Securing Your World

28 August 2012

G4S plc
Half yearly results announcement for the six months ended 30 June 2012

Developing markets and outsourcing trends continuing to drive underlying growth despite challenging economic environment

	H1 2012	Underlying*	H1 2011
Turnover	£3,903m	+5.8%	£3,630m**
Organic growth	+6.8%	+5.1%	+4.5%
PBITA***	£236m**		£236m**
Operating margin	6.0%	6.2%	6.5%**
Adjusted EPS	9.8p**		9.8p**
Recommended interim dividend per share	3.42p		3.42p
Cash conversion	83%		60%

* excluding Olympic and Paralympic Games contract
**at constant exchange rates and adjusted for discontinued businesses and exceptional items
***see page 4 for definition of PBITA

Excluding the Olympic Games contract, sales up 5.8% and improved organic growth of 5.1%. Adjusted EPS maintained at 9.8p

- Organic growth of 10% in developing markets with revenue of £1,191m (31% of group total and targeting 50% by 2019)
- Group margin excluding exceptional items is lower at 6.0% (6.2% excluding the Olympics Games revenue) due to the challenging US government market and UK contract phasing
- On track to achieve annual cash conversion target of 85%

Olympic and Paralympic Games contract loss of £50m provided for as an exceptional item in H1

- Contract review underway and expected to be completed during second half of September

Continued focus on business improvement

- Service excellence centres established for all core services: manned security, cash solutions and care & justice services – part of a two year programme to support gross margins and profit improvement initiatives
- Restructuring leading to a headcount reduction of 1,100 positions and £30m annualised savings, of which **related costs of £24m have been taken as an exceptional item in H1**, a large proportion of which relate to Continental Europe. Up to £10m further costs are expected in H2

Security remains core to global strategy and continues to provide growth opportunities

- Strong global contract pipeline of £3.8bn per annum across a diverse range of sectors including the strongest visible pipeline in US commercial sector on record

Nick Buckles, Chief Executive Officer, commented:

"We were deeply disappointed that we had significant issues with the London 2012 Olympics contract and are very grateful to the military and the police for their support in helping us to deliver a safe and secure Games.

The overall business has performed well in achieving a similar underlying profit as the first half of last year despite economic challenges, particularly in Europe, and weakness in the US government market.

Underlying organic growth in the first half has improved to over 5% overall driven by a strong performance in developing markets which grew by over 10%.

We continue to see good opportunities from outsourcing around the world particularly from governments looking to improve quality of services and reduce costs and we believe that, with our long-term track record, we will continue to play a major role in this sector.

The breadth of our portfolio in 125 countries continues to present many new growth opportunities. Our market leading businesses, broad customer base and £3.8bn per annum contract pipeline give us confidence in the outlook for the Group."

For further enquiries, please contact: +44 (0) 1293 554400

Nick Buckles	Chief Executive Officer
Trevor Dighton	Chief Financial Officer
Helen Parris	Director of Investor Relations

Media enquiries:

Adam Mynott	Director of Media Relations	+44 (0) 1293 554400
David Allchurch	Tulchan Group	+44 (0) 20 7353 4200

High resolution images are available for the media to view and download free of charge from www.vismedia.co.uk.

Notes to Editors:
G4S is the world's leading international secure outsourcing solutions group, which specialises in outsourced business processes and facilities in sectors where security and safety risks are considered a strategic threat.

G4S is the largest employer quoted on the London Stock Exchange and has a secondary stock exchange listing in Copenhagen. G4S has operations in more than 125 countries and 657,000 employees. For more information on G4S, visit www.g4s.com.

Presentation of Results:
A presentation to investors and analysts is taking place today at 0830hrs at the London Stock Exchange.

Webcast
http://view-w.tv/p/707-803-11617/en

Telephone Dial-in Facility

The details for the telephone dial-in facility are as follows:-

Denmark Toll Free : 8088 8649
Standard International Access : +44 (0) 20 3003 2666
UK Toll Free : 0808 109 0700
USA Toll Free : 1 866 966 5335

Password: G4S

Replay Details

To listen to a replay of the presentation which will be available for 7 days after the event:

Denmark Toll Free : 8088 7109
Standard International Access : +44 (0) 20 8196 1998
UK Toll Free : 0800 633 8453
USA Toll Free : 1 866 583 1035
Access PIN: 8732477

FINANCIAL SUMMARY

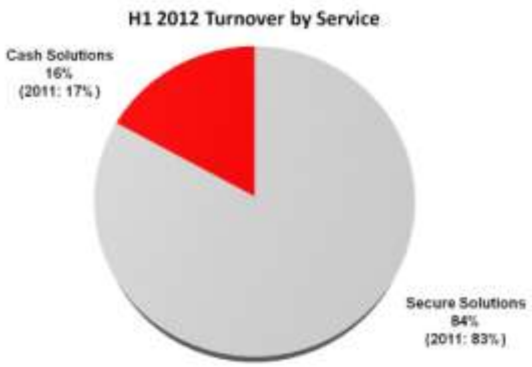
Results

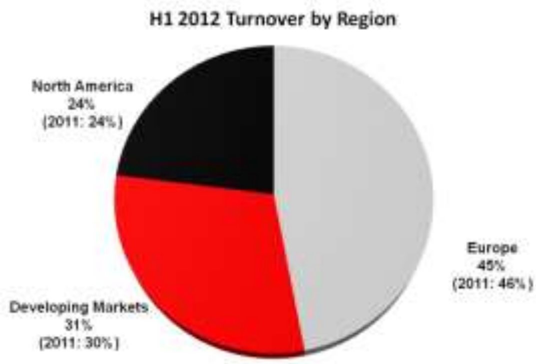
The results which follow have been prepared under International Financial Reporting Standards, as adopted by the European Union (adopted IFRSs).

Group Turnover

Turnover of Continuing Businesses	H1 12 £m	H1 11 £m
Turnover at constant exchange rates	3,903	3,630
Exchange difference	-	56
Total continuing business turnover	3,903	3,686

Turnover increased by 5.9% to £3,903 million or by 7.5% at constant exchange rates. Organic turnover growth was 6.8%.





Organic Turnover Growth incl Olympic Games contract *	Europe	North America	Developed Markets	Developing Markets	Total
Secure solutions	8%	4%	7%	10%	8%
Cash solutions	-1%	7%	-1%	11%	3%
Total	6%	5%	6%	10%	7%

** Calculated to exclude acquisitions and disposals, and at constant exchange rates*

Organic Turnover Growth excl Olympic Games contract *	Europe	North America	Developed Markets	Developing Markets	Total
Secure solutions	3%	4%	4%	10%	6%
Cash solutions	-1%	7%	-1%	11%	3%
Total	2%	5%	3%	10%	5%

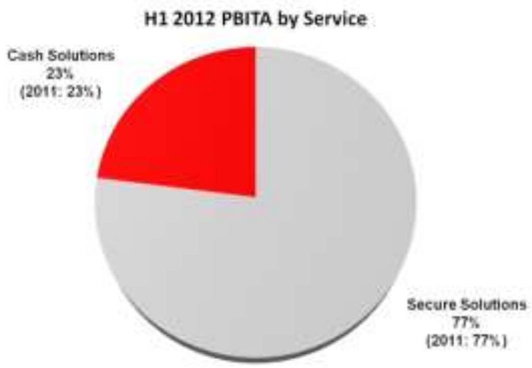
** Calculated to exclude acquisitions and disposals, and at constant exchange rates*

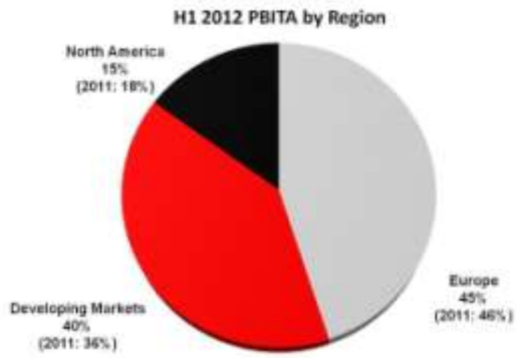
Group Profit

PBITA * of Continuing Businesses	H1 12 £m	H1 11 £m
PBITA at constant exchange rates	236	236
Exchange difference	-	4
Total continuing business PBITA	236	240
PBITA margin at constant exchange rates	6.0%	6.5%

** PBITA is defined as profit before interest, taxation, amortisation of acquisition-related intangible assets, acquisition-related costs and exceptional items*

PBITA was maintained at £236 million but decreased by 1.7% at actual exchange rates. The PBITA margin was 6.2% excluding the Olympic Games contract revenue and 6.0% including the contract.





Cash Flow and Financing

Cash Flow	H1 12 £m	H1 11 £m
Operating cash flow	197	143
Operating cash flow / PBITA (excluding associates)	83%	60%

Operating cash flow, as analysed on page 26, was £197 million in the period, representing 83% of PBITA. Net cash invested in current year acquistions was £6 million. Net debt at the end of the period, as analysed on page 25, was £1,683 million (December 2011: £1,616m).

Adjusted earnings per share

Adjusted earnings per share	**H1 12** **£m**	**H1 11 at constant exchange rates** **£m**	**H1 11** **£m**
PBITA from continuing operations	236	236	240
Interest (before pensions)	(50)	(46)	(46)
Tax (before pensions interest)	(40)	(42)	(43)
Minorities	(9)	(10)	(10)
Adjusted profit attributable to shareholders	137	138	141
Average number of shares (m)	1,404	1,405	1,405
Adjusted EPS (p)	9.8	9.8	10.0

Adjusted earnings per share, reconciled to basic earnings per share on page 24, was in line with prior year at constant exchange rates and down by 2.0% against prior year at actual exchange rates.

London 2012 Contract

Contract Update

In December 2011, we signed the contract to provide an enlarged security workforce for the Olympic and Paralympic Games. The demand profile for provision of the security workforce built from just a few hundred people at the start of 2012 to 10,400 during the peak period in early August. All of the roles required specific classroom and on-the-job training, with a significant number of the roles being specialist in nature and requiring 40% of the workforce to be trained in additional skills.

Our primary focus for July and August to date has been to work alongside the military and police to deliver a safe and secure Games. We are pleased to report that security has remained one of the highest ranked aspects of the Olympic Games in daily visitor surveys conducted by the organising committee.

Although the complex recruitment, training, screening, accreditation and deployment process proved very challenging, more than 14,000 staff were recruited, trained and deployed. An additional 5,000 people completed Security Industry Authority (SIA) training and obtained a SIA licence. We had around 8,000 people on the ground at Olympic venues during the peak periods and, in many cases, military personnel were able to withdraw from specific sites and reduce the overall number of deployed military personnel across the venues.

We were deeply disappointed that on 11 July we had to advise the customer that we would not be able to assure the delivery of the workforce against the demand requirements and the decision was taken by the UK Home Office to deploy additional military to augment the security workforce numbers. To date, we have delivered 83% of the contracted shifts since the beginning of the year and expect to fully resource the contract between now and the end of its term.

In addition to supplying the London 2012 security workforce, we also provided a range of cash solutions services to LOCOG and its partners and to G4S customers across London and the South East of England as a result of the Olympic Games. This included handling an extra 20,100 cash containers through our system and over 2,100 additional ATM services.

The Paralympic Games begin on 29th August and we continue to work with our partners to ensure that the Games are safe and secure. We are confident that we have an assured security workforce for the Paralympic Games and do not anticipate any workforce shortfall issues to arise.

A Board review of the contract has commenced with the assistance of PwC. The review will cover all aspects of the contract including the key expected deliverables of the contract, the actual contract performance, execution issues and timings and why failures were not identified in a more timely manner. We expect the review findings to be made available to the Board during the second half of September.

<u>Contract Loss Provision</u>

Our current estimate is that the loss on the London 2012 Contract will be in the region of £50m and this amount has been provided for at the half year and taken as an exceptional item. This estimate is based on our current expectation of the financial outcome including reasonable estimates of costs where at this date there is still uncertainty. The estimate is based upon the following:

- the additional costs relating to the deployment of the increased military and police personnel based upon available information – as at the current date we have not been advised of the actual cost, but confirm that we will meet the additional costs in line with the commitment we made in July
- our estimates of potential penalties and contractual liabilities
- the additional costs relating to the provision of increased internal resource to deliver the contract

The final contract loss will be impacted by the actual cost of the military and police deployment and by the outcome of negotiations in respect of potential penalties and contractual liabilities.

Secure solutions

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12
Europe *	1,405	1,300	83	83	5.9%	6.4%	8%
North America *	864	828	39	47	4.5%	5.7%	4%
Developing Markets *	994	879	78	71	7.8%	8.1%	10%
Total secure solutions *	3,263	3,007	200	201	6.1%	6.7%	8%
Exchange differences	-	38	-	2			
At actual exchange rates	3,263	3,045	200	203			

The secure solutions business continued its strong performance with good organic growth of 6% (8% including the Olympic Games contract), helped by strong developing markets growth. Margins were lower at 6.3% (6.1% including the Olympics contract) due to challenging economic conditions in Continental Europe and a reduction in US government work.

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12
UK & Ireland *	711	610	54	50	7.6%	8.2%	14%
Continental Europe *	694	690	29	33	4.2%	4.8%	3%
Total Europe *	1,405	1,300	83	83	5.9%	6.4%	8%

Organic growth in **Europe** excluding the Olympic Games contract was 3% (8% including the Olympics contract) and margins were 6.3% (5.9% including the Olympics contract).

There was organic growth of 4% in the **UK & Ireland** excluding the Olympics contract (14% including the Olympics contract) with a continued improved performance in Ireland. The UK & Ireland margin was lower at 7.6% due to the Olympics contract and was maintained excluding the contract.

Organic growth was impacted by the loss of some government contracts during 2011. Offsetting that was a number of major government contract wins and extensions such as:

- Total facilities management for the Ministry of Justice at more than 340 court buildings across the Midlands, Wales and the North of England which was mobilised successfully in February this year.
- The provision of transport and accommodation for asylum applicants for the UK Border Agency for two regions - the Midlands and the East of England and the North East, Yorkshire and Humberside which mobilised successfully in June.

- Outsourcing services for Lincolnshire Police – the first contract of its kind to be awarded by a British Police Authority. This contract mobilised in April 2012 and the transition has gone extremely smoothly with excellent service delivery and results. The Lincolnshire contract includes a framework agreement for ten other police forces, including Bedfordshire, Cambridgeshire and Hertfordshire who recently confirmed their commitment to evaluate outsourcing the forces' organisational support services to G4S.
- Mobilising the successful opening and ongoing management of the newest and one of the largest prisons in the UK, HMP Oakwood.

The pipeline of UK government outsourcing opportunities remains strong, particularly in areas such as prisons, police, probation, health and facilities management.

The UK commercial business continued to grow strongly and contracts won included a number of significant smart meter installation and data management contracts for major utility providers.

Trading conditions in **Ireland** remain challenging in 2012 but underlying trading has continued to be supported by a cost reduction plan. The bidding pipeline, especially in the area of security systems, looks encouraging for the remainder of the year.

The **Continental Europe** region performed well against an uncertain economic backdrop. Overall organic growth was 3%. We lost the European parliament contract in **Belgium** from May 2012 but won the European parliament contract in **Luxembourg** in April 2012. Margins were lower due to even tougher economic conditions throughout the region and mandatory pay awards in the **Netherlands** not being fully recovered. To counteract this, a number of efficiency initiatives have been implemented which will reduce direct and overhead headcount numbers by around 250, alongside a number of branch closures throughout Europe. We should see a steady improvement in margins over the next 18 months as a result of these measures being taken in 2012.

Revenues for the security systems business, which accounts for around 20% of Continental European secure solutions revenues, were up around 2%.

There were some notable strong performances in the region - in **Sweden**, G4S won a secure solutions contract with AB Volvo from April 2012 for three years. In addition there were contract wins in **Belgium, Norway, Finland, Austria** and **Denmark** for customers in retail, transportation and telecoms sectors. The business in **Greece** has been challenged by the economic crisis but we have recently started several new contracts in the region such as the US Embassy and for Hellenic Petroleum.

Organic growth in most **Eastern European** markets has now stabilised to the low single digit level. We have won a significant contract with a major steel manufacturer in **Ukraine** and we have recently won contracts in **Hungary** and **Slovakia** for companies in sectors such as manufacturing, electronics and retail. The group divested its businesses in **Poland** in July.

North America

	Turnover £m		PBITA £m		Margins		Organic Growth
* At constant exchange rates	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12
North America *	864	828	39	47	4.5%	5.7%	4%

Organic growth in **North America** was 4%. Margins were lower compared to the prior year due to the performance of the US government business where revenues were down 14% and operating profits down nearly £10m causing margins to decline significantly from around 5% to less than 2%. The US government business continues to be impacted by the significant reduction in federal funding levels. The profit reduction impact is split broadly between budgetary induced pressure on the domestic US government business and the decline in volumes for international landmine clearance. We have already instigated overhead cost saving plans in the US domestic business and will be merging our US and UK mine clearing businesses in the second half to bring them back into profitability.

In the **United States** growth in the commercial sector was strong and our commercial secure solutions business had its strongest first half on record. We continue to remain optimistic about growth in the commercial sector, with the largest visible sales pipeline in the history of the company. The security systems business continues to make good progress, with a record order book representing more than 12 months work in hand. The outlook for new US federal government work in the short term continues to be subdued, however we have recently been awarded a $55m per annum contract for integrated base operations support services at the US Navy Support Facility, Diego Garcia from November for up to 10 years. State and local governments remain under financial pressure, but we continue to see some appetite for outsourcing focused on the more effective delivery of public services.

In the commercial sector, recent contract awards have been in the healthcare, distribution, chemical, manufacturing and retail sectors. G4S commenced the provision of security solutions for a major automotive company from January 2012 valued at $70m per annum for three years. The group's largest commercial contract with Bank of America has been extended until 2014 and G4S North America has been awarded a secure solutions contract with Google for its locations in the United States and data centres in Belgium and Finland. The US security systems business performed well with a number of systems integration projects for Tampa Airport, Iberdrola, and the Port of Tacoma.

Additional examples of major contract awards include: world-wide security services for GE, building on a long-standing service relationship; the Sandia National Laboratories for the Department of Energy, which represents an expansion of services provided to this important customer; and compliance and investigations services for Gallagher Bassett, where we will staff and manage their Special Investigations Unit responsible for investigating fraudulent workers compensation claims.

In **Canada**, the organic growth rate was over 30% driven by the CATSA aviation security contract which started on 1 November 2011. The contract is for security at 21 airports in the Pacific region of Canada and has projected revenue of more than CAD$ 400m over the initial five-year term.

Developing Markets

	Turnover £m		PBITA £m		Margins		Organic Growth
* At constant exchange rates	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12
Asia *	339	313	23	20	6.8%	6.4%	8%
Middle East *	213	208	18	17	8.5%	8.2%	4%
Africa *	179	163	15	17	8.4%	10.4%	10%
Latin America & Caribbean *	263	195	22	17	8.4%	8.7%	17%
Total Developing Markets *	994	879	78	71	7.8%	8.1%	10%

In **Developing Markets**, revenue growth was 13% and organic growth was excellent at 10% with margins slightly lower due mainly to Africa.

Organic growth in **Asia** was 8% and margins were up to 6.8% due to improved business performance in a number of countries. There was strong organic revenue growth in **Thailand, China, South Korea, Japan** and **Indonesia**. **India**, the largest market in the region, achieved a good performance with double-digit revenue growth.

We recently won a manned security contract with the United Nations in **Papua New Guinea**. Revenues declined in **Australia** as a result of the loss of the Western Australia Prisoner Transportation contract which ended in July 2011. However, the pipeline is looking more positive with a concerted effort to target the Australian commercial market. Recent wins include DP World and Bechtel. The offender monitoring contract in **New Zealand** has been extended for 18 months to the end of 2013.

In the **Middle East**, organic growth was 4%, due to reductions in activity in **Iraq**. Margins improved compared to the prior year due to the one-off bonus payment made in Saudi Arabia in H1 2011 and recent **Qatar** contract wins include Qatar Airways and Qatar National Bank. We are in the process of exiting from the US Embassy contract in Kabul, **Afghanistan**.

Africa performed strongly with organic growth of 10%. Margins were lower at 8.4%, due to contract losses in **Nigeria**. New contracts won or renewed are mainly in key strategic sectors such as aviation, mining, oil and gas and embassies. The current bidding pipeline in Africa is the strongest in the company's history – particularly in financial services, mining and embassies, with increasing numbers of both multi-country/pan-African and larger scale bids.

The **Latin America and Caribbean** region has performed well with organic growth of 17% and as a result of strong performances across most countries. We have also had a number of strategic contract wins, for example in the financial services, Government and extractives sectors.

We are in the process of extending our presence in **Brazil**. Legislation was reviewed recently following which the Brazilian Government has confirmed that security businesses which were established prior to 1983 may be owned by foreign companies. This had previously been a critical factor in delaying the group's strategic plans in Brazil. Now that the legislation has been reviewed, these plans are expected to come to fruition in the near future.

Cash Solutions

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12
Europe *	387	393	34	37	8.8%	9.4%	-1%
North America *	56	52	1	0	1.8%	0.0%	7%
Developing Markets *	197	178	25	22	12.7%	12.4%	11%
Total Cash Solutions *	640	623	60	59	9.4%	9.5%	3%
Exchange differences		18		2			
At actual exchange rates	640	641	60	61			

The cash solutions business showed a solid performance with organic revenue growth of 3%. Overall margins were 9.4%, with improvements in North America and developing markets being offset by lower margins in Europe due to anticipated contract phasing in the UK.

Organic growth in **Europe** declined by 1%. In the **UK & Ireland**, revenues declined by 6% as a result of the loss of two ATM contracts in mid 2011. This impacted the first half of 2012 but the outlook is much improved as the business has won three major contracts for financial institutions providing outsourcing of cash processing, cash machine replenishment and engineering to both on-bank branches and remote sites. The engineering will be provided on a full 24/7 basis – an industry first. The roll-out of these contracts will be completed early in the second half and should provide double digit revenue and profit growth. The outlook for 2013 is also positive with a solid pipeline of outsourcing contracts.

In **Sweden**, the cash solutions business was sold in February 2012. Elsewhere in Continental Europe, organic growth was positive helped by product development in the **Netherlands**, strong performances in **Belgium**, as a result of growth in ATM servicing, CASH360 and cash processing, and productivity improvement in **Finland**.

G4Si, the international valuables transportation business, achieved another strong performance, with double digit organic growth supported by an increase in commodity shipments such as pre-refined and refined metal, bank notes, credit cards, and pharmaceuticals.

In **North America**, the performance of the cash solutions business in **Canada** was improved through stronger alignment in key sectors following management integration with the Canadian secure solutions business in the first half of 2012. This has resulted in contract awards and extensions with key customers in the retail and financial services sectors.

Organic growth in **Developing Markets** was good at 11%. The cash solutions business in **Saudi Arabia** achieved an improved business performance and excellent growth and strong margins were achieved in **Hong Kong**, helped by successfully negotiating price increases with a number of key customers.

STRATEGIC DEVELOPMENT

Our strategy is to differentiate ourselves in our markets by using our expertise to drive outsourcing and to minimise commoditisation of traditional security services. We see strong evidence of this strategy delivering enhanced growth opportunities for the group by:

- Capitalising on the structural growth opportunity of increased demand for outsourcing by delivering innovative, cost reducing, tailor-made solutions to customers as they re-shape their businesses in response to economic pressures, regulation and compliance requirements

- Focusing the group on attractive global markets and sectors where security is a key consideration

- Increasing global reach – G4S has a broad international presence and unique developing markets exposure. We can export our government expertise into new countries, drive outsourcing of cash solutions in developing markets and develop secure solutions for multi-national customers across numerous countries

- Building on strong organic growth through security-focused acquisitions in developing markets where we can extend our market share or enter new high growth sectors. We expect to spend up to £200m each year on acquisitions out of free cash flow

Service Excellence Centres (SEC)

It is essential that the organisational design is aligned to deliver the strategy and that we keep costs under control. This year, we created three product-specific service excellence centres to work with G4S country operations globally as part of a two year programme to focus on operational efficiency, service standards, and development of technology to support service delivery and sharing best practice across our main service lines.

In the cash solutions businesses significant operational improvements have been made by businesses fully utilising EViper (our cash logistics planning and reconciliation system) - we have identified four businesses that will benefit from the implementation of EViper in 2013. There are five countries now deploying Telematics systems (across 2,900 vehicles) which monitor driver activity in real time to help manage fuel consumption and improve health and safety. This is currently helping those businesses to achieve more than £1m consolidated fuel savings per year. Further countries will adopt the system in due course.

In secure solutions, SEC initiatives include the introduction of Saturn (our manned security scheduling system) in seven countries with a further roll-out in 8-10 countries in the next twelve months.

Restructuring Costs

We have also undertaken a detailed review of the overhead structure across all reporting levels and geographies in order to maximise efficiency and eliminate duplication. Restructuring in the first half of this year has generated a headcount reduction of over 1,100 positions. This has resulted in an exceptional cost of £24m in the first half of the year and a further cost of up to £10m in the second half. The restructuring expenditure in the first half is analysed by geography as follows:

	Headcount reduction	People costs £m	Other Costs £m	Total Costs £m
UK	58	2.0	0.2	2.2
Continental Europe	257	7.2	1.0	8.2
North America	132	3.6	0	3.6
Developing Markets	605	5.1	2.5	7.6
Head Office/Cash Division	48	2.6	0	2.6
Total	1,100	20.5	3.7	24.2

This restructuring will result in annualised cost savings of c£30m, with effect from the second half of this year, and help maintain group margins. We expect the majority of this benefit to come through in 2013. The group plans to achieve further cost savings in the medium-term through procurement efficiencies and business process redesign.

OTHER FINANCIAL ISSUES

Acquisitions and divestments

The group invested a total of £6m in the first half of 2012 with a number of smaller acquisitions. Since the end of June, we have acquired **Protekt**, a safety training consultancy in the Netherlands.

Our acquisition strategy will continue to focus on niche opportunities which will both help to deliver our strategic objectives and meet our financial performance criteria. We expect to invest up to £200m in acquisitions in 2012 and will be more active in our divestment strategy where businesses are not in line with the group's strategy or where an alternative parent could add or drive more value from a business.

During the first half of the year we disposed of our Swedish cash solutions business and also sold a loss making electronic monitoring business in the US.

Risks 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 42, 43, 58 and 59 of the company's annual report for the financial year ended 31 December 2011, a copy of which is available on the group's website at www.g4s.com.

The risks and uncertainties, together with those relating to the Olympic Games contract discussed elsewhere in this announcement, are expected to remain the same during the remaining six months of the financial year.

Financing and interest

We have a prudent approach to our balance sheet whilst maintaining the flexibility to pursue acquisitions when appropriate. G4S has had a long term credit rating of BBB Stable granted by Standard & Poor's in March 2009, however following the G4S Olympic contract announcement on 13 July 2012, Standard & Poor's revised the outlook to CreditWatch negative on 20 July. Our aim is to regain our credit rating of BBB Stable and to continue to maintain a net debt to EBITDA ratio of around 2 to 2.5 times. The group is currently well financed, has a diverse range of finance providers and the maturity profile is long term. Borrowings are principally in pounds sterling, US dollars and euros reflecting the geographies of significant operational assets and profits.

Our main sources of finance and their rates are set out below:

(i) A £1.1bn multicurrency revolving credit facility provided by a consortium of lending banks at a margin of 0.80% over Libor and maturing on 10 March 2016. As at 30 June 2012 the drawings were US$ 230m, Euro 90m and £170m.

(ii) A $550m private placement of notes issued on 1 March 2007, which mature at various dates between 2014 and 2022 and bear interest at rates between 5.77% and 6.06%.

(iii) $514m and £69m private placement notes issued on 15 July 2008, which mature at various dates between 2013 and 2020 and bear interest at rates between 6.09% and 7.56%.

(iv) A £350m Public Note issued on 13 May 2009 bearing an interest rate of 7.75%, maturing 13 May 2019.

(v) A Euro 600m Public Note issued on 2 May 2012 bearing an interest rate of 2.875%, maturing 2 May 2017.

As of 30 June 2012, net debt was £1,683m and our headroom was £713m. We have sufficient borrowing capacity to finance our current investment plans.

Net interest payable on net debt was £50m. This is a net increase of 9% over the 2011 cost of £46m, due principally to the increase in the group's net debt.

Our average cost of gross borrowings during the half year, net of interest rate hedging, was 4.4% compared to 4.7% in 2011.

Taxation

The effective tax rate for the half year on adjusted earnings was 22%, consistent with 2011. The cash tax rate is 22.9% compared to 18.5% in 2011. Our target is to maintain the effective tax rate at the current level. This will be supported by the gradual reduction in UK corporation tax rates, the ongoing rationalisation of the group legal structure and the elimination of fiscal inefficiencies.

Retirement benefit obligations

The group's funding shortfall on funded defined retirement benefit schemes, on the valuation basis specified in IAS19 Employee Benefits, was £298m before tax or £226m after tax (31 December 2011: £295m and £218m respectively). The main scheme is in the UK. The latest full actuarial valuations were undertaken at 5 April 2009 in respect of all three sections of the UK scheme. However, all actuarial assumptions were reviewed and updated as at 31 December 2011.

The net pension obligation has increased very slightly since 31 December 2011 due to the additional contributions being offset by the actuarial loss in the period. The discount rate used to calculate the obligation is consistent with that used at 31 December 2011 of 4.95%. Additional company contributions of £19m were paid into the schemes.

We believe that, over the very long term in which retirement benefits become payable, investment returns should eliminate the deficit reported in the schemes in respect of past service liabilities. However, in recognition of the regulatory obligations upon pension fund trustees to address reported deficits, the group's deficit recovery plan will see cash contributions made to the scheme of approximately £35m in 2012 with modest annual increments thereafter.

Dividend

The board has declared an interim dividend of 3.42p per share (DKK 0.3220). This is consistent with the interim dividend for 2011.

The group expects to continue to increase dividends broadly in line with normalised adjusted earnings.

REVIEW AND OUTLOOK

Despite ongoing economic uncertainty in the first half of 2012 and the challenges of delivering the London 2012 security contract, the underlying business has performed well and the positive trading momentum is expected to continue.

The organisation design and overhead review programme will deliver significant costs savings in the next 12 months and investment in service line and sector expertise is expected to enhance the group's product offer and assist in maintaining margins and driving through further growth.

Developing markets (which now represent 31% of group revenues and 40% of group profits) and growing outsourcing trends continue to be key business growth drivers and we expect to see organic growth continue to improve as a result.

The breadth of the group's portfolio in 125 countries continues to present many new growth opportunities. Market leading businesses in many countries, a broad customer base and the current £3.8 billion per annum contract pipeline provide confidence in the outlook for the group.

28 August 2012

Directors' responsibility statement in respect of the half-yearly results announcement

We confirm that to the best of our knowledge:

- this condensed set of financial statements has been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as adopted by the EU
- 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 set of 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.

The responsibility statement is signed by:

Nick Buckles	**Trevor Dighton**
Chief Executive	Chief Financial Officer

Consolidated income statement
For the six months ended 30 June 2012

	Notes	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Continuing operations				
Revenue	2	**3,903**	3,686	7,502
Profit from operations before amortisation of acquisition-related intangible assets, exceptional items and share of profit from associates		**236**	239	529
Share of profit from associates		**-**	1	3
Profit from operations before amortisation of acquisition-related intangible assets and exceptional items (PBITA)	2	**236**	240	532
Amortisation of acquisition-related intangible assets		**(46)**	(43)	(99)
Acquisition-related expenses		**(1)**	(1)	(2)
Provision for expected losses on Olympics contract		**(50)**		
Restructuring costs		**(24)**	-	-
Aborted acquisition and legal settlement costs		**-**	-	(55)
Profit from operations before interest and taxation (PBIT)	2, 3	**115**	196	376
Finance income	6	**48**	54	111
Finance costs	7	**(102)**	(99)	(207)
Profit from operations before taxation (PBT)		**61**	151	280
Taxation:				
Before amortisation of acquisition-related intangible assets and exceptional items		**(39)**	(43)	(95)
- On amortisation of acquisition-related intangible assets		**12**	12	25
- On acquisition-related expenses		**-**	-	1
- On provision for expected losses on Olympic contract		**10**	-	-
- On restructuring costs		**3**	-	-
- On aborted acquisition and legal settlement costs		**-**	-	13
	8	**(14)**	(31)	(56)
Profit from continuing operations after taxation		**47**	120	224
Loss from discontinued operations	4	**(9)**	(2)	(26)
Profit for the period		**38**	118	198
Attributable to:				
Equity holders of the parent		**29**	108	181
Non-controlling interests		**9**	10	17
Profit for the period		**38**	118	198
Earnings per share attributable to ordinary equity shareholders of the parent from continuing and discontinued operations	9			
Basic and diluted		**2.1p**	7.7p	12.9p
Dividends declared and proposed in respect of the period	10			
Interim dividend of 3.42p per share (2011: 3.42p per share)		**48**	48	48
Final dividend (2011: 5.11p per share)		**-**	-	72
Total		**48**	48	120

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2012

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Profit for the period	**38**	118	198
Other comprehensive income			
Exchange differences on translation of foreign operations	**(49)**	7	(65)
Actuarial losses on defined retirement benefit schemes	**(21)**	(13)	(73)
Change in fair value of cash flow hedging financial instruments	**(11)**	2	8
Tax on items taken directly to equity	**4**	(2)	9
Other comprehensive income, net of tax	**(77)**	(6)	(121)
Total comprehensive income for the period	**(39)**	112	77
Attributable to:			
Equity holders of the parent	**(48)**	102	62
Non-controlling interests	**9**	10	15
Total comprehensive income for the period	**(39)**	112	77

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2012

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
At beginning of period	**1,494**	1,577	1,577
Total comprehensive income attributable to equity shareholders of the parent	**(48)**	102	62
Dividends declared	**(72)**	(66)	(114)
Own shares purchased	**(6)**	(8)	(13)
Equity settled transactions	**(1)**	1	1
Transactions with non-controlling interests	**-**	-	(19)
At end of period	**1,367**	1,606	1,494

Condensed consolidated statement of financial position

At 30 June 2012

	Notes	As at 30.06.12 £m	As at 30.06.11 £m	As at 31.12.11 £m
ASSETS				
Non-current assets				
Goodwill		**2,182**	2,165	2,209
Other acquisition-related intangible assets		**219**	263	264
Other intangible assets		**80**	73	87
Property, plant and equipment		**516**	559	531
Investment in associates		**8**	7	9
Trade and other receivables		**350**	300	319
		3,355	3,367	3,419
Current assets				
Inventories		**129**	124	123
Investments		**64**	69	70
Trade and other receivables		**1,580**	1,543	1,546
Cash and cash equivalents		**399**	429	433
Assets classified as held for sale	11	**28**	-	35
		2,200	2,165	2,207
Total assets		**5,555**	5,532	5,626
LIABILITIES				
Current liabilities				
Bank overdrafts		**(32)**	(46)	(53)
Bank loans		**(46)**	(113)	(47)
Obligations under finance leases		**(16)**	(13)	(16)
Trade and other payables		**(1,285)**	(1,240)	(1,298)
Provisions		**(76)**	(26)	(35)
Liabilities associated with assets classified as held for sale	11	**(16)**	-	(29)
		(1,471)	(1,438)	(1,478)
Non-current liabilities				
Bank loans		**(465)**	(803)	(885)
Loan notes		**(1,660)**	(1,137)	(1,180)
Obligations under finance leases		**(48)**	(55)	(48)
Trade and other payables		**(29)**	(11)	(19)
Retirement benefit obligations		**(351)**	(300)	(344)
Provisions		**(119)**	(139)	(128)
		(2,672)	(2,445)	(2,604)
Total liabilities		**(4,143)**	(3,883)	(4,082)
Net assets		**1,412**	1,649	1,544
EQUITY				
Share capital		**353**	353	353
Share premium and reserves		**1,014**	1,253	1,141
Equity attributable to equity holders of the parent		**1,367**	1,606	1,494
Non-controlling interests		**45**	43	50
Total equity		**1,412**	1,649	1,544

Condensed consolidated statement of cash flow

For the six months ended 30 June 2012

	Notes	**Six months ended 30.06.12 £m**	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Profit from continuing operations before taxation		**61**	151	280
Adjustments for:				
Finance income		**(48)**	(54)	(111)
Finance costs		**102**	99	207
Depreciation of property, plant and equipment		**63**	64	125
Amortisation of acquisition-related intangible assets		**46**	43	99
Acquisition-related costs		**1**	1	2
Amortisation of other intangible assets		**12**	10	18
Other non-cash items		**(1)**	-	(2)
Profit on disposal of subsidiaries		**-**	-	(33)
Profit on disposal of property, plant and equipment		**-**	-	(11)
Operating cash flow before movements in working capital		**236**	314	574
Net working capital movement		**(19)**	(141)	(113)
Net cash flow from operating activities of continuing operations		**217**	173	461
Net cash used by operating activities of discontinued operations		**(5)**	-	(9)
Cash generated by operations		**212**	173	452
Tax paid		**(42)**	(42)	(80)
Net cash flow from operating activities		**170**	131	372
Investing activities				
Interest received		**5**	3	17
Cash flow from associates		**-**	3	4
Net cash flow from capital expenditure		**(60)**	(53)	(142)
Net cash flow from acquisitions and disposals		**2**	(51)	(122)
Sale of trading investments		**6**	11	10
Net cash used in investing activities		**(47)**	(87)	(233)
Financing activities				
Dividends paid to non-controlling interests		**(14)**	(9)	(10)
Dividends paid to equity shareholders of the parent		**(72)**	(66)	(114)
Net movement in borrowings		**80**	203	239
Transactions with non-controlling interests		**-**	(6)	(18)
Interest paid		**(70)**	(67)	(119)
Own shares purchased		**(6)**	(8)	(13)
Repayment of obligations under finance leases		**(10)**	(11)	(17)
Net cash flow from financing activities		**(92)**	36	(52)
Net increase in cash, cash equivalents and bank overdrafts	12	**31**	80	87
Cash, cash equivalents and bank overdrafts at the beginning of the period		**370**	306	306
Effect of foreign exchange rate fluctuations on cash held		**(31)**	(3)	(23)
Cash, cash equivalents and bank overdrafts at the end of the period		**370**	383	370

Notes to the half-yearly results announcement

1) Basis of preparation and accounting policies

These condensed financial statements comprise the unaudited interim consolidated results of G4S plc ("the group") for the six months ended 30 June 2012. These half-yearly financial results do not comprise statutory accounts and should be read in conjunction with the Annual Report and Accounts 2011.

The comparative figures for the financial year ended 31 December 2011 are not the company's statutory accounts for that year. Those accounts have been 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 half-yearly results have been prepared in accordance with the going concern concept as the group believes it has adequate resources to continue in operational existence for the foreseeable future.

The condensed financial statements of the group presented in this interim 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 Services Authority. The accounting policies applied are the same as those set out in the group's Annual Report and Accounts 2011.

The financial information in these condensed financial statements for the half years to 30 June 2012 and 30 June 2011 have been neither audited nor reviewed.

The comparative income statement for the six months ended 30 June 2011 has been re-presented for operations qualifying as discontinued during the six months ended 31 December 2011 and the six months ended 30 June 2012. The comparative income statement for the year ended 31 December 2011 has been re-presented for operations qualifying as discontinued during the six months ended 30 June 2012. For the six months ended 30 June 2011, revenue has been reduced by £75m and PBT has increased by £2m compared to the figures published previously. For the year ended 31 December 2011, revenue has been reduced by £20m and PBT has been increased by £1m compared to the figures published previously.

The comparative consolidated statement of financial position as at 31 December 2011 has been restated to reflect (i) the completion during the six months ended 30 June 2012 of the initial accounting in respect of acquisitions made during the six months ended 30 June 2011, and (ii) adjustments made in the six months to 30 June 2012 to the preliminary assessment of the fair values of assets and liabilities acquired during the six months ended 31 December 2011. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £13m, resulting in an equivalent increase in the reported value of goodwill.

The comparative consolidated statement of financial position as at 30 June 2011 has been restated to reflect the completion during the six months ended 30 June 2012 of the initial accounting in respect of acquisitions made during the six months ended 30 June 2011. Adjustments made to the provisional calculation of the fair values of assets and liabilities acquired amount to £2m, resulting in an equivalent decrease in the reported value of goodwill.

2) Operating segments

The group operates in two core product areas: secure solutions and cash solutions which represent the group's reportable segments. For each of the reportable segments, the group's CEO (the chief operating decision maker) reviews internal management reports on a regular basis. The group operates on a worldwide basis and derives a substantial proportion of its revenue, PBITA and PBIT from each of the following geographical regions: Europe (comprising the United Kingdom and Ireland, and Continental Europe), North America, and Developing Markets (comprising the Middle East and Gulf States, Latin America and the Caribbean, Africa, and Asia Pacific).

Notes to the half-yearly results announcement (continued)

Segment information for continuing operations is presented below:

Segment revenue

Revenue by reportable segment	**Six months ended 30.06.12 £m**	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Secure Solutions			
UK and Ireland	**711**	611	1,252
Continental Europe	**694**	731	1,475
Europe	**1,405**	1,342	2,727
North America	**864**	811	1,637
Middle East and Gulf States	**213**	204	410
Latin America and the Caribbean	**263**	196	427
Africa	**179**	172	348
Asia Pacific	**339**	320	657
Developing Markets	**994**	892	1,842
Total Secure Solutions	**3,263**	3,045	6,206
Cash Solutions			
Europe	**387**	406	817
North America	**56**	53	101
Developing Markets	**197**	182	378
Total Cash Solutions	**640**	641	1,296
Total revenue	**3,903**	3,686	7,502

Segment result

PBITA by reportable segment	**Six months ended 30.06.12 £m**	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Secure Solutions			
UK and Ireland	**54**	50	119
Continental Europe	**29**	35	81
Europe	**83**	85	200
North America	**39**	46	90
Middle East and Gulf States	**18**	17	43
Latin America and the Caribbean	**22**	17	34
Africa	**15**	18	34
Asia Pacific	**23**	20	37
Developing Markets	**78**	72	148
Total Secure Solutions	**200**	203	438
Cash Solutions			
Europe	**34**	39	87
North America	**1**	-	2
Developing Markets	**25**	22	48
Total Cash Solutions	**60**	61	137
Total PBITA before head office costs	**260**	264	575
Head office costs	**(24)**	(24)	(43)
Total PBITA	**236**	240	532
Result by business segment			
Total PBITA	**236**	240	532
Amortisation of acquisition-related intangible assets	**(46)**	(43)	(99)
Acquisition-related expenses	**(1)**	(1)	(2)
Provision for expected losses on Olympics contract	**(50)**	-	-
Restructuring costs	**(24)**	-	-
Aborted acquisition and legal settlement costs	**-**	-	(55)
Total PBIT	**115**	196	376

Notes to the half-yearly results announcement (continued)

3) Profit from operations before interest and taxation

The income statement can be analysed as follows:

Continuing operations	**Six months ended 30.06.12 £m**	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Revenue	**3,903**	3,686	7,502
Cost of sales	**(3,143)**	(2,924)	(5,909)
Gross profit excluding Olympic costs	**760**	762	1,593
Provision for expected losses on Olympic contract	**(50)**	-	-
Gross profit including Olympic costs	**710**	762	1,593
Administration expenses	**(571)**	(567)	(1,220)
Restructuring costs	**(24)**	-	-
Share of profit from associates	**-**	1	3
Profit from operations before interest and taxation	**115**	196	376

Included within administration expenses is the amortisation charge for acquisition-related intangible assets. In the year to 31 December 2011 the administration expenses included aborted acquisition and legal settlement costs. The aborted acquisition costs incurred in the prior year included debt finance underwriting fees, financing and hedging costs that arose on the proposed acquisition of ISS A/S which was terminated on 1 November 2011.

4) Discontinued operations

Operations qualifying as discontinued in 2011 included the cash solutions business in Sweden, which was disposed of in February 2012; the secure solutions and cash solutions businesses in Poland and the UK risk assessment business in Afghanistan. In 2012, additional operations qualifying as discontinued include the electronic monitoring business in the United States, which was disposed of during the period.

5) Acquisitions

Current Period Acquisitions

During the period the group made several minor acquisitions for a total purchase consideration of £6m. These acquisitions resulted in the recognition of £4m of intangible assets and £1m of goodwill.

Prior period acquisitions

The purchase consideration and provisional fair values of acquisitions made during the financial year to 31 December 2011 and their contribution to the group’s results for the year are set out in the group’s Annual Report and Accounts 2011. Adjustments made during the six months to 30 June 2012 to the provisional calculation of the fair values of assets and liabilities acquired during the year to 31 December 2011 amount to £13m in total, resulting in an equivalent increase in the reported value of goodwill. Adjustments made during the six months to 30 June 2012 to the provisional calculation of the fair values of assets and liabilities acquired during the six months to 30 June 2011 amount to £2m with an equivalent decrease in the reported value of goodwill. In addition to the £6m total consideration above the group has paid an additional £2m relating to acquisitions completed in prior years which had been recognised previously as deferred consideration.

Notes to the half-yearly results announcement (continued)

6) Finance income

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Interest receivable	**7**	8	18
Expected return on defined retirement benefit scheme assets	**41**	46	93
Total finance income	**48**	54	111

7) Finance costs

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Total group borrowing costs	**(57)**	(54)	(117)
Finance costs on defined retirement benefit obligations	**(45)**	(45)	(90)
Total finance costs	**(102)**	(99)	(207)

8) Taxation

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
UK taxation	**18**	4	12
Overseas taxation	**(32)**	(35)	(68)
Total taxation expense	**(14)**	(31)	(56)

Notes to the half-yearly results announcement (continued)

9) Earnings per share attributable to ordinary shareholders of the parent

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
From continuing and discontinued operations			
Earnings			
Profit for the period attributable to equity holders of the parent	**29**	108	181
Number of shares (m)			
Weighted average number of ordinary shares	**1,404**	1,405	1,405
Earnings per share from continuing and discontinued operations (pence)			
Basic and diluted	**2.1p**	7.7p	12.9p
From adjusted earnings			
Earnings			
Profit for the period attributable to equity holders of the parent	**29**	108	181
Adjustment to exclude loss from discontinued operations	**9**	2	25
Adjustment to exclude net retirement benefit finance income (net of tax)	**3**	(1)	(2)
Adjustment to exclude amortisation of acquisition-related intangible assets (net of tax)	**34**	31	74
Adjustment to exclude acquisition-related expenses (net of tax)	**1**	1	1
Adjustment to exclude expected loss on Olympic contract (net of tax)	**40**	-	-
Adjustment to exclude restructuring costs (net of tax)	**21**	-	-
Adjustment to exclude aborted acquisition and legal settlement costs (net of tax)	**-**	-	42
Adjusted profit for the period attributable to equity holders of the parent	**137**	141	321
Weighted average number of ordinary shares (m)	**1,404**	1,405	1,405
Adjusted earnings per share (pence)	**9.8p**	10.0p	22.8p

10) Dividends

	Pence per share	DKK per share	**Six months ended 30.06.12 £m**	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Amounts recognised as distributions to equity holders of the parent in the period					
Final dividend for the year ended 31 December 2010	4.73	0.4082	**-**	66	66
Interim dividend for the six months ended 30 June 2011	3.42	0.2928	**-**	-	48
Final dividend for the year ended 31 December 2011	5.11	0.4544	**72**	-	-
Total			**72**	66	114

An interim dividend of 3.42p (DKK 0.3220) per share, amounting to £48m, for the six months ended 30 June 2012 will be paid on 19 October 2012 to shareholders on the register on 21 September 2012.

Notes to the half-yearly results announcement (continued)

11) Disposal groups classified as held for sale

At 31 December 2011, disposal groups classified as held for sale primarily comprised the assets and liabilities associated with the cash solutions business in Sweden, which was disposed of on 27 February 2012, the cash solutions and secure solutions businesses in Poland and the UK risk assessment business in Afghanistan. At 30 June 2012, disposal groups classified as held for sale primarily comprise the assets and liabilities associated with the UK risk assessment business in Afghanistan and the cash solutions and secure solutions businesses in Poland.

12) Analysis of net debt

A reconciliation of net debt to amounts in the condensed consolidated balance sheet is presented below:

	As at 30.06.12 £m	As at 30.06.11 £m	As at 31.12.11 £m
Cash and cash equivalents	**399**	429	433
Investments	**64**	69	70
Net debt included within assets held for sale	**3**	-	(10)
Current liabilities			
Bank overdrafts and loans	**(78)**	(159)	(100)
Obligations under finance leases	**(16)**	(13)	(16)
Fair value of loan note derivative financial instruments	**14**	13	14
Non-current liabilities			
Bank loans	**(465)**	(803)	(885)
Loan notes	**(1,660)**	(1,137)	(1,180)
Obligations under finance leases	**(48)**	(55)	(48)
Fair value of loan note derivative financial instruments	**104**	80	106
Total net debt	**(1,683)**	(1,576)	(1,616)

An analysis of movements in net debt in the period is presented below:

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Increase in cash, cash equivalents and bank overdrafts per condensed consolidated cash flow statement	**31**	80	87
Sale of investments	**(6)**	(11)	(10)
Increase in debt and lease financing	**(70)**	(192)	(222)
Change in net debt resulting from cash flows	**(45)**	(123)	(145)
Borrowings acquired with subsidiaries	**-**	-	(5)
Net additions to finance leases	**(11)**	(9)	(11)
Movement in net debt in the period	**(56)**	(132)	(161)
Translation adjustments	**(11)**	(18)	(29)
Net debt at the beginning of the period	**(1,616)**	(1,426)	(1,426)
Net debt at the end of the period	**(1,683)**	(1,576)	(1,616)

13) Related party transactions

No related party transactions have taken place in the first six months of the current financial year which have materially affected the financial position or the performance of the group during that period. The nature and amounts of related party transactions in the first six months of the current financial year are consistent with those reported in the group's Annual Report and Accounts 2011.

Non GAAP measure – cash flow

The directors consider it is of assistance to shareholders to present an analysis of the group's operating cash flow in accordance with the way in which the group is managed, together with a reconciliation of that cash flow to the net cash flow from operating activities as presented in the condensed consolidated cash flow statement.

Operating cash flow

For the six months ended 30 June 2012

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
PBITA before share of profit from associates (group PBITA)	**236**	239	529
Depreciation and amortisation of intangible assets other than acquisition-related	**75**	73	132
Movement in working capital and provisions	**(53)**	(116)	(74)
Equity settled transactions	**(1)**	-	-
Net cash flow from capital expenditure	**(60)**	(53)	(138)
Operating cash flow	**197**	143	449

Reconciliation of operating cash flow

	Six months ended 30.06.12 £m	Six months ended 30.06.11 £m	Year ended 31.12.11 £m
Net cash flow from operating activities per condensed consolidated statement of cash flow	**170**	131	372
Net cash flow from capital expenditure	**(60)**	(53)	(138)
Add-back cash flow from discontinued operations and other items	**26**	4	95
Add-back additional pension contributions	**19**	19	40
Add-back tax paid	**42**	42	80
Operating cash flow	**197**	143	449