, we've started to win hearts and minds inside the organisation about the value of doing this. But we're really just at the beginning.

Pensions and disposal proceeds, I'm going to ask Himanshu to answer. Just one thing on pensions I think, you'll correct me if I get this wrong, the trustees look at the actuarial valuation when determining the payment plan as opposed to the accounting calculation. But over to you Himanshu.

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Himanshu Raja, Chief Financial Officer
On pensions you'll see in the release the IAS 19 which is the account deficit has gone up by £80m and that's of course driven by the drop in discount rates. So it puts it at roughly the same level it this time last year. What drives the cash flow is the actuarial valuation and as we've said the release today we've seen asset outperformance on the pension fund from both interest and inflation, hedging strategies as well as what the investment manager calls dynamic asset allocation.

Net-net the actuarial valuation is complete and agreed with the trustees and shows a significant reduction from the 2012 valuation. The next stage, which is natural in the process, is to sit with the trustees and to agree the payment plan for the next three years. And as we do that then we'll update you in the second half.

On the disposals reconciliation I think it's simply a difference in timing, so with Helen we can send you out a reconciliation year to date picture for some disposals that were completed in July so you've got the most update picture of what's happening.

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Helen Parris, Director of Investor Relations
That's right the number we gave in March is a running total since the whole programme has been running and so it's the most up to date and basically since then we've sold two more businesses. So it wasn't a December 31st picture, it was as at then.

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Ashley Almanza, Chief Executive Officer
Sure, why don't we put a little reconciliation on the website.

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Himanshu Raja, Chief Financial Officer
We'll send that out.

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Andy Grobler, Credit Suisse
Thank you very much.

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Ashley Almanza, Chief Executive Officer
Thanks Andy.

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Stephen Rawlinson, Edison
Good morning, just three from me if you don't mind. I understand your point about diversification, but where actually do you see the most attractive opportunities for the business in the future?

Secondly just with regard to return on capital employed, I mean your margins obviously are quite variable, but return on capital has been absent from today's conversations more or less and yet actually you are making investments in technology?

And that brings me to the third question in and around technology, you're obviously developing your own technologies, but to what extent, now having sort of been with the business three years, do you believe you should also be allying with others for them to provide technology to take the business forward? Is it essential for you to have those technologies given your size and scale, or can you, as a world leader in your field, actually use the technologies from other people as well to enhance your propositions?

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Ashley Almanza, Chief Executive Officer
Thanks, Stephen. I'll ask Himanshu to respond to return on capital employed. Most attractive opportunities, I think, you know, we have to be frank and admit that sometimes we're surprised by where the most attractive opportunities arise and that's one of the things about a diversified portfolio is, there's option value in that portfolio and sometimes opportunity emerges in the most surprising places. So I think I have been on record before saying I feel very cautious about Latin America. I've been saying that for more than a year and I've been proven wrong for more than a year.

So having said that, let me step in and be wrong again. What has really impressed me in the last six months has been our Cash Solutions business, and I don't mean only our CASH360 business. I think we've got our sales programme together; we are getting our operational programme together in developed markets. We have not yet taken that formula to emerging markets in a systematic way. Some of our emerging market businesses they're not sitting there waiting for somebody from head office to show up with the playbook. They're getting on with it.

But I think some of the things that have been done around sales, service development and operational excellence in our developed markets Cash businesses are to me very encouraging and I see a real opportunity for us to extend that advantage in the marketplace. We know that in developed markets - I mean again what's surprising about that is developed markets at least a high level impression would be, well, Cash is not growing in developed markets. We all know that digital payment methods are growing much faster than cash, and yet our Cash business in developed markets is performing very strongly indeed, and we think it will continue to do so.

So I think I am quite excited about some of the service innovation in our Cash business. I'm excited about some of the integrated offerings, bringing consulting and security together. And we're doing that not only in developed markets, we've done that successfully in Asia and the Middle East businesses, but even where we do it successfully, when go back and look at the way we approached it, we can see now that we could have done things differently and probably better.

So I think the longer term potential for bringing consulting and physical security together is very, very strong because particularly our larger clients, whether those be corporate or NGO or government, I think everyone is realising that risk and security are two sides of the same coin, and having - I mean we're all familiar with risk maps in organisations. This is not what I'm talking about.

But I think you can look at the British Army have in my opinion got a very strong approach to this effects-based planning, and that's in my view the best analogy for the way that we're leading our consulting business. To talk to clients about what effects different risk scenarios and changing threat levels will have on their business, and build a security solution around that. I think that's a very powerful formula in the long run. It's not something that's going to pop up in the next six months, but I'm totally convinced that this is going to be the way that large organisations, be they public sector or private sector, begin to buy security. Because to do so otherwise is sub-optimise your spend on security.

On technology, yes, a great question. I think the first thing to say is of course you proceed from where you are. So we started with a technology business that had proprietary capability, and when we looked at it we had underinvested in that capability, and we had some products which we felt could win in the marketplace and are now starting to win in the marketplace, but they've been underinvested. So our first priority was to attend to that, not let that value atrophy, shrink over time, fix it. It's great to have that in our armoury.

We do partner with other people, so we are happy to be technology agnostic in some markets. The driver of that is the customer. Of course we want our customer to be attracted to our products and services, but if there's particular technology that the customer wants we're very happy to work with that. And our integration teams in North America, UK and Europe are capable of doing that, and do actually do that.

So we recently attended a security fair, conference, convention in the Middle East where we were showcasing solutions that used other people's technologies. So quite happy to be technology agnostic. I think it makes us better buyers and partners by having deeper capability in our own right within our organisation. But you're quite right, I think as a security company to prosper you have to be willing and able to work with others.

Return on capital, Himanshu?

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Himanshu Raja, Chief Financial Officer
It's a great question again. We set some very demanding hurdles which we talked about before, be they P&L investment or capex investment on a case by case basis, and then we're very efficient in driving those through. So I wasn't sure what was behind your question today. We don't feel capital constrained. We see plenty of opportunities and we consistently look around and progress the highest ones, and you see the tangible results as you pointed out in both the secure and cash solutions margin progression.

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Ashley Almanza, Chief Executive Officer
We look for a minimum 10% after tax internal rate of return on all capital investment and also on restructuring investment. So what we've not done, you're quite right, we don't report a so-called ROACE or accounting return on average capital employed. What we do is we set a hurdle upfront that says we have to be persuaded that this investment is going to generate a minimum of 10% after tax rate of return.

Thanks, Stephen. Could we take a question from the lady right next to you?

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Sylvia Foteva, Deutsche Bank

Hi, good morning. I've got three, please. Firstly on working capital, the £53m, could you just reconcile that by line? And then I know that you had some spill-over in Q4 where you said we've got obviously a large outflow of that, some of that's going to come back. How much of that is one-off and what is your full-year guidance? I know it's a fluid matter but as much as you can say. So that was the first one.

Secondly, organic growth in emerging markets. Could you just tell us the price versus volume, I don't know if you can by end market, or how much of that is inflation, basically.

And then finally the profit in developed markets Secure Solutions was down about 5% year on year. Could you just spit out how much of that was the UK versus the North American impact? Thank you.

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Ashley Almanza, Chief Executive Officer
Quite a lot there, see if we can remember all of that, Sylvia. Thank you very much. I think those are probably all for Himanshu. There is one I can answer which is I think we said we had £30m at year end which we'd benefitted in terms of working capital cash flow. Was it £30m?

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Himanshu Raja, Chief Financial Officer
£25m. In the half we had, Sylvia, £25m from the shared service transformation which benefitted this half. But beyond that there are no one-offs. This is progress on working capital both on receivables and payables. We expect to make further progress as I tried to say in my presentation. Very clearly the progress we've made has been hard and long-earned. It's not uniform however, there's plenty of opportunity, plenty more to do, and I expect to continue to improve operating cash flow driven by working capital in the second half. I'm not going to get into specific guidance on working capital but we expect to make further and continued progress for sure.

The organic growth in emerging markets is as you see it reported. We made no acquisitions in the last 12 months, so nearly double digit growth is what you see. Behind your question I think was also 'What is the volume, price volume?' We see that we're seeing genuine volume growth over and above inflation in Latin America, in the Middle East and India, particularly in India and in Saudi Arabia, but also in Africa, and more modestly in Asia. But the volume growth in Lat Am, Middle East and India and Africa are very real.

We also see in our developed markets in Europe and North America volume growth over and above inflation. So we are seeing real growth both in emerging and developed.

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Ashley Almanza, Chief Executive Officer
Developed markets security.

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Himanshu Raja, Chief Financial Officer
Developed markets Secure Solutions. Your third question which I think was the split and impact on secure solutions between North America -

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Sylvia Foteva, Deutsche Bank

So you've pointed out - so in the release you said that the reason that profit number is actually down year on year about 5% is because of some of the contracts in the UK but also because you're investing in North America. So just to try and understand the run rate of that.

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Himanshu Raja, Chief Financial Officer
Well, as Ashley said we're investing in North America around Cash Solutions and around pipeline opportunities. You'll see the benefits of that come through. We're not going to separate out those levels of investment.

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Ashley Almanza, Chief Executive Officer
Most of it was - I think we can say most of it was UK. I couldn't give you precise split. More than half was UK and that was because as you know for a long time the security solutions segment has included our government business and our employment services contracts, two of the four contracts we had came to an end at the end of 2015. So more than half is UK.

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Sylvia Foteva, Deutsche Bank
And, sorry, on working capital, do you expect an inflow or an outflow in the second half or can you not be that specific?

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Himanshu Raja, Chief Financial Officer
I expect to make continued progress on working capital and operating cash flow for the full year.

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Ashley Almanza, Chief Executive Officer
Thank you. Can we go to Paul next? Sylvia, thank you.

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Paul Checketts, Barclays Capital
I think I've got two. I don't want to put words in your mouth, but when I'm thinking about, when we're thinking about the second half organic growth there are a couple of comments you made along the way, and maybe you could amplify on them. I think you suggested that you expect the emerging markets organic growth rate to come back a little, and that in North America you expect that to accelerate. I'd just like to clarify that.

The second is on the Cash business in the UK. When you look at the pipeline of things that you're bidding, is it changing the types of work that you're seeing with some of the changes that are happening in society? That's number two.

And there is a third one, which is you've talked about now starting to look at productivity in emerging markets, and you are starting to invest and some of the benefits will be yielded in time. I suppose it's a more challenging world to do that if you have revenues spread over a larger number of countries. Can you talk a bit about what it is you will look to do there, please?

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Ashley Almanza, Chief Executive Officer

Sure. So, you are right, I continue to take a cautious view on the sort of growth rates that we have been seeing in Latin America and the Middle East and India. I've been consistently wrong about that. Eventually I might get lucky but I still look at the oil price, commodity prices. When I talk to some of our customers in the natural resources sector, not oil and gas but mining, I think we are seeing people starting to invest again, take facilities out of moth-ball, new players come into the market to buy assets. But it's so early I just can't really call whether that's the beginning, that's the bottom and we're now coming back.

So yes, when we plan and we budget we're always looking to balance and not get too far ahead in terms of building out your sales and your operations ahead of your order book, only to find out the market catches a cold. So yes, we do expect I think more moderate growth in our Middle East, India region, we don't think that that's a sustainable rate of growth.

Equally we expect better growth in North America, whether that comes in the second half in terms of revenues or the first half of next year I don't know, but the pipeline is good. And when we look at the composition of the pipeline and our historical win rates in service lines we feel good about the conversion that's going to come there.

Cash UK pipeline, that's a very interesting question. We are seeing a change in the composition of our pipeline but not our revenues. So our revenues, the progress we've made in the last six to twelve months, the new business that's flowing through revenues in our cash businesses is largely speaking conventional business, with the obvious exception being CASH360. But we really haven't seen the benefits of CASH360. It's starting to come through the P&L but the prize is still to come, because we're mobilising and we're spending money.

But that's been the principal change in terms of the mix of revenues. It's got quite a long gestation period so we had spent a lot of time with our retail clients in North America and our bank partners to put that solution together. It's a combination of hardware and software, and the software directly integrates with the clients' accounting systems, treasury department, and the banks' systems. So you can imagine that the process that you have to go through to get your software vetted, approved, accepted and working is long.

But I do expect to see more of that. I think that is going to be a very significant part of the Cash business in the future, because even in developed markets our clients are looking for ways to make cash more convenient and lower cost to use, which then changes the arbitrage between non-cash payments and cash payment. For many of our customers, typical customer profile still includes a very large customer segment that use cash and vouchers. So our CASH360 doesn't only process cash, it processes vouchers where the retailer issues vouchers.

And I think it's easy to forget about the fact that a big part of the world still uses cash and vouchers to do their weekly shopping, goes in to the retailer, draws money, uses cash, submits vouchers. So I think that will be an ongoing significant change to our pipeline.

And the last thing that we haven't seen in revenues but we do see it in our pipeline is customers both on the retail side and the banking side I think having much more serious and deeper conversations about outsourcing. And again you've heard me say this before. I think that is a natural course for this industry to take ultimately is to outsource cash processing and cash management on a much bigger scale than it has done historically.

It's not our job to tell customers what their business is, but we think many of our customers really are interested in selling mortgages, savings products, investment products, not in restocking ATMs, replenishing the vault, balancing the cash every day. We think we can do that at significantly lower cost, and eventually the economics will force the decision. Quite a long answer, sorry.

Productivity in emerging markets, yes, there are multiple countries. The key to this is standardisation. So even though you might be pursuing productivity in a particular service line or across all services lines in different countries, if you can standardise your processes, undoubtedly it is, I agree with you, it is more complex to execute that in a region with 26 countries as opposed to a region with two countries. Bear in mind in Europe we've got more than 20 countries and our productivity programmes have worked there. But yes, I do expect it to be more challenging.

We've invested a huge amount of effort into our Lean process design. Our organisation historically has been characterised by everyone does their own thing when it comes to any business you care to mention. Sort of 'local is best'. And that has its virtues depending on where you are in your evolution as an organisation, and it's served the company well. But our scale now offers huge benefits if it can standardise processes and automate those processes. So it will be more challenging but that's the key. Standardisation and automatization of our business processes.

Was there anything else? No, that was it. Thank you, Paul. Can we go right to the back of the room. I think that's Ed. The lights are bad. Ed?

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Ed Steele, Citigroup
Good morning. Three questions please. Firstly just following up on that last one, do you think in UK Cash that the business is now strong enough to hold its market share against the Loomis pressures that you've seen in the last couple of years? I know you've made a lot of changes there.

Secondly just trying to remember, on the European growth which obviously was a good number, was quite a bit of that the large cash services contract in Holland, or was that just only a component of the growth?

And then thirdly, I was intrigued by your disclosure on non-GAAP reconciliations at the back of your results print. On page 34 you've given us the calculation behind the 3.2 times net debt to EBITDA, but within that you seem to, I think you've given us some details on businesses classified as portfolio in May 2016 profitability, which I assume is the four big disposals. It looks like the profits have gone down from £18m to £15m last year to this year. Am I right in reading that, have those four businesses seen I suppose some FX there benefit as well which makes the fall even more - have those four businesses seen a dramatic reduction in profitability or is that a misreading of that table, please?

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Ashley Almanza, Chief Executive Officer
Thanks, Ed. I'm going to ask Himanshu to take the last question. Loomis market share in the UK, I think our business in the UK and in Ireland is in a much, much stronger position today than it was three years ago. And our competitive offering is much stronger; our cost structure is much more competitive. I wouldn't highlight only Loomis. We shouldn't forget there are other competitors - Brinks, Loomis, local competitors. We're very happy to compete against all of those organisations, and I've got a lot of faith, actually, in our UK team which is an entirely new management team. I can't think of any of the senior leaders in that team who were there three years ago.

Europe, we had some benefit from GSN. I won't try to pronounce it. GSN is the utility company cash utility company we partnered with in Holland. But actually I think the biggest part of that benefit we took last year in terms of year on year progression, but it made a modest contribution. But actually the growth in our Cash Solutions came, what was pleasing was we're seeing the pick-up in a number of markets, not only in the UK, not only in Holland.

GAAP reconciliation I think that sounds like one for you, Himanshu.

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Himanshu Raja, Chief Financial Officer
What's going on in that line is there's not only the big four disposals but also the other portfolio businesses. But your question, are the big four businesses deteriorating? No, they're not. They're continuing to perform well, produce both growth in revenue, profit and cash, and they're just in the divestment process.

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Ashley Almanza, Chief Executive Officer
I think it's important to bear in mind that one of those businesses a) UK Children Services, we've also had a contract come to an end.

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Ed Steele, Citigroup
Thank you very much.

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Ashley Almanza, Chief Executive Officer
Thanks, Ed. Have you got a question from online?

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Helen Parris, Director of Investor Relations
A few.

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Ashley Almanza, Chief Executive Officer
Helen's got some questions.

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Helen Parris, Director of Investor Relations
They can be very short, quick answers.

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Ashley Almanza, Chief Executive Officer
Are you giving me a hint?

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Helen Parris, Director of Investor Relations
Short answers are fine. So congratulations on your strong results. This is from Yorick at D…. Your guidance and commentary suggests you'll be able to deleverage through organic cash flow and asset sales. Could you please comment on whether you rule out the need for an equity raise?

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Ashley Almanza, Chief Executive Officer

We think our plan that we've described can get us there. And that plan as far as I can recall from Himanshu's slide didn't include an equity raise.

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Helen Parris, Director of Investor Relations
Thank you. From Richard Jones at Tower House Partners. Have you seen any revenue boost from the greater number of refugees in Europe or following the recent terrorist incidents?

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Ashley Almanza, Chief Executive Officer
Not much, no.

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Helen Parris, Director of Investor Relations
Then a question from George Gregory. Two questions really on the pension, so for Himanshu. George believes that it's the IAS 19 rather than actuarial valuation which is used by S&P and this has gone up. Is this an issue in getting to the 3.5 times target set by S&P by 2017 and are you still confident of getting there?

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Himanshu Raja, Chief Financial Officer
George is right. S&P do use the IAS 19. I say where we are to June this year is not dissimilar to where we were at June last year. It's not an issue, there's a clear - S&P I think use the words 'credible plan' which is about profit growth, growth in working capital in the disposals.

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Helen Parris, Director of Investor Relations
And there's a follow-up. He's asked do you expect the triennial review to result in a change in the pension top-up?

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Ashley Almanza, Chief Executive Officer
We shouldn't prejudge that.

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Himanshu Raja, Chief Financial Officer
We shouldn't speculate. That's a discussion for the trustees.

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Ashley Almanza, Chief Executive Officer
But I think the important thing is there's been a significant reduction in the deficit in the triennial valuation which is performed by - and we have great respect for the accountants who produce the IAS 19 thing, but this is an independent actuary hired and paid for by the trustees. And it's that which drives the cash payments. So I think - and the S&P thing I don't know about, but I imagine they're going to be interested in the cash flow implications of that. So we'll see.

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Helen Parris, Director of Investor Relations

And then lastly from Hervé Guez from Dorval Asset Management. Do you think that G4S will benefit from the Bank of England debt purchase programme?

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Himanshu Raja, Chief Financial Officer
It represents an opportunity I think. The Bank of England said that they'll announce more details in September. As we go through our medium term financing that represents an opportunity for sure.

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Ashley Almanza, Chief Executive Officer
Short enough. Thank you. We've got time for one last question unless we've exhausted you. Okay, folks, thank you very much indeed for joining us today and thank you for your interesting questions. And we look forward to seeing you when we announce our full year results. Thanks very much.

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