Securing Your World

9 August 2019

G4S plc
Results for the six months ended 30 June 2019

G4S Chief Executive Officer Ashley Almanza commented:

"In the first half of this year, our improving sales performance in both Secure Solutions and Cash Solutions saw the Group deliver underlying revenue growth of 4.7%. This growth together with new contract wins, supports our medium-term revenue goal of 4-6% per annum."

"Our revenue mix continued to improve as our technology-enabled revenues in Secure Solutions grew by 14.8% across the globe and our North American cash technology revenues grew by 33%"

"The Group's half year performance, sales pipeline, revenue momentum and productivity programmes support a positive outlook."

"Our separation review is now complete and the Board has approved the separation of Cash Solutions from the Group. As a result, we have set in train plans for the demerger of Cash Solutions in H1 2020. We believe that this will create two strong, focused businesses each with the clear potential to capitalise on market leading positions and to unlock substantial value for customers, shareholders and employees."

First half highlights (Underlying results[a] unless otherwise noted):

- Secure Solutions revenue +4.9% Cash Solutions +3.9%
- PBITA margin of 6.2% (2018: 6.4%); positive impact of growth offset by new one-off contract mobilisation costs (£4million in 2019) and one-off bullion contract profit in 2018 of £8 million
- Operating cash flow conversion[a] of 88% (2018: 109%); expect FY conversion above 100%
- Net debt to EBITDA[b] 2.85x (30 June 2018: 2.73x); FY 2019 expect c.2.7x
- Interim dividend: 3.59p per share (2018: 3.59p per share)
- Statutory earnings of £59 million (2018: £101 million) include businesses sold, onerous contracts and exchange rate movements, £36 million restructuring and separation costs and £35 million goodwill impairment relating to Brazilian businesses acquired in 2012

Group results

	Underlying Results[a] In Constant Currency			Statutory Results[d] Actual Rates		
	2019	2018 Restated[e]	%	**2019**	2018 Restated[e]	%
Revenue	**£3,747m**	£3,578m	+4.7	**£3,807m**	£3,669m	+3.8
Adjusted PBITA[b]	**£234m**	£230m	+1.7	**£234m**	£224m	+4.5
Adjusted PBITA[b] margin	**6.2%**	6.4%		**6.1%**	6.1%	
Earnings[c]	**£119m**	£117m	+1.7	**£59m**	£101m	(41.6)
Earnings Per Share[c]	**7.7p**	7.6p	+1.7	**3.8p**	6.5p	(41.5)
Operating Cash Flow	**£206m**	£247m	(16.6)	**£189m**	£251m	(24.7)

[a] Underlying results are Alternative Performance Measures as defined and explained on page 36. They are reconciled to the Group's statutory results on page 3. The underlying results are presented at constant exchange rates other than operating cash flow which is presented at actual rates in both 2018 and 2019.
[b] Adjusted PBITA and net debt to adjusted EBITDA are Alternative Performance Measures as defined and explained on page 37. The Net debt to adjusted EBITDA ratio is calculated as set out on page 39.
[c] Earnings is defined as profit attributable to equity shareholders of G4S plc. Underlying earnings and underlying earnings per share ("EPS") are adjusted to exclude specific and other separately disclosed items, as described on page 37, and are reconciled to statutory earnings and EPS on page 3.
[d] See page 22 for the basis of preparation of statutory results.
[e] Restated for the adoption of IFRS16 – Leases, see note 3.

G4S STRATEGY AND INVESTMENT PROPOSITION

G4S is the world's leading global security company, providing security and cash services across six continents.

Our strategy addresses the positive, long-term demand for security services. Our enduring strategic aim is to demonstrate the values and performance that make G4S the company of choice for customers, employees and shareholders. We aim to do this by delivering industry-leading, innovative solutions and outstanding service to our customers, by providing engaging and rewarding work for employees and by generating sustainable growth and returns for our shareholders.

Separation Review

On 13 December 2018, the Group announced that it was reviewing options for the separation of its Cash Solutions and Security Solutions businesses. This has been an exhaustive and thorough process covering strategy, legal, tax, commercial, pensions, operational and financial reviews.

Our separation review is now complete and the Board has approved the separation of Cash Solutions from the business. As a result, we have set in train plans for a demerger of Cash Solutions in H1 2020. We believe that this will create two strong, focused businesses each with the clear potential to capitalise on market leading positions and to unlock substantial value for customers, employees and shareholders.

Since announcing the separation review in December 2018, we have received a number of unsolicited expressions of interest from third parties to acquire parts or all of the Cash Solutions businesses. The company has actively engaged with these parties and the Board will continue to evaluate proposals for all or parts of the business alongside the implementation of our demerger plans, although no assurance can be provided at this stage that any third party proposals will lead to a transaction.

In addition to the separation of Cash Solutions, the Group will be managing for value or exiting a number of non-core businesses and implementing programmes to deliver further identified operational efficiencies. We expect that, over time, these combined actions will provide further financial strength and flexibility to support the attractive growth opportunities in our core businesses.

In summary, the separation and related corporate actions will create two companies - a Global Secure Solutions business and a Global Cash Solutions business – and enable each business to benefit from:

- Strategic, commercial and operational focus
- Simplified operating model with resulting execution focus
- Efficient organisation structure
- Financial strength and flexibility
- Increased investment in Technology, Innovation, Sales and Operations

Global Secure Solutions business focused on Security and Security Technology

G4S is a global market leader in security, providing both established and new technology-enabled security solutions across six continents.

Security is a growing service industry and we believe that G4S has the expertise and global footprint to grow revenues at 4-6% per annum. As a result of our investment in technology we are deriving an increasing proportion of revenues from technology enabled solutions and at the end of June 2019, around 46% (2018: 42%) of our Secure Solutions revenues included technology in the customer service. This creates additional security and efficiency benefits for customers and increases our ability to differentiate G4S's offering in the security market.

Cash Solutions business focused on Cash Management and Cash Technology

G4S Cash Solutions operates in 44 markets across the globe and has leading positions in 41 of these markets. G4S has market leading cash technology solutions with Retail Cash Solutions, Cash360 and Deposita. Our Cash Technology revenues continue to grow strongly and our cash solutions technology is now installed in over 26,000 locations globally, including for some of the world's largest retailers. The market leading positions we have built in many markets together with the technology we are deploying is helping to improve the efficiency of conventional cash handling and improve the competitiveness of this business.

Our Cash businesses have established strong credentials in the bank-outsourcing market and we see considerable further potential in this market.

Outlook

G4S Group Chief Executive Officer, Ashley Almanza, commented:

"The Group's first half performance, sales pipeline, revenue momentum and productivity programmes support a positive outlook. We are now implementing our plans to separate Cash Solutions from the Group and we expect that this separation will deliver material benefits to customers, shareholders and employees."

GROUP RESULTS FOR THE PERIOD ENDED 30 JUNE 2019

Six months ended 30 June 2019 (at 2019 average exchange rates)

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Separation and restructuring	Specific and other separately disclosed items[d]	Statutory
Revenue	**3,747**	60	-			**3,807**
Adjusted PBITA[b]	**234**	-	-			**234**
Net specific and other separately disclosed items	**-**	9	-	(36)	(40)	**(67)**
Profit before tax	**175**	9	-	(36)	(40)	**108**
Tax	**(46)**	(2)	-	7	2	**(39)**
Profit after tax	**129**	7	-	(29)	(38)	**69**
Earnings[e]	**119**	7	-	(29)	(38)	**59**
EPS[e]	**7.7p**	0.5p	-	(1.9)p	(2.5)p	**3.8p**
Operating cash flow[f]	**206**	(1)	2	(18)	-	**189**

Six months ended 30 June 2018 (at 2019 average exchange rates) – restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Constant currency[h]
Revenue	**3,578**	56	64			**3,698**
Adjusted PBITA[b]	**230**	(1)	(2)			**227**
Net specific and other separately disclosed items	**-**	-	-	(13)	(4)	**(17)**
Profit before tax	**163**	(2)	(2)	(13)	(4)	**142**
Tax	**(39)**	-	-	3	4	**(32)**
Profit after tax	**124**	(2)	(2)	(10)	-	**110**
Earnings[e]	**117**	(2)	-	(10)	-	**105**
EPS[e]	**7.6p**	(0.1)p	-	(0.6)p	-	**6.8p**
Operating cash flow[f]	**247**	14	-	(10)	-	**251**

Six months ended 30 June 2018 (at 2018 average exchange rates) - restated[g]

£m	Underlying results[a]	Onerous contracts	Disposed businesses[c]	Restructuring	Specific and other separately disclosed items[d]	Statutory
Revenue	**3,550**	56	63			**3,669**
Adjusted PBITA[b]	**227**	(1)	(2)			**224**
Net specific and other separately disclosed items	**-**	-	-	(14)	(5)	**(19)**
Profit before tax	**160**	(2)	(2)	(14)	(5)	**137**
Tax	**(38)**	-	-	3	4	**(31)**
Profit after tax	**122**	(2)	(2)	(11)	(1)	**106**
Earnings[e]	**115**	(2)	-	(11)	(1)	**101**
EPS[e]	**7.4p**	(0.1)p	-	(0.7)p	(0.1)p	**6.5p**
Operating cash flow[f]	**247**	14	-	(10)	-	**251**

[a] Underlying results are Alternative Performance Measures as defined and explained on page 36 and exclude the results of businesses disposed of during the current or prior periods, the effect of onerous contracts and specific and other separately disclosed items.
[b] Adjusted PBITA is an Alternative Performance Measure as defined and explained on page 37 and excludes specific and other separately disclosed items.
[c] Disposed businesses include the results of all businesses that have been sold or closed by the Group between 1 January 2018 and 30 June 2019 and are excluded from underlying results to present current period and comparative underlying results on a like-for-like basis.
[d] Other separately disclosed items include goodwill impairment, net profit/(loss) on disposal/closure of subsidiaries/businesses and acquisition-related amortisation. The associated tax impact is included in the tax charge within "other separately disclosed items". In addition, tax-specific charges or credits, such as those arising from changes in tax legislation which have a material impact, and which are unrelated to net specific items, are included within the tax charge within "other separately disclosed items". The accounting policy for specific and other separately disclosed items is provided on page 22.
[e] Earnings is defined as profit attributable to equity shareholders of G4S plc. Underlying Earnings and Underlying EPS exclude specific and other separately disclosed items as described on page 37 and are reconciled to statutory earnings and statutory EPS above.
[f] Operating cash flow is defined on page 37 as net cash flow from operating activities of continuing operations and is stated after pension deficit contributions of £26 million (2018: £21 million). For the six months ended 30 June 2018 it is presented at 2018 average exchange rates. Operating cash flow is reconciled to the Group's movements in net debt on page 38.
[g] Restated for the adoption of IFRS 16 – see note 3.
[h] Constant currency amounts show the 2018 statutory results retranslated at 2019 average exchange rates as described on page 36. Constant currency amounts should not be considered as or used in place of the Group's statutory results. Constant currency operating cash flow is translated at 2018 average exchange rates.

BUSINESS REVIEW: UNDERLYING RESULTS
ALTERNATIVE PERFORMANCE MEASURES

The narrative in this Business Review discusses the Group's underlying results, which are alternative performance measures (as described on page 36) and are reconciled to statutory results on page 3. Commentary on the Group's statutory results is provided on pages 10 to 14. Throughout the Business Review, to aid comparability, 2018 comparative results are presented on a constant currency basis by applying 2019 average exchange rates as described on page 36.

The Group's comparative results have been restated for the adoption of IFRS16 – Leases, as set out in note 3, and a reconciliation between the prior period underlying results as previously reported to the prior period underlying results below is provided on page 41.

At 2019 average exchange rates	**Revenue 2019 £m**	Revenue[a] 2018 £m	YoY %	**Adjusted PBITA 2019 £m**	Adjusted PBITA[a] 2018 £m	YoY %	**Adjusted PBITA margin 2019 %**	Adjusted PBITA margin[a] 2018 %
Africa	**211**	194	8.8%	**17**	16	6.3%	**8.1%**	8.2%
Americas	**1,309**	1,202	8.9%	**61**	59	3.4%	**4.7%**	4.9%
Asia	**453**	440	3.0%	**31**	29	6.9%	**6.8%**	6.6%
Europe & Middle East	**1,239**	1,227	1.0%	**92**	87	5.7%	**7.4%**	7.1%
Secure Solutions	**3,212**	3,063	4.9%	**201**	191	5.2%	**6.3%**	6.2%
Cash Solutions	**535**	515	3.9%	**60**	67	(10.4%)	**11.2%**	13.0%
Total Group before corporate costs	**3,747**	3,578	4.7%	**261**	258	1.2%	**7.0%**	7.2%
Corporate costs				**(27)**	(28)	(3.6%)		
Total Group	**3,747**	3,578	4.7%	**234**	230	1.7%	**6.2%**	6.4%

[a] As described in the basis of preparation of the Alternative Performance Measures on page 36, underlying results for 2018 have been restated for the adoption of IFRS 16. A reconciliation between the results as previously reported and the restated results above is included on page 41.

DIVISIONAL PERFORMANCE

All commentary and figures refer to underlying results in constant currency, unless otherwise stated.

SECURE SOLUTIONS *(86% of Group revenues)*

Overview

- *Security Solutions (79% of group revenues) incorporating risk consulting, on-site, mobile and remote security, technology-enabled monitoring and response, software and systems and integrated security solutions combining some or all of these services*
- *Care & Justice services (7% of group revenues) including custody, detention, education, rehabilitation and transportation concentrated in the UK and Australia*

Our Secure Solutions business delivers industry-leading security services in 90 countries around the world. Building on our established security services, we have invested in developing the capabilities to design and deliver security technology, security systems and integrated security solutions that combine people and technology to offer our customers more efficient and valuable security solutions.

We believe that our growing ability to design and deliver technology-enabled security solutions strengthens our customer-value proposition and provides G4S with the opportunity to increase the longevity and value of existing customer relationships, to win new business and to earn higher margins.

With growth of 14.8%, in the first half of 2019, 46% (HY 2018: 42%) of our Secure Solutions revenues were derived from technology-enabled security services combining our people with technology. We have established a substantial business selling technology-enabled solutions to larger customers. With success in that segment, we are extending our offering into the medium sized customer market.

Performance and Outlook

During the first half of 2019, our Secure Solutions business delivered revenue growth of 4.9%, with particularly strong revenue momentum in Africa and North America, driven by new contract wins as our technology enabled solutions continue to gain traction in our markets. The Adjusted PBITA margin improved 10 basis points, with the positive impact from the changing service mix towards technology-enabled security and consolidation of Middle East businesses being partly offset by increased mobilisation costs and one-off charges in Brazil.

Africa

Revenue growth across Africa was 8.8% helped by new contract wins and improvements in contract retention. A number of large new contract wins to provide customised services in the extractive industries sector resulted in higher mobilisation costs and Adjusted PBITA increased 6.3% to £17 million (2018: £16 million) with margins of 8.1% (2018: 8.2%).

Secure Solutions continued

Americas

Revenues increased by 8.9% driven by strong growth in North America (+10.8%) as our risk consulting and technology-enabled security solutions continue to gain traction in the large enterprise market.

Adjusted PBITA increased by 3.4% after incurring temporarily higher mobilisation costs in the US (related to new contracts) and severance and other one-off costs in Brazil.

We had significant new contract wins across a broad range of sectors including IT, power, hotels, construction and healthcare and improved contract retention. Our pipeline in these sectors is substantial.

Asia

Revenue growth in Asia was 3.0%. We exercised commercial discipline in our bidding and this, together with efficiency gains, contributed to Adjusted PBITA growing by 6.9%.

Europe & Middle East

Revenues in Europe were in line with last year as we continued to exercise commercial discipline in our bidding. Revenues grew strongly in our Risk Management business and in the Middle East, following changes to a shareholder agreement, resulting in the consolidation of the revenues of a business previously accounted for as a joint venture. Overall organic revenues for the region were up slightly on the prior period.

Adjusted PBITA increased 5.7% due to improved revenue mix and a more efficient cost structure. The Adjusted PBITA margin was 7.4% (2018: 7.1%).

CASH SOLUTIONS *(14% of group revenues)*

Overview

- *Cash Technology services comprises:*
    - *Cash technology focused on the efficient management of cash, including Retail Cash Solutions, the leading software and service solution for large retail formats in North America*
    - *Deposita, Cash360 and G4S Pay solutions for medium and small retail formats*
    - *Bank process automation*
- *Conventional cash services including Cash in transit (CIT), cash processing and automated teller machine (ATM) services*

In our Cash Solutions business we provide software, hardware, systems and services that improve the security, control and efficiency of our customers' cash handling. Whilst cash usage is expected to continue to grow in emerging markets, in developed markets cash volumes are expected to gradually decline. To ensure critical mass and economies of scale, we focus on markets where we have, or can build a number one or number two position in the market. We aim to grow volumes in traditional cash services of cash-in-transit and ATMs organically through cost leadership which enables us to win market share and encourages banks to outsource more services. We are advancing commercial discussions for more bank outsourcing in the UK and other markets.

We believe that the Group is well positioned to address a substantial and valuable opportunity to extend and grow our new products and services that are currently being adopted by banks and some of the world's leading retailers. We expect this market to continue to grow strongly and we have market-leading innovative products combining software and service. We are making significant progress with large retailers with what we refer to as our "big box" solution and we are also seeing increasing interest in our mid-size and small box offerings and from banks looking to automate more in branch cash handling. We believe that our Cash Technology services have the potential to generate profits greater than the global profits from our traditional cash business in the medium term.

At 30 June 2019, we had over 26,000 (December 2018: 23,000) cash automation locations, a 12% increase since the year end, across North America, Europe, Asia Pacific and Africa.

Performance and Outlook

Our Cash Solutions business grew revenues by 3.9% overall.

We posted good growth in Europe (bank outsourcing) and Africa (retail and bank services) and in the Middle East we benefitted from the consolidation of a cash business following favourable revisions to its shareholder agreement. As expected, revenues were lower in the UK as a result of the previously announced ATM and bank branch closures and a one-off benefit in 2018 arising from the early termination of the bullion centre contract.

Our North American Retail Cash Solutions (RCS) business grew revenues by 33% to £63m (2018: £47m) for the half year as we mobilised new services for existing customers and won new customers in both the large and SME retail sectors. In the US we launched a new offering in the small box segment and we won a bank branch pilot, using our software solution to automate behind-the-counter operations. G4S cash technology and managed services are now delivered to over 26,000 locations around the world, a 12% increase since the year end. This includes 8,800 retail locations across North America, including over 7,700 in large-store formats where G4S has established a market leading position. We believe that the strong value proposition delivered by our unique cash management technology will continue to drive customer interest in North America where we currently have 14 pilot programmes in our pipeline.

For Cash Solutions as a whole, organic growth excluding the impact of the bullion centre contract, was 4.2%.

Adjusted PBITA of £60m was £7 million lower than the prior period reflecting the impact of the one-off £8 million benefit in 2018 arising from the early completion of a UK bullion centre contract. Excluding the effect of the bullion centre contract, profit rose by £1 million as the expected impact of UK branch and ATM closures was more than offset by PBITA growth in Africa and RCS.

CORPORATE COSTS

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

UNDERLYING RESULTS

Summary underlying results[a]

At 2019 average exchange rates[b]	2019 £m	2018 Restated[c] £m	YoY %
Revenue	**3,747**	3,578	4.7%
Adjusted PBITA[a]	**234**	230	1.7%
Adjusted PBITA[a] margin	6.2%	6.4%	
Interest	**(59)**	(67)	(11.9%)
Profit before tax	**175**	163	7.4%
Tax	**(46)**	(39)	17.9%
Profit after tax	**129**	124	4.0%
Non-controlling interests	**(10)**	(7)	42.9%
Earnings[a] (profit attributable to equity holders of the parent)	**119**	117	1.7%
EPS[a,d] (p)	**7.7**	7.6	1.7%
Operating cash flow[a,b]	**206**	247	(16.6%)

[a] Underlying results, Adjusted PBITA, earnings, EPS and operating cash flow are Alternative Performance Measures as defined and explained on page 36. They exclude the effect of specific and other separately disclosed items, the results of onerous contracts and the results of businesses sold or closed since 1 January 2018, and are reconciled to the Group's statutory results on page 3.
[b] 2018 comparatives are presented at 2019 average exchange rates as described on page 36, except for operating cash flow which is presented at 2018 average exchange rates.
[c] The 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.

Revenue
The Group's revenue increased by 4.7% on the prior period. Secure Solutions revenues were 4.9% higher than the prior period, as explained on pages 4 and 5. Cash Solutions revenue increased by 3.9% following a strong performance in North America Retail Cash Solutions offset by challenging market conditions in the UK and parts of Asia.

Adjusted PBITA
Adjusted PBITA of £234 million (2018: £230 million) increased by 1.7% compared with the prior period. This reflects Adjusted PBITA growth of £10 million (5.2%) in Secure Solutions partly offset by a £7 million (10.4%) decrease in Adjusted PBITA in Cash Solutions which reflected an £8 million one-off benefit in the first half of 2018 relating to the early completion of a bullion centre contract in the UK.

Interest
Net interest payable on net debt decreased to £52 million (2018: £59 million) reflecting the Group's refinancing programme replacing certain loan notes bearing high interest rates with new loan notes issued at lower interest rates since 30 June 2018 (see page 13 for details) and a reduction in interest on lease liabilities to £12 million (2018: £15 million). Net other finance costs were £2 million (2018: £3 million) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £5 million (2018: £5 million), resulting in a total net interest cost of £59 million (2018: £67 million).

Tax
A tax charge of £46 million (2018: £39 million) was incurred on profit before tax of £175 million (2018: £163 million) which represents an effective tax rate of 26% (2018: 24%). In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior period is primarily driven by the level of provision required for potential liabilities not agreed with tax authorities and the relative amount of non-deductible expenses coupled with the geographic mix of profits.

Non-controlling interests
Profit attributable to non-controlling interests was £10 million in 2019, an increase from £7 million in 2018, primarily reflecting the renegotiation in the second half of 2018 of the shareholder agreements for certain businesses in Europe & Middle East and Cash Solutions, increasing our economic interest in and gaining control over those businesses with no incremental investment.

Earnings
The Group generated profit attributable to equity holders ('earnings') of £119 million (2018: £117 million) for the period ending 30 June 2019.

Earnings per share

Earnings per share was 1.7% higher than the prior period at 7.69p (2018: 7.56p), based on the weighted average of 1,547 million (2018: 1,548 million) shares in issue[a]. A reconciliation of profit for the period to earnings per share is provided below:

Underlying earnings per share

	2019 £m	2018 at constant exchange rates £m	2018 at actual exchange rates £m
Underlying profit for the period	**129**	124	122
Non-controlling interests	**(10)**	(7)	(7)
Underlying profit attributable to equity holders of the parent (earnings)	**119**	117	115
Average number of shares[a] (m)	**1,547**	1,548	1,548
Underlying earnings per share	**7.7p**	7.6p	7.4p

[a] Stated net of the average number of shares held in the Employee Benefit Trust of 5 million (2018: 4 million).

ONEROUS CONTRACTS

The Group's onerous contracts generated revenues of £60 million (2018: £56 million) for the period ended 30 June 2019 and Adjusted PBITA of £nil (2018: £(1) million).

During the period the improved performance of two UK contracts led to a £9 million (2018: £nil) gain being recognised as a specific item credit in the income statement. Operating cash flow in respect of onerous contracts was £(1) million for the first six months of 2019 (2018: inflow of £14 million) excluding lease payments of £21m (2018: £20m) that, following the Group's adoption of IFRS 16, are reported outside of operating cash flow.

DISPOSED BUSINESSES

In early 2019 the Group sold a parking management business in Estonia which had generated revenue of £nil and Adjusted PBITA of £nil in the six months ended 30 June 2019 (2018: revenue of £3 million and Adjusted PBITA of £1 million).

Businesses sold during the year ended 31 December 2018 included the Group's businesses in Hungary and the Philippines, an archiving business in Kenya and the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, and generated revenue of £61 million and Adjusted PBITA of £(3) million in the six months ended 30 June 2018.

SEPARATION AND RESTRUCTURING

Charges of £36 million (2018: £13 million) were recorded as separately disclosed items for separation and restructuring programmes in the period ended 30 June 2019, of which £17 million was in respect of the review of separation options for Cash Solutions and £19 million related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Cash Solutions. In addition, the Group incurred non-strategic reorganisation costs of £5 million (2018: £4 million) which are included within Adjusted PBITA. We expect to invest around a further £6 million in restructuring in the second half of 2019 and estimate that the total cost of the cash separation project will be around £50 million with the majority of that incurred in 2019.

SPECIFIC AND OTHER SEPARATELY DISCLOSED ITEMS

	2019 £m	2018 at constant exchange rates £m	2018 at actual exchange rates £m
Specific items – charges	**(5)**	(8)	(8)
Specific items – credits	**3**	1	1
Net (loss)/profit on disposal/closure of subsidiaries/businesses	**(1)**	5	4
Goodwill impairment	**(35)**	-	-
Acquisition-related amortisation	**(2)**	(2)	(2)
Specific and other separately disclosed items before tax	**(40)**	(4)	(5)
Tax credits arising on specific and other separately disclosed items	**2**	4	4
Total specific and other separately disclosed items – charge to earnings	**(38)**	-	(1)

Specific items
The specific items charge of £5 million (2018: £8 million) relates to a review of legacy labour-related claims in Brazil. Specific item charges incurred during the period ended 30 June 2018 of £8 million related to additional provisions in Asia in respect of historical employee gratuities and end-of-service benefits.

The specific items credit of £3 million (2018: £1 million) relates to the recovery of a legacy claim in North America.

Net loss on disposal/closure of subsidiaries/businesses
During the period, the Group recognised a net loss of £1 million (2018: profit of £5 million) reflecting a small profit recognised on the disposal of a parking management business in Estonia offset by costs incurred on business closures and historical disposals. Disposals in the first half of 2018 included the Group's businesses in Hungary and the Philippines and its archiving business in Kenya.

Goodwill impairment
During the period the Group recorded an impairment of goodwill of £35 million (2018: £nil) in respect of Secure Solutions businesses in Brazil that were acquired in 2012 – see note 6 for details.

Acquisition-related amortisation
Acquisition-related amortisation of £2 million (2018: £2 million) is in line with the prior period.

Tax credits arising on specific and other separately disclosed items
Tax credits arising on specific and other separately disclosed items was £2 million (2018: £4 million).

CASH FLOW, CAPITAL EXPENDITURE AND PORTFOLIO MANAGEMENT

The Group generated underlying operating cash flow of £206 million (2018: £247 million) after pension deficit-repair contributions of £26 million (2018: £21 million) during the period. Underlying operating cash flow represents 88% (2018: 109%) of Adjusted PBITA reflecting timing of payments and receipts which we expect to reverse for the full year allowing cash conversion of over 100% for the year. The Group invested £89 million (2018: £113 million) in net capital expenditure including £25 million (2018: £65 million) in leased assets that are capitalised in accordance with IFRS 16. The Group received net proceeds of £7 million (2018: £32 million) from the disposal of businesses and made no significant acquisitions in the period. The relatively high level of new leases in the first six months of 2018 reflected the timing of the renewal of fleet lease vehicles in North America as well as significant new leases of accommodation for guards to service contracts in Europe & Middle East.

Net cash inflow after investing in the business was £107 million (2018: £168 million). The Group's net increase in net debt before foreign exchange movements was £129 million (2018: £68 million) after net interest of £81 million (2018: £79 million), tax paid of £47 million (2018: £48 million) and dividends paid of £106 million (2018: £104 million).

BUSINESS REVIEW – GROUP COMMENTARY:
STATUTORY RESULTS

The basis of preparation of the Group's statutory results is set out on page 22. Comparative figures for statutory results are presented at actual historical exchange rates (i.e. the results for the six months ended 30 June 2018 are presented at average exchange rates for the six months ended 30 June 2018). Prior period results have been restated for the impact of adopting IFRS 16 – Leases, as described in note 3.

REVIEW OF STATUTORY RESULTS

Statutory results at actual exchange rates	**2019** **£m**	2018 Restated[a] £m	YoY %
Revenue	**3,807**	3,669	3.8%
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	**234**	224	4.5%
Specific items – charges	**(5)**	(8)	n/a
Specific items – credits	**12**	1	n/a
Restructuring costs	**(36)**	(14)	n/a
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(1)**	4	n/a
Goodwill impairment	**(35)**	-	n/a
Acquisition-related amortisation	**(2)**	(2)	n/a
Operating profit	**167**	205	(18.5 %)
Interest costs (net)	**(59)**	(68)	(13.2%)
Profit before tax	**108**	137	(21.2%)
Tax	**(39)**	(31)	25.8%
Profit for the period	**69**	106	(34.9%)
Non-controlling interests	**(10)**	(5)	100.0%
Profit attributable to equity holders of the parent ("statutory earnings")	**59**	101	(41.6%)
EPS (p)	**3.8**	6.5	(41.5%)
Operating cash flow	**189**	251	(24.7%)

[a] 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.

Revenue
Revenue increased by 3.8% compared with the prior period statutory results. Of the increase, 0.8% (£29 million) was due to movements in average exchange rates. Excluding the effects of movements in exchange rates, revenue increased by 2.9% which included a reduction in revenue of £64 million in respect of businesses disposed during the current period and prior year including the Group's businesses in Hungary and its Cash Solutions businesses in UAE, Colombia and Saudi Arabia. Revenue from onerous contracts is slightly higher than the prior period at £60 million (2018: £56 million). Excluding the effects of movements in exchange rates, revenue from disposed businesses and onerous contracts, revenue grew by 4.7% at constant exchange rates.

Adjusted PBITA
Adjusted PBITA of £234 million (2018: £224 million) was up 4.5%. Of the increase, 1.3% (£3 million) was due to movements in exchange rates. Excluding the effect of movements in exchange rates, Adjusted PBITA increased 3.1%, including a £3 million improvement in Adjusted PBITA from onerous contracts and disposed businesses. Excluding the effect of movements in exchange rates, Adjusted PBITA from disposed businesses and onerous contracts, the Group's Adjusted PBITA increased by 1.7% compared with the prior period.

Business performance is discussed in more detail by service line and region on pages 4 to 6.

Specific items - charges
The specific items charge of £5 million (2018: £8 million) relates to a review of legacy labour-related claims in Brazil.

Specific items charges incurred during the period ended 30 June 2018 of £8 million related to additional provisions in Asia in respect of historical employee gratuities.

Specific items - credits
The specific items credits of £12 million (2018: £1 million) include £9 million related to the improved performance of two onerous UK contracts and £3 million in respect of the recovery of legacy claims in North America.

Restructuring costs
Charges of £36 million (2018: £14 million) were recorded for separation and restructuring programmes during the period ended 30 June 2019, of which £17 million was in respect of the review of separation options for Cash Solutions and £19 million related to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Cash Solutions. In addition, the Group incurred non-strategic reorganisation costs of £5 million (2018: £4 million) which are included within Adjusted PBITA. We expect to invest around a further £6 million in restructuring in the second half of 2019 and estimate that the total cost of the cash separation project will be around £50 million with the majority of that incurred in 2019.

Loss on disposal and closure of subsidiaries/businesses
During the period, the Group recognised a net loss of £1 million (2018: profit of £4 million) reflecting a small profit on the disposal of a parking management business in Estonia offset by costs incurred on business closures and historical disposals. Disposals in the first half of 2018 included the Group's businesses in Hungary and the Philippines and its archiving business in Kenya.

Goodwill impairment
During the period the Group recorded an impairment of goodwill of £35 million (2018: £nil) in respect of Secure Solutions businesses in Brazil that were acquired in 2012 – see note 6 for details.

Acquisition-related amortisation
Acquisition-related amortisation of £2 million (2018: £2 million) is in line with the prior period.

Operating profit
Operating profit for the period of £167 million (2018: £205 million) was down 18.5% primarily reflecting the 4.5% increase in Adjusted PBITA offset by the Cash Solutions separation costs of £17 million together with the £35 million goodwill impairment charge.

Net interest costs
Net interest payable on net debt decreased to £52 million (2018: £60 million) reflecting the Group's refinancing programme replacing certain loan notes bearing high interest rates with new loan notes issued at lower rates since 30 June 2018 (see page 13 for details) and a reduction in interest on lease liabilities to £12 million (2018: £15 million). Net other finance costs were £2 million (2018: £3 million) and the pension interest charge, related to the unwinding of the discount in relation to long-term pension liabilities, was £5 million (2018: £5 million), resulting in a total net interest cost of £59 million (2018: £68 million).

Tax
The statutory tax charge of £39 million (2018: £31 million) for 2019 included a tax charge of £46 million (2018: £38 million) on the Group's underlying profits, as explained on page 7, a tax charge on onerous contracts of £2 million (2018: £nil), a tax charge of £nil in respect of disposed businesses (2018: £nil), a tax credit of £7 million (2018: £3 million) in respect of restructuring costs and a net tax credit of £2 million (2018: £4 million) in respect of specific and other separately disclosed items.

The Group's statutory tax charge represented an effective rate of 36% (2018: 23%) on profit before tax of £108 million (2018: £137 million). In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior period is primarily driven by: the impact of the Brazil goodwill impairment (see note 6) which has caused the re-assessment of the recoverability of certain deferred tax assets; the level of provision required for potential liabilities not agreed with tax authorities; and the relative amount of non-deductible expenses coupled with the geographic mix of profits.

Non-controlling interests
Profit attributable to non-controlling interests was £10 million in 2019, an increase from £5 million recorded in 2018, primarily reflecting the renegotiation in the second half of 2018 of the shareholder agreements for certain businesses in Europe & Middle East and Cash Solutions, increasing our economic interest in and gaining control over those businesses with no incremental investment.

Profit attributable to equity holders of the parent ("statutory earnings")
The Group reported profit for the period attributable to equity holders of the parent ("statutory earnings") decreased to £59 million (2018: £101 million) which primarily reflects the Cash Solutions separation costs and goodwill impairment charge.

Earnings per share

BUSINESS REVIEW – GROUP COMMENTARY: STATUTORY RESULTS

Statutory earnings per share[a] decreased to 3.8p (2018: 6.5p), based on the weighted average number of shares in issue[b] of 1,547 million (2018: 1,548 million). A reconciliation of the Group's statutory profit for the period to EPS is provided below:

Earnings per share

	2019	2018 at constant exchange rates[c,d]	2018 at actual exchange rates[d]
	£m	£m	£m
Profit for the period	**69**	110	106
Non-controlling interests	**(10)**	(5)	(5)
Profit attributable to equity holders of the parent (earnings)	**59**	105	101
Average number of shares[b] (m)	**1,547**	1,548	1,548
Statutory earnings per share[a]	**3.8p**	6.8p	6.5p

[a] Basis of preparation of statutory results is shown on page 22.
[b] Stated net of the average number of shares held in the Employee Benefit Trust of 5 million (2018: 4 million).
[c] Refer to page 36 for a definition of constant currency results.
[d] 2018 results have been restated for the effect of adopting IFRS 16 – Leases, see note 3.

REVIEW OF THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Significant movements in the consolidated statement of financial position

Current loan notes reduced to £nil million (31 December 2018: £464 million), reflecting the full repayment of certain loan notes during the period, as explained on page 13. In addition, non-current bank loans increased to £615 million (31 December 2018: £293 million) reflecting the increased draw-down of the RCF in the first half of 2019.

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

- Cash, cash equivalents and overdrafts are explained below;
- Retirement benefit obligations are explained in note 14;
- Provisions are analysed in note 15; and
- Net debt is analysed in note 16.

Total equity

Total equity at 30 June 2019 was £631 million (31 December 2018: £746 million). The main movements during the period were: profit for the period of £69 million (2018: £106 million), other comprehensive loss of £87 million (2018: £8 million), and dividends declared in the period of £108 million (2018: £105 million). The other comprehensive loss of £87 million included a re-measurement loss on deferred retirement benefit schemes of £114 million (2018: £5 million) as explained on page 14 and an exchange gain on translation of foreign operations and changes in fair value of net investment and cash flow hedging financial instruments of £9 million (2018: loss of £4 million).

REVIEW OF THE GROUP'S CASH FLOW AND FINANCING

Consolidated statement of cash flow

Net cash flow from operating activities before tax was £189 million (2018: £251 million). Operating cash flow from discontinued operations of £8 million (2018: £nil) reflects the recovery of long-standing receivables retained on the disposal of a business in 2014. Net cash inflow from operating activities was £150 million (2018: £203 million) reflecting the timing of payments and receipts which we expect to reverse for the full year. Net cash used in investing activities was £59 million (2018: £7 million), including £7 million (2018: £32 million) of net business disposal proceeds. Net cash outflow from financing activities was £159 million (2018: inflow of £202 million) with the difference compared with the prior period being mainly the repayment of borrowings of £460 million (2018: £1 million). Cash, cash equivalents and overdrafts at 30 June 2019 were £600 million (2018: £967 million), a net decrease compared with 31 December 2018 including the impact of exchange rate movements of £73 million (2018: increase of £396 million). The Group's statutory cash flow is presented in full on page 21.

Net debt

Net debt as at 30 June 2019 was £2,121 million (2018: £2,026 million). The Group's net debt to Adjusted EBITDA ratio increased to 2.85x (2018: 2.73x) primarily reflecting the increase in net debt in the period. The detailed reconciliation of movements in net debt is provided on page 38 and is reconciled to the statutory cash flow on page 39.

Net debt maturity

In April 2019, the Group's credit rating was re-affirmed by Standard & Poor's as BBB-, with a stable outlook. As at 30 June 2019 the Group had liquidity of £1,030 million (2018: £1,967 million) comprising cash, cash equivalents and bank overdrafts of £600 million (2018: £967 million) and unutilised but committed facilities of £430 million (2018: £1 billion). The Group entered into a £300 million bridge facility which was signed in July 2019 for 12 months with an option to extend for a further six months.

Net debt maturity (continued)

During the period, the Group issued $162 million of US private loan notes maturing in May 2026, and $188 million of US private loan notes maturing in May 2029. The Group also repaid £350 million of GBP public bonds bearing interest rates of 7.75%, and US$145 million of US private loan notes bearing interest rates of 5.96%. As at 30 June 2019 the Group had drawn down £320 million from the RCF facility (2018: undrawn). In June 2019 the Group exercised an option to extend the term of £716 million of the £750 million RCF by a further year, taking it to 2024.

The next debt maturities are the $74.5 million US Public bond due in July 2020 and the $350 million term loan facility due in 2021. The Group has good access to the capital markets and a diverse range of finance providers. Borrowings are principally in pounds sterling, US dollars and euros, reflecting the geographies of significant operational assets and earnings.

The Group's main sources of finance and their applicable rates as at 30 June 2019 are set out below:

Debt instrument/ Year of issue	Nominal amount[a]	Issued interest rate	Post hedging average interest rate	Year of redemption and amounts (£m)[b]								
				2020	2021	2022	2023	2024	2025	2026	2029	Total
US PP 2007	US$105m	6.06%	3.38%			83						**83**
US PP 2008	US$74.5m	6.88%	6.88%	59								**59**
US PP 2019	US$162m	4.90%	3.83%							124		**124**
US PP 2019	US$188m	5.12%	4.32%								145	**145**
Public Bond 2016	€500m	1.50%	2.24%				449					**449**
Public Bond 2017	€500m	1.50%	3.23%					443				**443**
Public Bond 2018	€550m	1.88%	2.78%						484			**484**
Term Loan Facility 2018	US$350m	3.44%	3.44%		276							**276**
Revolving Credit Facility 2018[c]	£750m (multi currency)	1.42%	1.42%				14	306				**320**
				59	**276**	**83**	**463**	**749**	**484**	**124**	**145**	**2,383**

[a] Nominal debt amount, for fair value carrying amount see note 18.
[b] Translated at exchange rates prevailing at 30 June 2019, or hedged exchange rates where applicable.
[c] £716 million of the revolving credit facility matures in August 2024, with the remaining £34 million maturing in August 2023. As at 30 June 2019 the Group had drawn down £320 million from the facility.

The average cost of the Group's borrowings and lease liabilities, net of interest hedging, was 4.0% (2018: 4.3%).

OTHER INFORMATION

Significant exchange rates applicable to the Group

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

	30 June 2019 Closing rates	Six months to 30 June 2019 Average rates	31 December 2018 Closing rates	Year to 31 December 2018 Average rates
£/US$	1.2695	1.2962	1.2746	1.3336
£/€	1.1175	1.1465	1.1130	1.1294
£/South Africa Rand	17.9069	18.3544	18.3288	17.5598
£/India Rupee	87.5039	90.6783	88.8104	90.9294
£/Brazil Real	4.8661	4.9698	4.9461	4.8621

Applying June 2019 closing rates to underlying results for the six months ending to 30 June 2019 would result in an increase in revenue of 2.0% to £3,821 million (for the period ended 30 June 2018: increase of 2.0% to £3,648 million) and an increase in Adjusted PBITA of 1.7% to £238 million (for the period ended 30 June 2018: increase of 1.7% to £234 million).

Applying June 2019 closing rates to the Group's statutory results for the six months ending to 30 June 2019 would result in an increase in revenue of 1.9% to £3,881 million (for the period ended 30 June 2018: increase of 2.8% to £3,770 million) and an increase in Adjusted PBITA of 1.7% to £238 million (for the period ended 30 June 2018: increase of 3.1%, to £231 million).

The movements in average exchange rates led to an increase in statutory revenue of 0.8% and an increase in Adjusted PBITA of 1.3%. The impact of exchange rate movements increased the Group's net debt by £1 million compared with the prior period.

Dividend

The Board proposes an interim dividend of 3.59p (2018: 3.59p) per share (DKK 0.2905).

Pensions

The Group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 30 June 2019 recognised in the consolidated statement of financial position was £463 million (31 December 2018: £364 million) or £385 million (31 December 2018: £302 million) net of applicable tax in the relevant jurisdictions. The increase in the Group's net pension deficit compared with the position as at 31 December 2018 primarily reflects a significant increase in the net deficit of the UK pension scheme together with a smaller increase in the Group's unfunded pension schemes.

The UK scheme's pension liabilities increased compared with the position as at 31 December 2018 reflecting the decrease in discount rates to 2.25% (31 December 2018: 2.85%) used to compute the scheme obligations following a reduction in corporate bond rates offset by the payment of scheduled deficit-repair contributions of £26 million (2018: £21 million) during the period. The net increase in the pension liabilities was partially offset by a gain recognised on the revaluation of the pension scheme assets.

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

Risk and uncertainties

A discussion of the Group's risk assessment and control processes and the principal risks and uncertainties that could affect the business activities or financial results is detailed on pages 64 to 71 of the company's Integrated Report and Accounts for the financial year ended 31 December 2018, a copy of which is available on the Group's website at www.g4s.com.

These risks and uncertainties include, but are not limited to, culture and values, health and safety, people, major contracts, laws and regulations, growth strategy, geo-political, cash losses and information security. The business risks and uncertainties are expected to remain materially the same as outlined in the 2018 Integrated Report and Accounts during the remaining six months of the financial year although the risks associated with the terms of the UK's exit from the EU continue to evolve.

Brexit

The Group operates mainly within national boundaries and is typically subject to security-licencing regulations in each territory, and is relatively well positioned with around 80% of revenues outside the UK and minimal cross-border trading. Brexit may impact the overall macro-economic environment, including foreign exchange rates, and may also have an impact on the availability of labour in the UK.

The Group will continue to monitor closely developments on the decision to exit the EU as part of its risk management and governance framework.

Directors' responsibility statement in respect of the results for the six months ended 30 June 2019

We confirm that to the best of our knowledge:

- the condensed consolidated set of interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as adopted by the European Union;
- the half-yearly report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency* Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

A list of the directors is available on the company's website www.g4s.com.

The responsibility statement is signed on behalf of the Board by:

Tim Weller
Group Chief Financial Officer
9 August 2019

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed G4S plc's condensed consolidated interim financial statements (the "interim financial statements") in the 2019 half-year results of G4S plc for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position at 30 June 2019;
- the consolidated income statement for the period then ended;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2019 half-year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The 2019 half-year results, including the interim financial statements, are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the 2019 half-year results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the 2019 half-year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2019 half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 August 2019

G4S plc
Consolidated financial statements
For the six months ended 30 June 2019

Consolidated income statement (unaudited)

Continuing operations	Notes	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Revenue	5	**3,807**	3,669	7,507
Operating profit before impairment losses on financial and contract assets, joint ventures, specific items and other separately disclosed items		**239**	223	489
Net impairment losses on financial and contract assets		**(7)**	(3)	(11)
Share of post-tax profit from joint ventures		**2**	4	7
Adjusted profit before interest, tax and amortisation (Adjusted PBITA)	5	**234**	224	485
Specific items – charges	6	**(5)**	(8)	(32)
Specific items – credits	6	**12**	1	11
Guaranteed minimum pension equalisation charge	6	**-**	-	(35)
California class action settlement	6	**-**	-	(100)
Restructuring costs	6	**(36)**	(14)	(31)
(Loss)/profit on disposal/closure of subsidiaries/businesses	6,7	**(1)**	4	(15)
Goodwill impairment	6	**(35)**	-	-
Amortisation of acquisition-related intangible assets	6	**(2)**	(2)	(4)
Operating profit	5,6	**167**	205	279
Finance income	8	**10**	8	16
Finance expense	8	**(69)**	(76)	(153)
Profit before tax		**108**	137	142
Tax	9	**(39)**	(31)	(55)
Profit from continuing operations after tax		**69**	106	87
Profit from discontinued operations		**-**	-	2
Profit for the period		**69**	106	89
Attributable to:				
Equity holders of the parent		**59**	101	81
Non-controlling interests		**10**	5	8
Profit for the period		**69**	106	89
Earnings per share attributable to equity shareholders of the parent	11			
Basic and diluted – from continuing operations		**3.8p**	6.5p	5.1p
Basic and diluted – from continuing and discontinued operations		**3.8p**	6.5p	5.2p
Dividends declared and proposed in respect of the period				
Interim dividend		**55**	55	55
Final dividend		**-**	-	95
Total dividend	10	**55**	55	150

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

Consolidated statement of comprehensive income (unaudited)

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Profit for the period	**69**	106	89
Other comprehensive income			
Items that will not be re-classified to profit or loss:			
Re-measurements on defined retirement benefit schemes	**(114)**	(5)	38
Tax on items that will not be re-classified to profit or loss	**18**	1	(6)
	(96)	(4)	32
Items that may be re-classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations and changes in fair value of net investment and cash flow hedging financial instruments	**9**	(4)	14
Tax on items that may be reclassified subsequently to profit or loss	**-**	-	(2)
Other comprehensive (loss)/income, net of tax	**(87)**	(8)	44
Total comprehensive (loss)/income for the period	**(18)**	98	133
Attributable to:			
Equity holders of the parent	**(28)**	93	124
Non-controlling interests	**10**	5	9
Total comprehensive (loss)/income for the period	**(18)**	98	133

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.

G4S plc
Consolidated financial statements
For the six months ended 30 June 2019

Consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the parent						
	Share capital 2019 £m	**Share premium 2019 £m**	**Retained earnings 2019 £m**	**Other reserves 2019 £m**	**Total 2019 £m**	**NCI reserve 2019 £m**	**Total Equity 2019 £m**
At 1 January 2019[1]	**388**	**258**	**(297)**	**379**	**728**	**18**	**746**
Total comprehensive income	**-**	**-**	**(37)**	**9**	**(28)**	**10**	**(18)**
Dividends paid	**-**	**-**	**(95)**	**-**	**(95)**	**(13)**	**(108)**
Transactions with non-controlling interests	**-**	**-**	**(8)**	**-**	**(8)**	**24**	**16**
Own shares awarded	**-**	**-**	**(12)**	**12**	**-**	**-**	**-**
Own shares purchased	**-**	**-**	**-**	**(8)**	**(8)**	**-**	**(8)**
Share-based payments	**-**	**-**	**3**	**-**	**3**	**-**	**3**
At 30 June 2019	**388**	**258**	**(446)**	**392**	**592**	**39**	**631**

	Attributable to equity holders of the parent						
	Share capital 2018 £m	Share premium 2018 £m	Retained earnings 2018 £m	Other reserves 2018 £m	Total 2018 £m	NCI reserve 2018 £m	Total Equity 2018 £m
At 1 January 2018– reported	388	258	(177)	370	839	4	843
Impact of adoption of IFRS16[1]	-	-	(36)	-	(36)	-	(36)
At 1 January 2018 - restated[1]	388	258	(213)	370	803	4	807
Total comprehensive income/(loss) - restated[1]	-	-	97	(4)	93	5	98
Dividends paid	-	-	(95)	-	(95)	(10)	(105)
Recycling of cumulative translation adjustments	-	-	-	(1)	(1)	-	(1)
Own shares awarded	-	-	(9)	9	-	-	-
Own shares purchased	-	-	-	(7)	(7)	-	(7)
Share-based payments	-	-	4	-	4	-	4
At 30 June 2018 - restated[1]	388	258	(216)	367	797	(1)	796
At 1 January 2018– reported	388	258	(177)	370	839	4	843
Impact of adoption of IFRS16[1]	-	-	(36)	-	(36)	-	(36)
At 1 January 2018 - restated[1]	388	258	(213)	370	803	4	807
Total comprehensive income/(loss) - restated[1]	-	-	112	12	124	9	133
Dividends paid	-	-	(150)	-	(150)	(20)	(170)
Transactions with non-controlling interests	-	-	(39)	-	(39)	18	(21)
Consolidation of previously equity-accounted entities	-	-	(6)	-	(6)	7	1
Recycling of cumulative translation adjustments	-	-	-	(1)	(1)	-	(1)
Own shares awarded	-	-	(9)	9	-	-	-
Own shares purchased	-	-	-	(11)	(11)	-	(11)
Share-based payments	-	-	8	-	8	-	8
At 31 December 2018 - restated[1]	388	258	(297)	379	728	18	746

[1] Comparative results have been restated for the adoption of IFRS 16 Leases, see note 3.

G4S plc
Consolidated financial statements

As at 30 June 2019

Consolidated statement of financial position (unaudited)

	Notes	As at 30 June 2019 £m	As at 30 June 2018 Restated[1] £m	As at 31 Dec 2018 Restated[1] £m
ASSETS				
Non-current assets				
Goodwill		**1,911**	1,918	1,939
Other acquisition-related intangible assets		**10**	7	12
Non-acquisition-related intangible assets		**112**	96	100
Property, plant and equipment		**675**	751	713
Trade and other receivables		**126**	90	99
Investment in joint ventures		**8**	22	8
Investments	*16*	**26**	22	23
Retirement benefit surplus	*14*	**69**	73	75
Deferred tax assets	*9*	**274**	249	255
		3,211	3,228	3,224
Current assets				
Inventories		**123**	107	113
Investments	*16*	**50**	43	42
Trade and other receivables		**1,494**	1,434	1,433
Current tax assets	*9*	**70**	54	64
Cash and cash equivalents	*16*	**955**	1,302	1,015
Assets of disposal groups classified as held for sale	*12*	**9**	-	9
		2,701	**2,940**	**2,676**
Total assets		**5,912**	**6,168**	**5,900**
LIABILITIES				
Current liabilities				
Bank overdrafts	*16*	**(310)**	(292)	(305)
Bank loans	*16*	**(15)**	(7)	(12)
Loan notes	*16*	**-**	(1,118)	(464)
Lease liabilities	*16*	**(167)**	(180)	(164)
Trade and other payables		**(1,193)**	(1,192)	(1,234)
Current tax liabilities	*9*	**(51)**	(61)	(57)
Provisions	*15*	**(167)**	(83)	(181)
Liabilities of disposal groups classified as held for sale	*12*	**-**	(1)	(1)
		(1,903)	**(2,934)**	**(2,418)**
Non-current liabilities				
Bank loans	*16*	**(615)**	(5)	(293)
Loan notes	*16*	**(1,806)**	(1,506)	(1,533)
Lease liabilities	*16*	**(231)**	(314)	(296)
Trade and other payables		**(47)**	(33)	(38)
Retirement benefit obligations	*14*	**(532)**	(455)	(439)
Provisions	*15*	**(139)**	(117)	(131)
Deferred tax liabilities	*9*	**(8)**	(8)	(6)
		(3,378)	**(2,438)**	**(2,736)**
Total liabilities		**(5,281)**	**(5,372)**	**(5,154)**
Net assets		**631**	796	746
EQUITY				
Share capital		**388**	388	388
Share premium		**258**	258	258
Reserves		**(54)**	151	82
Equity attributable to equity holders of the parent		**592**	**797**	**728**
Non-controlling interests		**39**	(1)	18
Total equity		**631**	**796**	**746**

[1] The consolidated statements of financial position as at 30 June 2018 and 31 December 2018 have been restated for the effect of IFRS 16, see note 3.

Consolidated statement of cash flows (unaudited)

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Operating profit	**167**	205	279
Adjustments for non-cash and other items (see note 17)	**122**	101	389
Increase in inventory	**(10)**	(5)	(10)
Increase in accounts receivable	**(75)**	(20)	(40)
Decrease in accounts payable	**(15)**	(30)	(30)
Net cash flow from operating activities of continuing operations (see note 17)	**189**	251	588
Net cash flow from operating activities of discontinued operations	**8**	-	-
Cash generated by operations	**197**	251	588
Tax paid	**(47)**	(48)	(98)
Net cash flow from operating activities	**150**	203	490
Investing activities			
Purchases of non-current assets	**(66)**	**(52)**	(114)
Proceeds on disposal of property, plant and equipment	**2**	**4**	12
Disposal/closure of subsidiaries/businesses	**7**	**32**	45
Cash, cash equivalents and bank overdrafts in disposed entities	**(1)**	**(2)**	(16)
Cash, cash equivalents and bank overdrafts in acquired entities	**-**	**-**	5
Acquisition of subsidiaries	**(4)**	**(1)**	(4)
Interest received	**8**	**10**	17
Sale of investments	**(10)**	**(3)**	-
Cash receipts from leases	**3**	**3**	5
Cash flow from equity accounted investments	**2**	**2**	7
Net cash used in investing activities	**(59)**	**(7)**	(43)
Financing activities			
Dividends paid to equity shareholders of the parent	**(95)**	**(95)**	(150)
Dividends paid to non-controlling interests	**(11)**	**(9)**	(20)
Purchase of own shares	**(8)**	**(7)**	(11)
Proceeds from new borrowings	**594**	**482**	761
Repayment of borrowings	**(460)**	**(1)**	(658)
Interest paid[2]	**(89)**	**(89)**	(143)
Repayment of lease obligations	**(86)**	**(79)**	(167)
Transactions with non-controlling interests	**(4)**	**-**	(1)
Net cash (outflow)/inflow from financing activities	**(159)**	**202**	(389)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(68)**	398	58
Cash, cash equivalents and bank overdrafts at the beginning of the period	**673**	571	571
Effect of foreign exchange rate fluctuations on net cash held	**(5)**	(2)	44
Cash, cash equivalents and bank overdrafts at the end of the period	**600**	967	673

[1] Comparative results have been restated for the adoption of IFRS 16 – Leases, see note 3.
[2] Interest paid for the six months ended 30 June 2018 has been re-presented to include interest paid and received on derivative financial instruments that were previously presented separately.

Notes to the interim financial statements

1) Basis of preparation and accounting policies

These condensed consolidated interim financial statements (“the interim financial statements”) comprise the unaudited consolidated results of G4S plc (“the Group”) for the six months ended 30 June 2019. These results and the comparatives for the six months ended 30 June 2018 and for the year ended 31 December 2018 do not comprise statutory accounts and should be read in conjunction with the Integrated Report and Accounts 2018, which is available at www.g4s.com. The Integrated Report and Accounts 2018 was reported on by the company’s auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not contain a reference to any matters to which the auditor drew attention by emphasis of matter without qualifying their report, and (iii) did not contain any statement under section 498 (2) or (3) of the Companies Act 2006. The interim financial statements have been prepared applying accounting policies consistent with those applied by the Group in the Integrated Report and Accounts 2018, except for the adoption of IFRS16 – Leases as described in note 3.

The financial information in these interim financial statements for the half year to 30 June 2019 has been reviewed but not audited by PricewaterhouseCoopers LLP, the company’s auditor.

The interim financial statements of the Group presented in this half-yearly results announcement have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union, and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors consider it appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

2) Specific items and other separately disclosed items

The Group’s consolidated income statement and segmental analysis note separately identify results before specific items. Specific items are those that in management’s judgment need to be disclosed separately in arriving at operating profit by virtue of their size, nature or incidence. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

All specific items are evaluated and approved by the Group’s Audit Committee prior to being separately disclosed. The Group seeks to be balanced when reporting specific items for both debits and credits, and any reversals of excess provisions previously created as specific items are classified consistently as specific items. Specific items may not be comparable with similarly-titled measures used by other companies.

In general, provisions recognised for future losses on onerous contracts are charged to the consolidated income statement within Adjusted PBITA. However, where onerous contract charges are significant by virtue of their size, they are separately charged within specific items. Such losses are distinct from “in-year” losses, which are utilised against provisions for onerous contract losses. Releases of onerous contract provisions originally charged as specific items are separately credited within specific items. On adoption of IFRS 16, some of the Group’s onerous contract provisions were replaced with lease liabilities and the associated right of use assets were impaired to the extent that the contracts were onerous (see note 3). Profits arising on such contracts have been recorded within specific items to the extent that the related impairments were previously recorded as specific items.

In order to provide further clarity in the consolidated income statement, the Group also discloses separately certain restructuring costs, profits or losses on disposal or closure of subsidiaries, costs of major corporate restructuring, acquisition-related amortisation and expenses and goodwill impairments. Restructuring costs that are separately disclosed reflect the Group’s 2018 to 2020 productivity programme announced in 2017. This programme is of a strategic nature and, as such, is monitored and approved by the Group’s Executive Committee.

Notes to the interim financial statements (continued)

3) Adoption of new and revised accounting standards and interpretations

The Group has applied IFRS 16 – Leases.

IFRS 16 – Leases

The Group adopted IFRS 16 with effect from 1 January 2019. Its principal effect was to gross up the Group's balance sheet to recognise additional right of use assets within property, plant and equipment and additional lease liabilities in respect of leases that were previously treated as operating leases. The associated operating lease charge that was previously recorded within operating costs has been removed and replaced with a depreciation charge in respect of the additional assets recognised and an interest charge in respect of the additional lease creditors recognised.

The Group applied the standard using the fully retrospective method and has restated its results for comparative periods as if the Group had always applied the new standard. The only exception is in respect of leases (as defined by IFRS 16) that were in existence at 1 January 2018 but did not meet the previous definition of leases where we have continued to apply historical accounting.

In accordance with IFRS 16, the Group recognises an expense in respect of short-term leases (being those with an initial term of 12 months or less) and leases of low-value items (defined as leases of assets with a cost, when new, of less than £2,500) on a straight line basis over the life of the lease. For all other leases, the Group recognises a right-of-use asset and corresponding liability at the date at which the leased asset is made available for use by the group.

Lease liabilities are measured at the present value of the future lease payments including fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivables. The Group applies the practical expedient to include non-lease components in the measurement of lease liabilities. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be measured, at an incremental borrowing rate determined based on publicly available data for liabilities with matching start-dates, terms and currencies, adjusted for the country-specific risk of the lessee. No adjustment is made to reflect the nature of the leased assets on the basis that a lender would not make a material adjustment to the borrowing rate to reflect the nature of the underlying assets.

Lease assets are measured based on the value of the associated lease liability, adjusted for any payments made before inception and initial direct costs.

Subsequent to initial recognition, the Group records an interest charge in respect of the lease liability. The related right of use asset is amortised over the term of the lease or, if shorter, the Useful Economic Life (UEL) of the leased asset unless it is reasonably certain that the Group will acquire the asset at the end of the lease in which case it is recognised over the asset's UEL. Lease liabilities are adjusted for changes to the future cash flows due under the lease (for example, changes based on movements in indexes or rates) with a corresponding adjustment typically made to the associated asset.

The impact of adopting IFRS 16 on the Group's consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows is presented in the following tables.

Consolidated income statement						
	Year ended 31 Dec 2018			**Six months ended 30 June 2018**		
Continuing operations	**As reported £m**	**IFRS16 £m**	**Restated £m**	**As reported £m**	**IFRS16 £m**	**Restated £m**
Revenue	**7,512**	**(5)**	**7,507**	**3,672**	**(3)**	**3,669**
Operating profit	**253**	**26**	**279**	**193**	**12**	**205**
Finance income	16	-	16	8	-	8
Finance expense	(126)	(27)	(153)	(62)	(14)	(76)
Profit before tax	**143**	**(1)**	**142**	**139**	**(2)**	**137**
Tax	(55)	**-**	(55)	(31)	-	(31)
Profit from continuing operations after tax	**88**	**(1)**	**87**	**108**	**(2)**	**106**
Profit from discontinued operations	2	**-**	2	-	-	-
Profit for the year	**90**	**(1)**	**89**	**108**	**(2)**	**106**
Attributable to:						
Equity holders of the parent	82	**(1)**	81	103	(2)	101
Non-controlling interests	8	**-**	8	5	-	5
Profit for the year	**90**	**(1)**	**89**	**108**	**(2)**	**106**

Notes to the interim financial statements (continued)

3) Adoption of new and revised accounting standards and interpretations (continued)

Consolidated statement of financial position						
	As at 31 December 2018			As at 30 June 2018		
	As reported £m	IFRS16 £m	Restated £m	As reported £m	IFRS16 £m	Restated £m
ASSETS						
Non-current assets						
Property, plant and equipment	367	346	713	381	370	751
Trade and other receivables	88	11	99	77	13	90
Deferred tax assets	248	7	255	241	8	249
Other non-current assets	2,157	-	2,157	2,138	-	2,138
	2,860	**364**	**3,224**	**2,837**	**391**	**3,228**
Current assets						
Trade and other receivables	1,429	4	1,433	1,432	2	1,434
Other current assets	1,243	-	1,243	1,506	-	1,506
	2,672	**4**	**2,676**	**2,938**	**2**	**2,940**
Total assets	**5,532**	**368**	**5,900**	**5,775**	**393**	**6,168**
LIABILITIES						
Current liabilities						
Lease liabilities	(11)	(153)	(164)	(12)	(168)	(180)
Trade and other payables	(1,237)	3	(1,234)	(1,194)	2	(1,192)
Provisions[a]	(202)	21	(181)	(83)	-	(83)
Other current liabilities	(838)	(1)	(839)	(1,479)	-	(1,479)
	(2,288)	**(130)**	**(2,418)**	**(2,768)**	**(166)**	**(2,934)**
Non-current liabilities						
Lease liabilities	(16)	(280)	(296)	(22)	(292)	(314)
Provisions[a]	(136)	5	(131)	(146)	29	(117)
Other non-current liabilities	(2,309)	-	(2,309)	(2,006)	(1)	(2,007)
	(2,461)	**(275)**	**(2,736)**	**(2,174)**	**(264)**	**(2,438)**
Total liabilities	**(4,749)**	**(405)**	**(5,154)**	**(4,942)**	**(430)**	**(5,372)**
Net assets	**783**	**(37)**	**746**	**833**	**(37)**	**796**
EQUITY						
Share capital	388	-	388	388	-	388
Share premium	258	-	258	258	-	258
Reserves	119	(37)	82	188	(37)	151
Equity attributable to equity holders of the parent	**765**	**(37)**	**728**	**834**	**(37)**	**797**
Non-controlling interests	18	-	18	(1)	-	(1)
Total Equity	**783**	**(37)**	**746**	**833**	**(37)**	**796**

[a] The Group has historically recorded provisions for future operating lease expenditure when the future cost of a lease is greater than the benefits that the Group will derive from it. On the adoption of IFRS 16, future lease expenditure is included in the lease liability. The Group has therefore derecognised the part of its provisions that relates to future lease payments and replaced it with lease liabilities. The associated Right of Use asset has been impaired to the extent that it is not supported by the benefits that will be derived from the lease.

3) Adoption of new and revised accounting standards and interpretations (continued)

Statement of cash flows

Notes to the interim financial statements (continued)

	Year ended 31 Dec 2018			Six months ended 30 June 2018		
	As reported £m	IFRS16 £m	Restated £m	As reported £m	IFRS16 £m	Restated £m
Operating profit	253	26	279	193	12	205
Adjustments for non-cash and other items	240	149	389	27	74	101
Increase in inventory	(10)	-	(10)	(5)	-	(5)
Increase in accounts receivable	(40)	-	(40)	(20)	-	(20)
Decrease in accounts payable	(30)	-	(30)	(30)	-	(30)
Net cash flow from operating activities before tax	413	175	588	165	86	251
Tax paid	(98)	-	(98)	(48)	-	(48)
Net cash flow from operating activities	**315**	**175**	**490**	**117**	**86**	**203**
Investing activities						
Purchases of non-current assets	(114)	-	(114)	(52)	-	(52)
Proceeds on disposal of property, plant and equipment	12	-	12	4	-	4
Cash receipts from leases	-	5	5	-	3	3
Other investing activities	54	-	54	38	-	38
Net cash used in investing activities	**(48)**	**5**	**(43)**	**(10)**	**3**	**(7)**
Financing activities						
Interest paid[a]	(116)	(27)	(143)	(76)	(13)	(89)
Repayment of lease obligations	(14)	(153)	(167)	(3)	(76)	(79)
Other financing activities	(79)	-	(79)	370	-	370
Net cash (outflow)/inflow from financing activities	**(209)**	**(180)**	**(389)**	**291**	**(89)**	**202**
Net increase in cash[b] and bank overdrafts	58	-	58	398	-	398
Cash[b] and bank overdrafts at 1 January 2018	571	-	571	571	-	571
Effect of foreign exchange rate fluctuations on net cash held	44	-	44	(2)	-	(2)
Cash[b] and bank overdrafts at the end of the period	**673**	**-**	**673**	**967**	**-**	**967**

[a] Interest paid for the six months ended 30 June 2018 included £7m of interest paid relating to derivative financial instruments that was previously reported separately.
[b] Cash including cash equivalents.

IFRIC 23 – Uncertainty over income tax treatments
The Group has adopted IFRIC 23 – Uncertainty over income tax treatments with effect from 1 January 2019. The interpretation clarifies the recognition and measurement requirements of IAS 12 - Income taxes in respect of: whether uncertain tax positions should be considered separately or together as a group; the approach that should be used to measure liabilities in respect of uncertain tax positions; and how to take into account assumptions about the examination of uncertain tax positions by taxation authorities. The adoption of the interpretation had no material effect.

There was no material effect from the adoption of any other new standards or interpretations in the period ended 30 June 2019.

New standards not yet effective
The Group has not early-adopted any standard, amendment or interpretation. A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2019. The directors are currently evaluating the impact of these new standards on the Group accounts:

- IFRS 17 – Insurance contracts;
- amendments to IFRS 3 – Definition of a business; and
- amendments to IAS 1 and IAS 8 – Definition of material.

4) Accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. These judgments, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions and, in some cases, actuarial techniques. Although these judgments, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgments, estimates and assumptions which are of most significance in preparing the Group's consolidated financial statements are the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the judgment with respect to the classification of leases which is no longer relevant as the Group is now applying IFRS 16 – Leases as explained in note 3.

5) Operating segments and revenue

Notes to the interim financial statements (continued)

The Group operates on a worldwide basis and derives its revenue and the majority of its operating profit from its four Secure Solutions regions: Africa, Asia, the Americas and Europe & Middle East, and its Cash Solutions division. The Group Executive Committee (the chief operating decision maker) reviews internal management reports for each of these reportable segments on a regular basis.

Segment information for continuing operations is presented below:

Revenue by reportable segment	**6 months ended 30 June 2019 £m**	6 months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Africa	**211**	198	406
Americas	**1,309**	1,177	2,443
Asia	**453**	434	882
Europe & Middle East	**1,299**	1,299	2,644
Total Secure Solutions	**3,272**	3,108	6,375
Cash Solutions	**535**	561	1,132
Total Revenue	**3,807**	3,669	7,507
Adjusted profit before interest, tax and amortisation (Adjusted PBITA) by reportable segment			
Africa	**17**	16	33
Americas	**61**	56	131
Asia	**31**	29	65
Europe & Middle East	**92**	87	183
Total Secure Solutions	**201**	188	412
Cash Solutions	**60**	64	123
Adjusted PBITA before corporate costs	**261**	252	535
Corporate costs	**(27)**	(28)	(50)
Adjusted PBITA	**234**	224	485
Specific items (net)	**7**	(7)	(21)
California class action settlement	**-**	-	(100)
Guaranteed minimum pension equalisation charge	**-**	-	(35)
Restructuring costs	**(36)**	(14)	(31)
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(1)**	4	(15)
Goodwill impairment	**(35)**	-	-
Amortisation of acquisition-related intangible assets	**(2)**	(2)	(4)
Operating profit	**167**	205	279

[1] Restated for the effects of IFRS 16 – Leases, see note 3.

The Group's revenue by customer type can be analysed as follows:

Revenue by customer type	**6 months ended 30 June 2019 £m**	6 months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Major corporates	**1,339**	1,249	2,556
Government	**831**	776	1,615
Financial institutions	**591**	622	1,249
Retail, leisure and consumers	**626**	610	1,251
Energy and utilities	**225**	213	429
Transport, ports and aviation	**195**	199	407
Total Revenue	**3,807**	3,669	7,507

[1] Restated for the effects of IFRS 16 – Leases, see note 3.

Notes to the interim financial statements (continued)

6) Operating profit

The income statement can be analysed as follows:

Continuing operations	**6 months ended 30 June 2019 £m**	6 months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Revenue	**3,807**	3,669	7,507
Cost of sales	**(3,158)**	(3,029)	(6,191)
Gross profit	**649**	640	1,316
Administration expenses	**(442)**	(436)	(1,033)
Net impairment losses on financial and contract assets	**(7)**	(3)	(11)
Goodwill impairment	**(35)**	-	-
Share of profit after tax from joint ventures	**2**	4	7
Operating profit	**167**	205	279

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

Operating profit includes items that are separately disclosed for the six months ended 30 June 2019 related to:

- Specific items charges of £5m (six months ended 30 June 2018: £8m, year ended 31 December 2018: £32m) relate to a review of legacy labour-related claims in Brazil. Specific items of £8m incurred during the six months ended 30 June 2018 related to additional provisions required in Asia in respect of historical employee gratuities. Specific items charges incurred during the year ended 31 December 2018 of £32m included £12m related to additional provisions in Asia in respect of historical employee gratuities and end of service benefits and £11m related to the reassessment of estimated settlement amounts in respect of historical workers' compensation claims in the Americas. In addition, specific items included £9m of onerous contract charges related to the estimated losses over the expected remaining contract terms of UK Care & Justice contracts;

- Specific items credits of £12m (six months ended 30 June 2018: £1m, year ended 31 December 2018: £11m) include £3m relating to the recovery of legacy claims in North America, and £9m related to the improved performance of two UK contracts. Specific item credits of £11m for the year ended 31 December 2018 included a £5m release of onerous contract provisions in the UK for which the related charges had previously been recorded as specific items following the implementation of operational efficiencies in the contracts leading to a reduction in expected future losses. In addition, a further £5m related to successful court claims made by the Group in the Americas was recorded as a specific item;

- Following the UK High Court Ruling in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc (and others) in October 2018, the Group incurred a charge of £35m for the year ended 31 December 2018 in respect of the equalisation of benefits for historical Guaranteed Minimum Pension obligations between males and females in the UK;

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

- Restructuring and separation charges of £36m (six months ended 30 June 2018: £14m, year ended 31 December 2018: £31m) include £17m in respect on the review of separation options for Cash Solutions and £19m relating to the 2018-2020 strategic productivity programme announced in 2017 which is being implemented across the Group, mainly in Europe & Middle East, the Americas and Cash Solutions. In addition, the Group incurred non-strategic severance costs of £5m (six months ended 30 June 2018: £4m year ended 31 December 2018: £9m) which are included within cost of sales and administration expenses as appropriate;

- During the period the Group recognised a small profit on disposal of a parking management business in Estonia offset by business closure costs resulting in a net loss on disposal of £1m (six months ended 30 June 2018: profit of £4m; year ended 31 December 2018: loss of £15m). In the first six months of 2018, the Group disposed of a number of operations including the businesses in Hungary and its archiving business in Kenya. During the second half of 2018 the Group also disposed of its Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia;

Notes to the interim financial statements (continued)

6) Operating profit (continued)

- The Group recognised a goodwill impairment of £35m (six months ended 2018 and year ended 31 December 2018: £nil) in respect of its Secure Solutions businesses in Brazil ("Brazil CGU") that were acquired in 2012. The impairment arose as a result of continued challenging trading conditions and the adverse macro-economic environment affecting the CGU that are expected to continue for a prolonged period. Those conditions have resulted in management reassessing its expectations for the future business performance in Brazil. The recoverable amount of the Brazil CGU is £38m, determined based on fair value less costs of disposal. This recoverable amount is dependent on a number of assumptions. Should the CGU fail to achieve its forecast, a decline of 10% in forecast EBITDA would result in an additional impairment of approximately £4m; and

- Amortisation of acquisition-related intangible assets of £2m (six months ended 30 June 2018: £2m; year ended 31 December 2018: £4m).

7) Disposals, closures and other transactions

In the first six months of 2019 the Group sold a parking management business in Estonia realising net cash consideration of £5m. This business generated an Adjusted PBITA of £nil to the date of disposal (six months ended 30 June 2018: £1m).

In the first six months of 2018 the Group sold four businesses including the Group's businesses in Hungary and the Philippines and its archiving business in Kenya realising net cash consideration of £32m. In the second half of 2018 a further five businesses were sold, including the Cash Solutions businesses in the United Arab Emirates, Colombia and Saudi Arabia, realising additional net cash consideration of £13m and a small number of minor operations were closed. In addition, shareholder agreements were re-negotiated for certain joint ventures resulting in the Group obtaining control of these operations.

The net assets and net (loss)/profit on disposal/closure of operations disposed of or closed were as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Goodwill	**-**	8	22
Property, plant and equipment	**6**	14	24
Other non-current assets	**-**	3	4
Current assets	**3**	22	51
Liabilities	**(5)**	(16)	(39)
Net assets of operations disposed/closed	**4**	31	62
Less: recycling from currency translation reserve	**-**	(1)	(1)
Net impact on the consolidated statement of financial position due to disposals/closures	**4**	30	61
(Loss)/profit on disposal/closure of subsidiaries/businesses	**(1)**	4	(15)
Total consideration	**3**	34	46
Satisfied by:			
Cash received	**5**	33	48
Disposal costs paid	**-**	(3)	(4)
Additional net consideration received relating to disposals completed in prior period	**2**	2	1
Net cash consideration received in the period	**7**	32	45
Deferred consideration receivable	**-**	3	6
Accrued disposal and other costs	**(4)**	(1)	(5)
Total consideration	**3**	34	46

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

Other transactions

During the six months ended 30 June 2019 the Group invested £4m on acquisitions including the purchase of a small Cash Solutions business in the Netherlands and an additional £4m to acquire the remaining non-controlling interests in two businesses in Latin America. The Group made no material acquisitions or payments to purchase non-controlling interests in the six months ended 30 June 2018 or the year ended 31 December 2018.

Notes to the interim financial statements (continued)

8) Net finance expense

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Interest and other income on cash, cash equivalents and investments	**9**	6	14
Other finance income	**1**	2	2
Finance income	**10**	8	16
Interest on bank overdrafts and loans	**(15)**	(8)	(16)
Interest on loan notes	**(28)**	(41)	(81)
Net interest (payable)/receivable on loan note related derivatives	**(6)**	(2)	(7)
(Loss)/gain arising from fair value adjustment to the hedged loan note items	**(3)**	5	6
Gain/(loss) arising from change in fair value of derivative financial instruments hedging loan notes	**3**	(5)	(6)
Interest on lease liabilities	**(12)**	(15)	(29)
Other interest charges	**(3)**	(5)	(9)
Total Group borrowing costs	**(64)**	(71)	(142)
Finance costs on defined retirement benefit obligations	**(5)**	(5)	(11)
Finance expense	**(69)**	(76)	(153)
Net finance expense	**(59)**	(68)	(137)

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

9) Tax

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Current taxation expense	**(38)**	(33)	(75)
Deferred taxation (expense)/credit	**(1)**	2	20
Total income tax expense for the period	**(39)**	(31)	(55)

[1] Restated for the effect of IFRS 16 – Leases, see note 3.

The effective tax rate on continuing operations was 36% (2018: 23%). In general, the effective tax rate is a function of a variety of factors, with the most significant being (i) the geographic mix of the Group's taxable profits and the respective country tax rates, (ii) changes in the value, and recognition of, deferred tax assets and liabilities, (iii) permanent differences such as expenses disallowable for tax purposes, (iv) irrecoverable withholding taxes, (v) the level of provision required for potential tax liabilities not agreed with tax authorities, (vi) the impact of one-off items, and (vii) the overall level of profit against which the preceding items are measured.

The higher effective tax rate compared with the prior period is primarily driven by: the impact of the Brazil impairment (see note 6) which has caused the re-assessment of the recoverability of certain deferred tax assets; the level of provision required for potential liabilities not agreed with tax authorities; and the relative amount of non-deductible expenses coupled with the geographic mix of profits.

At 30 June 2019, the Group had recognised deferred tax assets of £274m (31 December 2018: £255m) based upon the latest view of expected future profitability of businesses in which these assets have been recognised. Deferred tax liabilities of £8m (31 December 2018: £6m), current tax liabilities of £51m (31 December 2018: £56m) and current tax assets of £70m (31 December 2018: £64m) were also recognised. Deferred tax assets arise predominantly on tax losses and on deficits in defined benefit pension schemes. At 30 June 2019, the Group had estimated tax losses of £312m (31 December 2018: £312m) which were not recognised as deferred tax assets. Recognition of deferred tax assets is dependent upon the availability of future taxable profits based on business plans of the relevant legal entities.

9) Tax (continued)

At 30 June 2019, the Group had capital losses available to carry forward of approximately £2.7bn (31 December 2018: £2.7bn). These losses have no expiry date and only £144m (31 December 2018: £144m) has been agreed with the relevant tax authorities. A deferred tax asset of £2m (31 December 2018: £2m) has been recognised on £13m of capital losses. No deferred tax asset has been recognised in respect of remainder of the losses as the likelihood of their future utilisation is considered to be remote.

At 30 June 2019, the Group had adequate provision for liabilities likely to arise in accounting years which remain open to enquiry by tax authorities. The global nature of the Group's operations means that the most significant tax risk is in relation to challenges from tax authorities regarding the pricing of cross-border transactions and the Group's interpretation of the OECD's arm's-length principle. This risk is largely driven by the inherently subjective nature of transfer pricing and the divergent views taken by tax authorities.

In determining the appropriate level of provisions in respect of such challenges, the Group applies a risk-based approach which considers factors such as the quantum of the charge, the countries party to the transaction and the relevant statutes of limitation. An assessment is also made of the likelihood that compensating adjustments will be obtained under the relevant tax treaties to mitigate the level of double taxation which could arise. As the Group operates in a significant number of countries, determining the appropriate level of provisions inevitably involves a significant level of judgment which is typically influenced by the Group's constantly evolving experience of tax controversy in different countries. The Group has open tax years in a number of countries involving a number of issues, with the most material disputes typically being in respect of cross-border transactions.

At 30 June 2019, the Group had total tax exposures of approximately £124m (31 December 2018: £134m) of which £24m (31 December 2018: £25m) is provided against. The Group believes that it has made appropriate provision for open tax years which have not yet been agreed by tax authorities. The final agreed liabilities may vary from the amounts provided, as these are dependent upon the outcomes of the domestic and international dispute resolution processes in the relevant countries. The Group typically has limited control over the timing of resolution of uncertain tax positions with tax authorities. Acknowledging this inherent unpredictability, and on the basis of currently available information, the Group does not expect material changes to occur in the level of provisions against existing uncertain tax positions during the next twelve month period.

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

10) Dividends

	Pence per share	DKK per share	**2019 £m**	2018 £m
Amounts recognised as distributions to equity holders of the parent in the period				
Final dividend for the year ended 31 December 2017	6.11	0.5097	**-**	95
Interim dividend for the six months ended 30 June 2018	3.59	0.2969	**-**	55
Final dividend for the year ended 31 December 2018	6.11	0.5321	**95**	-
			95	150
Proposed interim dividend for the six months ended 30 June 2019	3.59	0.2905	55	

An interim dividend of 3.59p (DKK 0.2905) per share for the six months ended 30 June 2019 will be paid on 11 October 2019 to shareholders on the register on 6 September 2019.

Notes to the interim financial statements (continued)

11) Earnings per share attributable to equity shareholders of the parent

	Six months ended 30 June 2019	Six months ended 30 June 2018 Restated[1]	Year ended 31 Dec 2018 Restated[1]
	£m	£m	£m
(a) From continuing and discontinued operations			
Earnings			
Profit for the period attributable to equity shareholders of the parent	**59**	101	81
Weighted average number of ordinary shares[2] (m)	**1,547**	1,548	1,547
Earnings per share from continuing and discontinued operations (pence)			
Basic and diluted	**3.8p**	6.5p	5.2p
(b) From continuing operations			
Earnings			
Profit for the period attributable to equity shareholders of the parent	**59**	101	81
Adjustment to exclude profit in the period from discontinued operations (net of tax)	**-**	-	(2)
Profit from continuing operations	**59**	101	79
Earnings per share from continuing operations (pence)			
Basic and diluted	**3.8p**	6.5p	5.1p
(c) From discontinued operations			
Earnings			
Profit for the period from discontinued operations (net of tax)	-	-	2
Earnings per share from discontinued operations (pence)			
Basic and diluted	-	-	0.1p

[1] Restated for the effect of IFRS 16 – Leases, see note 3.
[2] Stated net of the average number of shares held in the Employee Benefit Trust of 5m (31 December 2018: 5m; 30 June 2018: 4m).

12) Disposal groups classified as held for sale

As at 30 June 2019 and 31 December 2018, assets classified as held for sale related to a property located in Europe & Middle East.

In addition, as at 31 December 2018, and as at 30 June 2018, disposal groups classified as held for sale included the assets and liabilities associated with a minor operation in Asia that was sold in the first half of 2019.

Notes to the interim financial statements (continued)

13) Cash and cash equivalents, overdrafts and customer cash processing balances

The Group's Cash Solutions businesses provide a range of cash handling and processing services on behalf of customers. These services include collection, segregated storage and delivery of customer cash, with title to the cash handled remaining with the customer throughout the process. For these services, customer cash is never recorded in the Group's balance sheet.

A number of other cash processing services are provided to customers, such as the sale and purchase of physical cash balances, and the replenishment of ATMs and similar machines from customer funds held in Group bank accounts. These funds, which are generally settled within two working days, are classified as "funds within cash processing operations", along with the related balances due to and from customers in respect of unsettled transactions, and are included gross within the relevant balance sheet classifications.

Funds within cash processing operations	**As at 30 June 2019 £m**	**As at 30 June 2018** £m	As at 31 Dec 2018 £m
Stocks of money, included within cash and cash equivalents	**68**	51	59
Overdraft facilities related to cash processing operations, included within bank overdrafts	**(23)**	(8)	(22)
Liabilities to customers in respect of cash processing operations, included within trade and other payables	**(45)**	(48)	(43)
Receivables from customers in respect of cash processing operations, included within trade and other receivables	**-**	5	6
Funds within cash processing operations (net)	-	-	-

Whilst cash and bank balances used in these services are not formally restricted by legal title, they are restricted by the Group's own internal policies such that they cannot be used for the purposes of the Group's own operations. For the purposes of the Group's consolidated statement of cash flow, funds within cash processing operations are therefore recorded net of the related balances due to and from customers in respect of unsettled transactions, within cash, cash equivalents and bank overdrafts, and hence have no impact on the Group's statutory cash flow.

A reconciliation of cash, cash equivalents and bank overdrafts at the end of the period per the consolidated statement of financial position to the corresponding balances included within the consolidated statement of cash flow is included in note 16.

14) Retirement benefit obligations

The Group's main defined benefit scheme is in the UK which accounts for approximately 63% (31 December 2018: 62%) of the total net deficit of all of the defined benefit schemes operated by the Group. The majority of the scheme was closed to future accrual in 2011. The Group's IAS 19 Revised (2011) Employee Benefits net pension deficit at 30 June 2019 recognised in the consolidated statement of financial position was £463m (31 December 2018: £364m) or £385m (31 December 2018: £302m) net of applicable tax in the relevant jurisdictions. The increase in the Group's net pension deficit compared with the position as at 31 December 2018 reflects a significant increase in the net deficit of the of the UK pension scheme together with a smaller increase in the deficits in the Group's unfunded pension schemes.

The increase in the UK scheme's pension liabilities reflects the decrease in discount rates to 2.25% (31 December 2018: 2.85%) used to compute the scheme obligations following a reduction in corporate bond rates offset by the payment of scheduled deficit-repair contributions of £26m (six months ended 30 June 2018: £21m) during the period. The net increase in the pension liabilities was partially offset by a gain on the revaluation of the pension scheme assets.

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

Notes to the interim financial statements (continued)

15) Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims £m	Onerous customer contracts[1] £m	Property and other[1,2] £m	Total £m
As reported	20	4	216	51	47	338
Impact of IFRS 16 – Leases[1]	-	-	-	(21)	(5)	(26)
At 1 January 2019 - restated[1]	20	4	216	30	42	312
Additional provisions in the period	3	19	16	-	12	50
Acquisition of subsidiaries	-	-	-	1	-	1
Utilisation of provisions	(1)	(16)	(23)	(7)	(5)	(52)
Unused amounts reversed	-	-	-	(5)	(1)	(6)
Exchange differences	-	-	1	-	-	1
At 30 June 2019	**22**	**7**	**210**	**19**	**48**	**306**
Included in current liabilities						167
Included in non-current liabilities						139
						306

[1]Restated for the effect of IFRS 16 – Leases, see note 3.
[2] Property and other includes £16m (2018: £15m) of provisions for property-related dilapidation costs.

The Group recognised additional claims provisions of £16m including £11m related to the estimated cost of the settlement of claims managed through the Group's internal captive insurance companies and £5m relating to legacy labour-related claims in Brazil. Additional provisions of £19m were recorded in relation to restructuring costs for the 2018-2020 strategic productivity programme announced in 2018 (see note 6).

As discussed in note 3, the Group has restated its provisions for onerous contracts on adoption of IFRS 16 to remove expected future payments for leased assets. Such payments are now reflected in lease liabilities with the related right of use asset impaired to the extent that the associated benefits are outweighed by the lease outflows. The resulting onerous contract provision at 30 June 2019 relates primarily to anticipated losses in respect of two UK PFI contracts that are expected to run for between 8 and 19 years. The unused amounts reversed of £5m reflects the reduction in expected future losses in one of those contracts (see note 6). In addition, improved trading in respect of one of the contracts for which an onerous contract provision was removed on adoption of IFRS 16 has resulted in a further £4m credit being recognised within specific items.

The Group is involved in disputes in a number of countries mainly in respect of activities related to its operations. Currently there are a number of disputes open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. In addition, the interpretation of labour laws and regulations in a number of countries where the Group operates is complex and there is inherent judgment made when applying those laws and regulations that are open to interpretation. As such, there is risk that further disputes and claims from employees could arise in the future. Where there is a dispute or where there is a risk of a dispute or claims in the future and where, based on legal counsel advice, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the Group's best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on legal counsel advice, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.

The Group is party to a number of on-going litigation processes in relation to interpretation of local labour law and regulations in a number of countries, where it is expected that these matters will not be resolved in the near future. At this stage, the Group's view is that these cases will either be resolved in a manner favourable to the interests of the Group or, due to the nature and complexity of the cases, it is not possible to estimate the potential economic exposure. In addition, in the ordinary course of business, other contingent liabilities exist where the Group is subject to commercial claims and litigation from a range of parties in respect of contracts, agreements, regulatory and compliance matters, none of which is expected to have a material impact on the Group.

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

The Group is currently involved in a number of claims in India, mainly related to periods prior to 2011, in relation to the interpretation of the basis for payments to the India Provident Fund. These disputes are currently awaiting court resolution. Based on the Group's internal and external legal advice, and taking into account the judgment passed by the Supreme Court of India in respect of a different Provident Fund related question on 28 February 2019, the Group believes it has a strong legal position that will prevail in the courts such that no economic outflow is expected to occur and hence no provision has been booked at the period end. The aggregate of the Provident Fund related claims amount to approximately £50m.

Judgment is required in quantifying the Group's provisions, especially in connection with claims and onerous customer contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different from the amount provided. Each of these provisions reflects the Group's best estimate of the probable exposure at 30 June 2019 and this assessment has been made having considered the sensitivity of each provision to reasonably possible changes in key assumptions. Subject to the approval of the California class action settlement by the Superior Court of the State of California, the Group is satisfied that it is unlikely that changes in these key assumptions will have a material impact on the Group's overall provisioning position in the next 12 months.

16) Analysis of net debt

Notes to the interim financial statements (continued)

A reconciliation of net debt to amounts in the consolidated statement of financial position is presented below:

	As at 30 June 2019 £m	As at 30 June 2018 Restated[1] £m	As at 31 Dec 2018 Restated[1] £m
Cash and cash equivalents	**955**	1,302	1,015
Receivables from customers in respect of cash processing operations[2]	**-**	5	6
Bank overdrafts	**(310)**	(292)	(305)
Liabilities to customers in respect of cash processing operations[3]	**(45)**	(48)	(43)
Total Group cash, cash equivalents and bank overdrafts	**600**	967	673
Investments	**76**	65	65
Bank loans	**(630)**	(12)	(305)
Loan notes	**(1,806)**	(2,624)	(1,997)
Lease liabilities	**(398)**	(494)	(460)
Fair value of loan note derivative financial instruments	**37**	72	33
Total net debt	**(2,121)**	(2,026)	(1,991)

[1]Restated for the effect of IFRS 16 – Leases, see note 3.
[2] Included within trade and other receivables
[3] Included within trade and other payables

17) Reconciliation of operating profit to net cash flow from operating activities of continuing operations

	As at 30 June 2019 £m	As at 30 June 2018 Restated[1] £m	As at 31 Dec 2018 Restated[1] £m
Operating profit	**167**	205	279
Adjustments for non-cash and other items:			
Goodwill impairment	**35**	-	-
Amortisation of acquisition-related intangible assets	**2**	2	4
Net loss/(profit) on disposal/closure of subsidiaries/businesses	**1**	(4)	15
Depreciation of property, plant and equipment	**102**	114	236
Amortisation of non-acquisition-related intangible assets	**11**	10	20
Share of profit from joint ventures	**(2)**	(4)	(7)
Equity-settled share-based payments	**3**	4	8
(Decrease)/increase in provisions	**(4)**	-	154
Additional pension contributions	**(26)**	(21)	(41)
Operating cash flow before movements in working capital	**289**	306	668
Increase in inventories	**(10)**	(5)	(10)
Increase in receivables	**(75)**	(20)	(40)
Decrease in payables	**(15)**	(30)	(30)
Net cash flow from operating activities of continuing operations before tax	**189**	251	588

[1] Restated for the effect of IFRS 16 – Leases, see note 3

18) Fair value of financial instruments

The Group's financial instruments with carrying amounts significantly different to their fair values are shown below. For all other financial instruments, the carrying value is not considered to be materially different to the fair value.

	Level*	**30 June 2019 Carrying amount £m**	**30 June 2019 Fair value £m**	30 June 2018 Carrying amount £m	30 June 2018 Fair value £m	31 Dec 2018 Carrying amount £m	31 Dec 2018 Fair value £m
Loan notes carried at amortised cost							
Public loan notes	1	**1,383**	**1,416**	2,155	2,205	1,735	1,729
Private loan notes	2	**423**	**443**	469	476	262	267

The carrying amounts and fair values of the Group's derivative financial instruments indicating those which are designated as hedging instruments are shown below:

	Hedge relationship	Level*	**30 June 2019 £m**	30 June 2018 £m	31 Dec 2018 £m
Derivative assets carried at fair value					
Interest-rate swaps	Fair value hedge	2	**10**	9	8
Cross-currency swaps	Cash flow hedge	2	**45**	59	35
Cross-currency swaps	Net investment hedge	2	**-**	9	-
Derivative liabilities carried at fair value					
Interest-rate swaps	Not in a hedging relationship	2	**(1)**	(1)	(1)
Cross-currency swaps	Cash flow hedge	2	**(1)**	(5)	-
Cross-currency swaps	Net investment hedge	2	**(16)**	-	(10)

The Group's investments of £76m (30 June 2018: £65m, 31 December 2018: £65m) are stated at fair value determined primarily using Level 1* inputs (i.e. using unadjusted quoted prices in active markets for identical financial instruments). The fair values of financial instruments that are measured using techniques consistent with Level 2* of the valuation hierarchy (i.e. using inputs other than quoted prices in active markets that are observable for the asset and liability, either directly or indirectly) 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.

* Fair value hierarchy level, as defined by IFRS 13 - Fair value measurements.

19) Post balance sheet events

On 9 August 2019, the Group announced that it had approved the separation of Cash Solutions from the Group and had set in train plans for a demerger of that business in the first half of 2020. The Group has previously announced that it has received a number of unsolicited expressions of interest to acquire part or all of the Cash Solutions businesses. In parallel with the demerger process, the Group will continue to evaluate these third party proposals, although no assurance can be provided at this stage that these will lead to a transaction.

The Group has also announced that, as part of the separation process, it will be managing for value or exiting a number of non-core businesses and implementing programmes to deliver further identified operational efficiencies.

Alternative Performance Measures

BASIS OF PREPARATION

The Group applies the basis of preparation for its statutory results shown on page 22. To provide additional information and analysis which enables a full understanding of the Group's results and to identify easily the performance of the Group's ongoing businesses, the Group also makes use of a number of Alternative Performance Measures (APMs) in the management of its operations and as a key component of its internal and external reporting. Those APMs are prepared and presented in accordance with the following basis of preparation.

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

Adjusted results

In order to allow a full understanding of its results, the Group separately discloses the effects on profit of strategic restructuring activities, acquisition related amortisation, goodwill impairments and profits or losses arising on the acquisition or disposal of businesses (together, "*separately disclosed items"*). The Group also discloses separately those items that the Group believes need to be shown separately to allow a more fulsome understanding of the results for the period because of their size, nature or incidence ("s*pecific items"*). For the year ended 31 December 2018 the Group also disclosed the impact of the California class action settlement and the impact of the guaranteed minimum pension equalisation (page 27).

Adjusted measures of profit and earnings are stated before the effects of separately disclosed and specific items; the related tax effects; and tax-specific charges or credits which have a material impact such as those arising from changes in tax legislation. Adjusted measures of profit are provided to allow the trading results of the Group to be assessed separately from the effects of corporate actions (such as acquisitions, disposals and strategic restructuring) and the effects of significant or unusual items.

A reconciliation of Adjusted PBITA to operating profit is provided on page 10.

Underlying results

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

A reconciliation of the underlying results to the statutory results is included on page 3.

Constant currency results

In order to allow readers to assess the performance of the Group's business before the effect of foreign exchange movements, the Group also presents its comparative results (excluding cash flows) retranslated to sterling using the average rates for the current period. Cash flows are not retranslated but are presented at historical exchange rates. Comparative results for hyperinflationary economies are translated at current period closing exchange rates when presenting constant currency results. For both 2019 and 2018 the only hyperinflationary economy in which the Group operated was Argentina.

A reconciliation of the constant currency results for the period to the statutory results is included on page 40.

Business reporting structure

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

- Africa;
- Americas;
- Asia; and
- Europe & Middle East.

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

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

Alternative Performance Measures

Financial performance indicators

The key financial measures used by the Group in measuring progress against strategic objectives are set out below, and are reconciled for the current period and prior period to the Group's statutory results on pages 3 and 38-41:

- **Revenue**

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

- **Organic Growth**

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

- **Adjusted profit before interest, tax and amortisation ("Adjusted PBITA")**

  The Group uses Adjusted PBITA as a consistent internal and external reporting measure of its performance, as management views it as being more representative of financial performance from the normal course of business and more comparable period to period. Adjusted PBITA excludes the effect of separately disclosed items (being restructuring costs, goodwill impairment, amortisation of acquisition-related intangible assets and profits or losses on disposal or closure of businesses) and specific items, which the Group believes should be disclosed separately by virtue of their size, nature or incidence, as explained on page 22. Further details explaining the reasons for excluding these items are provided on pages 41 and 42 of the Group's 2018 Integrated Report and Accounts. *Underlying Adjusted PBITA is a KPI.*

- **Operating cash flow**

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

- **Operating cash flow conversion**

  Operating cash flow presented as a percentage of Adjusted PBITA.

- **Earnings**

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

- **Earnings per share ("EPS")**

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

- **Net debt to adjusted EBITDA**

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

Certain of these financial performance indicators in respect of underlying results also form the basis of a significant element of performance measurement used in the determination of performance-related remuneration and incentives, as described on page 42 of the Group's 2018 Integrated Report and Accounts.

Alternative Performance Measures

A. Reconciliation of operating profit to movements in net debt

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Operating profit	**167**	205	279
Adjustments for non-cash and other items (see note 17)	**122**	101	389
Net working capital movement (see note 17)	**(100)**	(55)	(80)
Net cash flow from operating activities before tax (see note 17)	**189**	251	588
Adjustments for:			
Separation and restructuring spend	**18**	10	26
Cash flow from continuing operations	**207**	261	614
Analysed between:			
Underlying operating cash flow	**206**	247	584
Disposed businesses	**2**	-	-
Onerous contracts	**(1)**	14	30
Investment in the business			
Purchase of fixed assets, net of disposals	**(64)**	(48)	(102)
New leases	**(25)**	(65)	(110)
Separation and restructuring spend	**(18)**	(10)	(26)
Disposal/closure of subsidiaries/businesses (see note 7)	**7**	32	45
Acquisition of subsidiaries	**(4)**	(1)	(4)
Net debt in disposed businesses	**4**	(1)	(12)
Net investment in the business	**(100)**	(93)	(209)
Net cash flow after investing in the business	**107**	168	405
Other uses of funds			
Net interest paid	**(81)**	(79)	(126)
Tax paid	**(47)**	(48)	(98)
Dividends paid	**(106)**	(104)	(170)
Purchase of own shares	**(8)**	(7)	(11)
Cash generated by discontinued operations	**8**	-	
Transactions with non-controlling interests	**(4)**	-	(1)
Other	**2**	2	7
Net other uses of funds	**(236)**	(236)	(399)
Net (increase)/decrease in net debt before foreign exchange movements	**(129)**	(68)	6
Net debt at the beginning of the period	**(1,991)**	(1,954)	(1,954)
Effect of foreign exchange rate fluctuations	**(1)**	(4)	(43)
Net debt at the end of the period	**(2,121)**	(2026)	(1,991)

[1] Restated for the adoption of IFRS16 – see note 3.

Alternative Performance Measures

B. Reconciliation of changes in cash, cash equivalents and bank overdrafts to movement in net debt

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (page 21)	**(68)**	398	58
Adjustments for items included in cash flow excluded from net debt:			
Sale of investments	**10**	3	-
Net movement in borrowings	**(134)**	(481)	(103)
Cash receipts from leases	**(3)**	(3)	(5)
Repayment of lease obligations	**86**	79	167
Items included in net debt but excluded from cash flow:			
Net debt (excluding cash, cash equivalents and bank overdrafts) of disposed entities	**5**	1	(1)
New leases	**(25)**	(65)	(110)
Net (increase)/decrease in net debt before foreign exchange movements	**(129)**	**(68)**	**6**

[1] Restated for the adoption of IFRS16 – Leases, see note 3.

C. Group net debt: Adjusted EBITDA ratio

	Six months ended 30 June 2018 Restated[1] £m	Year ended 31 Dec 2018 Restated[1] £m	Six months ended 30 June 2019 £m	**Rolling 12 months to 30 June 2019 £m**	Rolling 12 months to 30 June 2018 Restated[1] £m
Adjusted PBITA (page 17)	224	485	234	**495**	490
Add back:					
Depreciation	114	236	102	**224**	237
Amortisation of non-acquisition-related intangible assets	10	20	11	**21**	21
Adjusted EBITDA	348	741	347	**740**	748
Exclude EBITDA relating to businesses sold or closed in the period	(1)	3	-	**4**	(7)
Adjusted EBITDA excluding businesses sold or closed in the period	347	744	347	**744**	741
Net debt per note 16		1,991		**2,121**	2,026
Net debt: Adjusted EBITDA ratio		2.68x		**2.85x**	2.73x

[1] Restated for the adoption of IFRS16 – Leases, see note 3.

D. Reconciliation of quarterly year-on-year organic growth

Underlying results	**2018 Organic Growth**						**2019 Organic Growth**		
	Q1	**Q2**	**H1**	**Q3**	**Q4**	**FY**	**Q1**	**Q2**	**H1**
Secure Solutions	2.2%	4.0%	3.1%	2.6%	3.1%	3.0%	4.6%	4.4%	4.5%
Cash Solutions	-24.6%	-3.6%	-15.3%	3.5%	-10.2%	-9.8%	3.6%	1.5%	2.5%
Cash Solutions ex RCS, NA	*-0.9%*	*2.1%*	*0.6%*	*-0.4%*	0.4%	*0.4%*	*0.9%*	*-2.1%*	*-0.6%*
Total Group	**-2.7%**	**2.8%**	**0.0%**	**2.8%**	**0.9%**	**0.9%**	**4.4%**	**4.0%**	**4.2%**

Organic Growth has been calculated by adjusting underlying constant currency revenue growth to remove the effect of acquisitions in the current and prior periods. In computing organic growth, 2019 revenue has been adjusted by £14m (of which £4m related to Cash Solutions and £10m to the Europe and Middle East region) to reflect the consolidation of a business that was first consolidated in 2018 following the renegotiation of its shareholder agreement. 2018 revenue has been adjusted by £3m to reflect the acquisition of a small Cash Solutions business in the Netherlands.

Alternative Performance Measures

E. Reconciliation of statutory results by segment to underlying results by segment

	Statutory results	Onerous contracts	Disposed businesses	Underlying results at actual rates	Exchange differences	Underlying results at constant rates
Revenue by reportable segment (£m)						
Six months ended 30 June 2019						
Africa	211	-	-	211	-	211
Americas	1,309	-	-	1,309	-	1,309
Asia	453	-	-	453	-	453
Europe & Middle East	1,299	(60)	-	1,239	-	1,239
Cash Solutions	535	-	-	535	-	535
Total Group revenue	**3,807**	**(60)**	**-**	**3,747**	**-**	**3,747**
Six months ended 30 June 2018						
Africa	198	-	(1)	197	(3)	194
Americas	1,177	-	-	1,177	25	1,202
Asia	434	-	-	434	6	440
Europe & Middle East	1,299	(56)	(18)	1,225	2	1,227
Cash Solutions	561	-	(44)	517	(2)	515
Total Group revenue	**3,669**	**(56)**	**(63)**	**3,550**	**28**	**3,578**
Year ended 31 December 2018						
Africa	406	-	(1)	405	(6)	399
Americas	2,443	-	-	2,443	33	2,476
Asia	882	-	(1)	881	8	889
Europe & Middle East	2,644	(118)	(32)	2,494	(9)	2,485
Cash Solutions	1,132	-	(78)	1,054	(5)	1,049
Total Group revenue	**7,507**	**(118)**	**(112)**	**7,277**	**21**	**7,298**
Adjusted PBITA by reportable segment (£m)						
Six months ended 30 June 2019						
Africa	17	-	-	17	-	17
Americas	61	-	-	61	-	61
Asia	31	-	-	31	-	31
Europe & Middle East	92	-	-	92	-	92
Cash Solutions	60	-	-	60	-	60
Adjusted PBITA before corporate costs	**261**	**-**	**-**	**261**	-	**261**
Corporate costs	(27)	-	-	(27)	-	(27)
Total Group Adjusted PBITA	**234**	**-**	**-**	**234**	-	**234**
Six months ended 30 June 2018						
Africa	16	-	-	16	-	16
Americas	56	-	1	57	2	59
Asia	29	-	-	29	-	29
Europe & Middle East	87	1	(1)	87	-	87
Cash Solutions	64	-	2	66	1	67
Adjusted PBITA before corporate costs	**252**	**1**	**2**	**255**	**3**	**258**
Corporate costs	(28)	-	-	(28)	-	(28)
Total Group Adjusted PBITA	**224**	**1**	**2**	**227**	**3**	**230**
Year ended 31 December 2018						
Africa	33	-	1	34	(1)	33
Americas	131	-	2	133	2	135
Asia	65	-	-	65	1	66
Europe & Middle East	183	4	(2)	185	-	185
Cash Solutions	123	-	7	130	-	130
Adjusted PBITA before corporate costs	**535**	**4**	**8**	**547**	**2**	**549**
Corporate costs	(50)	-	-	(50)	-	(50)
Total Group Adjusted PBITA	**485**	**4**	**8**	**497**	**2**	**499**

Alternative Performance Measures

F. Reconciliation of underlying prior period results by segment

	Underlying as previously reported	Movements in onerous contracts	Movements in disposed businesses	Restatement for IFRS 16	Underlying results at actual rates	Exchange differences	Underlying results at constant rates
Revenue by reportable segment (£m)							
Six months ended 30 June 2018							
Africa	197	-	-	-	197	(3)	194
Americas	1,177	-	-	-	1,177	25	1,202
Asia	434	-	-	-	434	6	440
Europe & Middle East	1,231	6	(12)	-	1,225	2	1,227
Cash Solutions	560	-	(40)	(3)	517	(2)	515
Total Group revenue	**3,599**	**6**	**(52)**	(3)	**3,550**	**28**	**3,578**
Year ended 31 December 2018							
Africa	405	-	-	-	405	(6)	399
Americas	2,443	-	-	-	2,443	33	2,476
Asia	881	-	-	-	881	8	889
Europe & Middle East	2,501	-	(7)	-	2,494	(9)	2,485
Cash Solutions	1,059	-	-	(5)	1,054	(5)	1,049
Total Group revenue	**7,289**	**-**	**(7)**	**(5)**	**7,277**	**21**	**7,298**
Adjusted PBITA by reportable segment (£m)							
Six months ended 30 June 2018							
Africa	15	-	-	1	16	-	16
Americas	54	-	1	2	57	2	59
Asia	28	-	-	1	29	-	29
Europe & Middle East	83	1	-	3	87	-	87
Cash Solutions	60	-	3	3	66	1	67
Adjusted PBITA before corporate costs	**240**	**1**	**4**	**10**	**255**	**3**	**258**
Corporate costs	(28)	-	-	-	(28)	-	(28)
Total Group Adjusted PBITA	**212**	**1**	**4**	**10**	**227**	**3**	**230**
Year ended 31 December 2018							
Africa	32	-	-	2	34	(1)	33
Americas	129	-	-	4	133	2	135
Asia	63	-	-	2	65	1	66
Europe & Middle East	179	-	(1)	7	185	-	185
Cash Solutions	121	-	-	9	130	-	130
Adjusted PBITA before corporate costs	**524**	**-**	**(1)**	**24**	**547**	**2**	**549**
Corporate costs	(50)	-	-	-	(50)	-	(50)
Total Group Adjusted PBITA	**474**	**-**	**(1)**	**24**	**497**	**2**	**499**
Other financial KPIs (£m)							
Six months ended 30 June 2018							
Profit before tax	158	1	3	(2)	160	3	163
Profit after tax	120	1	3	(2)	122	2	124
Earnings	115	1	1	(2)	115	2	117
Earnings per share - p	7.4	0.1	0.1	(0.1)	7.4	0.1	7.6
Operating cash flow	179	2	2	64	247	-	247
Year ended 31 December 2018							
Profit before tax	365	-	(1)	(2)	362	2	364
Profit after tax	272	-	(1)	(2)	269	1	270
Earnings	259	-	(1)	(2)	256	1	257
Earnings per share - p	16.7	-	(0.1)	(0.1)	16.5	0.1	16.6
Operating cash flow	453	-	(2)	133	584	-	584

Supplementary information

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High resolution images and b-roll are available to download from the G4S media library, available through the results centre at www.g4s.com.

Notes to Editors:
G4S is the leading global security company, specialising in the provision of security services and solutions to customers. Our mission is to create material, sustainable value for our customers and shareholders by being the supply partner of choice in all our markets.

G4S is quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S is active in around 90 countries and has more than 550,000 employees. For more information on G4S, visit www.g4s.com.

Presentation of Results:

A webcast presentation to investors and analysts is taking place today at 09.00 hrs and can be viewed using the following link:

http://view-w.tv/707-803-22180/en

Please note that there will also be a telephone dial-in facility for this event, for which details are as follows:

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Dividend payment information
2019 Interim dividend:

Announcement - 9 August 2019
Ex-dividend date – 5 September 2019
Last day to elect for DKK – 5 September 2019
Record date – 6 September 2019
Last day for DRIP elections – 20 September 2019
Post (1st class) – 10 October 2019
Pay date – 11 October 2019

Financial Calendar

November 2019 – Q3 2019 Trading update