Registration number: 07254591

G4S International Finance plc

Annual Report and Financial Statements

for the Year Ended 31 December 2016

G4S International Finance plc

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Company Information

Directors	S Lundsberg-Nielsen Timothy Peter Weller Celine Arlette Virginie Barroche
Company secretary	W A Hayes
Registered office	5th Floor Southside 105 Victoria Street London SW1E 6QT
Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

G4S International Finance plc

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

Fair review of the business
G4S International Finance plc is a wholly owned subsidiary of G4S plc whose subsidiaries provide secure solutions and cash solutions worldwide.

The principal activity of the Company is to engage in external debt funding arrangements and risk management hedging activities to support the G4S Group companies. In accordance with the G4S Group Treasury policy, the Company only holds or issues derivative financial instruments to manage its and the G4S Group's exposure to financial risk, and not for trading purposes.

Loss before tax for the financial year was £6m (2015: profit £5m) as set out in the income statement on page 10. Loss before taxation includes £43m (2015: £42m) of finance income that the Company received for the funding provided to other G4S Group companies. This was offset by £49m (2015: £37m) of finance expense on its external bank overdrafts, loans and public loan notes.

The mark to market valuation of the Company's derivatives has increased by £59m (2015: loss of £27m). Fair value losses of £nil (2015: £1m) were included directly in the income statement and gains of £59m (2015:losses of £26m) were included in the hedging reserve.

Future developments
The Company has continued to operate according to its principal activity, to engage in external debt funding arrangements and risk management hedging activities to support the G4S Group, throughout the year ended 31 December 2016 and is expected to continue in this form in the foreseeable future.

Key performance indicators

The Company directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties
All businesses are subject to risk and many individual risks are macro-economic or social and common across many businesses. The key risks are those which would materially damage the Company's strategy, reputation, business, profitability or assets and these risks are listed below. This list is in no particular order and is not an exhaustive list of all potential risks. Some risks may be unknown and it may transpire that other currently considered immaterial become material.

Currency risk
The G4S Group, of which the Company is a part, conducts business in many currencies. The Group presents its consolidated financial statements in sterling and as a consequence is subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The Company, together with G4S plc, hedges a substantial portion of the Group's exposure to fluctuations in the translation into sterling of its overseas net assets by holding loans in foreign currencies.

G4S International Finance plc

Strategic Report for the Year Ended 31 December 2016

Principal risks and uncertainties (continued)

Interest rate risk
Borrowing at floating rates exposes the Company and wider Group to cash flow interest rate risk, which the Company manages within policy limits approved by directors. Much of the Company's borrowing is obtained from the Debt Capital Markets directly at fixed rates. Where fixed rate borrowing is unavailable to the extent required, interest rate swaps are utilised to fix the interest rate on a proportion of borrowings on a reducing scale over forward periods generally up to a period of ten years.

Commodity risk
The principal commodity risk of G4S Group, of which the Company is a part, relates to fluctuating diesel prices which particularly affect its cash solutions businesses. On occasions the Company acts as a market intermediary, arranging commodity swaps and commodity options with its relationship banks with back to back deals on identical terms with its subsidiaries to fix synthetically part of the exposure and reduce the associated cost volatility.

Counterparty credit risk
The Company's strategy for credit risk management is to set minimum credit ratings for counter-parties and monitor these on a regular basis. For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction.

Approved by the Board on 8 May 2017 and signed on its behalf by:

....
Timothy Peter Weller
Director

G4S International Finance plc

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were:

P V David (resigned 31 December 2016)

S Lundsberg-Nielsen

H Raja (resigned 1 October 2016)

Timothy Peter Weller (appointed 24 October 2016)

The following director was appointed after the year end:

Celine Arlette Virginie Barroche (appointed 1 January 2017)

Company secretaries

The Company secretaries who held office during the year and up to the date of signing the financial statements were:

W A Hayes (appointed 31 January 2016)

C A Barroche (resigned 31 January 2016)

Results and dividends

The results for the year are set out on page 10. The directors do not recommend the payment of a final dividend (2015: £nil).

A review of the progress of the company's business during the year, the key performance indicators, principal business risks and likely future developments are contained in the Strategic report on pages 2-3.

Environmental matters

The Company's business is not one that has a significant direct impact on the environment. However, the Company recognises the importance of its responsibilities to reduce environmental impact in such areas as energy usage, recycling, environmentally-friendly products and paper products, where it operates in accordance with the policies of G4S plc as detailed in the Group's annual report.

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

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Company and for reviewing the effectiveness of the system. This is implemented by applying the G4S Group internal control procedures and its global risk reporting information system. The internal controls and processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements or loss.

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

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

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

- Mitigating liquidity risk by ensuring there are sufficient undrawn committed facilities available to the G4S Group;
- Conducting operating and financing activities, wherever possible, in the company's local currency; and
- Utilising interest rate swaps and, to a lesser extent, forward rate agreements to manage future cash outflows.

Further details of the financial risk management objectives and policies of the G4S Group, of which the Company is a member, are included in Note 31 of the consolidated financial statements of G4S plc (www.g4s.com).

Important non adjusting events after the financial period
The Company repaid in full the Euro 600m public loan note on its scheduled maturity of 2nd May 2017. Repayment was funded through new bank borrowings.

Disclosure of information to the auditors
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent auditors
A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company for 2017 will be submitted at the next Annual General Meeting.

Approved by the Board on 8 May 2017 and signed on its behalf by:

T Weller

....
Timothy Peter Weller
Director

G4S International Finance plc

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and accounting estimates that are reasonable and prudent;

• state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;

• notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the financial statements

Our opinion
In our opinion, G4S International Finance plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- Statement of Financial Position as at 31 December 2016;
- Income Statement and Statement of Comprehensive Income for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISA (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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Giles Hannam (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 May 2017

G4S International Finance plc

Income Statement for the Year Ended 31 December 2016

	Note	2016 £ m	2015 £ m
Operating result	5	-	-
Finance income	6	43	42
Finance expense	7	(49)	(37)
(Loss)/profit before taxation		(6)	5
Tax on (loss)/profit	10	1	(1)
(Loss)/profit for the financial year		(5)	4

All revenues and results in the income statement derived only from continuing operations.

The notes on pages 14 to 33 form an integral part of these financial statements.

G4S International Finance plc

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ m	2015 £ m
(Loss)/profit for the financial year		(5)	4
Other comprehensive income/(loss)			
Items that are or may be reclassified to profit or loss:			
Change in fair value of cash flow hedging financial instruments		59	(26)
Cash flow hedging fair value transferred to income statement		(66)	26
Tax on items taken directly to equity		1	-
Total other comprehensive (loss)/result, net of tax		(6)	-
Total comprehensive (loss)/ income for the financial year		(11)	4

The notes on pages 14 to 33 form an integral part of these financial statements.

G4S International Finance plc

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ m	Hedging reserve £ m	Accumulated loss £ m	Total equity £ m
At 1 January 2016	15	5	(20)	-
Comprehensive income/(loss):				
Loss for the financial year	-	-	(5)	(5)
Other comprehensive income/(loss):				
Change in fair value of cash flow hedging financial instruments	-	59	-	59
Cash flow hedging fair value transferred to income statement	-	(66)	-	(66)
Tax on items taken directly to equity	-	1	-	1
Total comprehensive loss for the financial year	-	(6)	(5)	(11)
At 31 December 2016	**15**	**(1)**	**(25)**	**(11)**
At 1 January 2015	15	5	(24)	(4)
Comprehensive income/(loss):				
Profit for the financial year	-	-	4	4
Other comprehensive (loss)/income:				
Change in fair value of cash flow hedging financial instruments	-	(26)	-	(26)
Cash flow hedging fair value transferred to income statement	-	26	-	26
Total comprehensive income for the financial year	-	-	4	4
At 31 December 2015	15	5	(20)	-

The notes on pages 14 to 33 form an integral part of these financial statements.

G4S International Finance plc

(Registration number: 07254591)
Statement of Financial Position as at 31 December 2016

	Note	2016 £ m	2015 £ m
ASSETS			
Non-current assets			
Trade and other receivables	11	24	5
Deferred tax assets	10	2	1
		26	6
Current assets			
Trade and other receivables	11	1,872	1,819
Cash and cash equivalents		1	-
		1,873	1,819
Total assets		1,899	1,825
LIABILITIES			
Current liabilities			
Bank overdrafts	12	(45)	(49)
Bank loans	12	-	(60)
Loan notes	12	(513)	-
Trade and other payables	13	(485)	(542)
Current tax liabilities		-	(3)
	12	(1,043)	(654)
Non-current liabilities			
Bank loans	12	-	(321)
Loan notes	12	(853)	(812)
Trade and other payables	13	(14)	(38)
		(867)	(1,171)
Total liabilities		(1,910)	(1,825)
Net liabilities		(11)	-
EQUITY			
Share capital	16	15	15
Hedging reserve		(1)	5
Accumulated loss		(25)	(20)
Total equity		(11)	-

The financial statements on pages 10 to 33 were approved by the Board of directors on 8 May 2017 and signed on its behalf by:

....

Timothy Peter Weller

Director

The notes on pages 14 to 33 form an integral part of these financial statements.

G4S International Finance plc

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

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

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

2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework'.

3 Significant accounting policies

Basis of preparation

The financial statements have been prepared under the going concern basis and using the historical cost convention, except for the revaluation of certain financial instruments, in accordance with Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')). The principal accounting policies and measurement bases adopted are set out below and have been applied consistently to all the years presented, unless stated otherwise. Judgements made by the directors in the application of these accounting policies which have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, have been disclosed in note 4.

Going concern

The financial statements have been prepared on a going concern basis, not withstanding the Company's net liabilities, which the directors believe to be appropriate for the following reasons. The Company received a financial support letter from its parent company to provide sufficient financial assistance to the Company if and when it is needed to enable the Company to continue its operations and fulfil its currently anticipated financial obligations now and in the future. This undertaking is provided for a period of at least 12 months provided the Company remains a member of its parent Company's Group.

The Company's bank and loan note borrowings are supported by guarantees from its parent company without which it would not be able to make such borrowings.

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

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

3 Significant accounting policies (continued)

Exemptions

The Company has taken advantage of certain disclosure exemptions in FRS 101, in part because its financial statements are included in the publicly available consolidated financial statements of G4S plc. Copies of the consolidated financial statements of G4S plc may be obtained by writing to the Company Secretary, G4S plc, 5th Floor, Southside, 105 Victoria Street, London, SW1E 6QT.

These disclosure exemptions relate to:

• the requirements of IAS 7 'Statement of Cash Flows';

• the statement of compliance with adopted IFRSs;

• new IFRSs that have been issued but are not yet effective and which have not been applied by the Company;

• comparative information for the movements from the beginning to the end of the year in respect of the number of shares, and certain other additional comparative information; and

• certain related party disclosures on key management compensation and transactions entered into between two or more wholly-owned members of a group.

Finance income and expense

Finance income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset's net carrying amount.

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

Foreign currencies

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

Income taxes

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

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of each deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. Tax liabilities or refunds may differ from those anticipated due to changes in tax legislation, differing interpretations of tax legislation and uncertainties surrounding the application of tax legislation. In situations where uncertainties exist, provision is made for contingent tax liabilities and assets on the basis of management judgement following consideration of the available relevant information.

Impairment
The carrying value of the Company's assets, with the exception of financial receivables and deferred tax assets, is reviewed on an ongoing basis for any indication of impairment and, if any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying value of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine its recoverable amount. The amount of the reversal is limited such that the asset's carrying amount does not exceed that which would have been determined (after depreciation and amortisation) if no impairment loss had been recognised.

The Company provides for impairments in financial assets when there is objective evidence of impairment as a result of one or more events that impact the estimated future cash flows of the financial assets.

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

Amounts owed by/to group undertaking
Amounts owed by/to group undertakings are recognised initially at fair value, net of transaction costs incurred. Amounts owed by/to group undertakings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method.

Trade receivables
Trade receivables do not carry interest and are stated initially at their fair value. The carrying amount of trade receivables is reduced through the use of a bad debt allowance account. The Company provides for bad debts based upon an analysis of those that are past due, in accordance with local conditions and past default experience.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Bank loans, overdrafts and loan notes
Interest-bearing bank overdrafts, loans and loan notes are recognised at the value of proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the income statement on an accrual basis using the effective interest rate method.

Trade payables
Trade payables are not interest-bearing and are stated initially at fair value.

Equity instruments
Equity instruments and financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities. Shares issued by the Company classified as equity instruments are recorded at the value of proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting
In accordance with the G4S Group treasury policy, the Company only holds or issues derivative financial instruments to manage its and the G4S Group's exposure to financial risk and not for trading purposes. See note 15 for a description of these risks and how they are managed.

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

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

Fair value hedges - the change in the fair value of both the hedging instrument and the related portion of the hedged item that is attributable to the hedged risk is recognised immediately in the income statement; and

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

Hedging reserve
Cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

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

4 Accounting estimates, judgements and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the company's accounting policies. These judgements, estimates and associated assumptions are based on historical experience 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 judgements, 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The judgements, estimates and assumptions which are of most significance in preparing the company's accounts are detailed below:

Collectability of amounts due from group undertakings
The Company holds amounts due from other subsidiaries of its ultimate parent undertaking, G4S plc. Whether to recognise a provision against such debtors requires judgement in respect of the underlying operational performance and economic risks faced by such entities. An impairment provision has not been recognised against such balances in the current year.

Fair value of derivative financial instruments
The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Judgement is used to determine the relevant inputs, currency yield curves and discount rates.

Deferred taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

5 Operating segments

It is considered that the Company has only one operating segment, as its principal activities are to engage in external debt funding arrangements and risk management hedging activities to support fellow subsidiary companies in the wider G4S Group. As a result, no additional operating segment information has been disclosed.

6 Finance income

	2016 £ m	2015 £ m
Interest receivable from group undertakings	43	42
Gain arising from fair value adjustment to the hedged loan note items	1	1
Loss arising from change in the fair value of derivative financial instruments hedging loan notes	(1)	(1)
	43	42

7 Finance expense

	2016 £ m	2015 £ m
Interest on bank overdrafts and loans	(8)	(6)
Interest on loan notes	(28)	(22)
Net interest rate swap expense	(2)	(5)
Bank arrangement fees	(5)	(4)
Foreign exchange loss *	(6)	-
	(49)	(37)

* including the release from cash flow hedge reserve

8 Staff costs

There were no employees employed directly by the company in the current and prior year.

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

9 Auditors' remuneration

The audit fee for the company of £25,000 (2015: £25,000) was borne by another Group company. The Company did not incur any non-audit fees in the current and prior year.

10 Income tax

Tax (credited)/charged in the income statement

	2016 £ m	2015 £ m
Current taxation		
UK corporation tax adjustment to prior periods	(1)	3
Deferred taxation		
Deferred tax adjustment to prior periods	-	(2)
Total tax (credit)/charge	(1)	1

The tax rate applied on loss before tax is the standard effective rate of corporation tax in the UK of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ m	2015 £ m
(Loss)/profit before tax	(6)	5
Corporation tax at standard rate	(1)	1
(Decrease)/increase in current tax from adjustment for prior periods	(1)	3
Deferred tax adjustment to prior periods	-	(2)
Increase (decrease) from effect of imputed guarantee fee	1	(1)
Total tax (credit)/charge	(1)	1

The UK corporation tax reduced from 21% to 20% with effect from 1April 2015. Further reductions in the UK corporation tax rate will apply from 1 April 2017 when the rate reduces to 19% and from 1 April 2020 when the rate reduces to 17%. All of these changes were enacted at the balance sheet date.

Under UK transfer pricing rules, the Company should impute interest on any inter-company loans which are not on arm's length terms. As a result, a taxable interest income of £695,000 (2015: £2,519,000) has been claimed on its non-interest bearing inter-company loans with the corresponding interest deduction recognised in other UK Group companies. Similarly, as the Company functions as a limited risk finance intermediary, it should earn no more than an arm's length margin on its finance administration activities. As a result, a taxable income of £7,166,000 (2015: 6,041,000 deduction) has been imputed, with the corresponding deduction recognised in another UK Group company

Deferred tax

Deferred tax assets and liabilities on timing differences expected to reverse in the period from 1 January 2016 to 31 March 2017 have been provided at 20%. Deferred tax assets and liabilities on timing differences expected to reverse in the period from 1 April 2017 to 31 March 2020 have been provided at 19%. Deferred tax assets and liabilities on timing differences expected to reverse on or after 1 April 2020 have been provided at 17%

Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 January 2016 £ m	Recognised in equity £ m	At 31 December 2016 £ m
Derivatives	(1)	1	-
Tax losses carry-forwards	2	-	2
Net tax assets	1	1	2

Deferred tax movement during the prior year:

	At 1 January 2015 £ m	Recognised in income £ m	At 31 December 2015 £ m
Derivatives	(1)	-	(1)
Tax losses carry-forwards	-	2	2
Net tax (liabilities)/assets	(1)	2	1

11 Trade and other receivables

	2016 £ m	2015 £ m
Within current assets		
Amounts owed from group undertakings (members of the G4S Group)	1,853	1,809
Other receivables	4	5
Derivative financial instruments at fair value (Note 14)	15	4
Other prepayments	-	1
Total trade and other receivables within current assets	1,872	1,819
Within non-current assets		
Derivative financial instruments at fair value (Note 14)	21	3
Prepayments	3	2
Total trade and other receivables within non-current assets	24	5

Amounts owed by group undertakings are unsecured, interest-free or interest-bearing based on market rates and repayable on demand.

Credit risk on receivables

Financial instruments in receivables relate primarily to amounts owed from group undertakings. The Company's largest debtors are G4S plc and G4S Finance Limited which comprise approximately 63% and 29% respectively (2015: 64% and 29% respectively) of the total non-derivative financial instruments balance as at 31 December 2016.

As noted above, the Company does not hold any collateral over these balances and they are repayable on demand. The Company follows the G4S Group Finance Manual guidelines with respect to assessing these balances for impairment. As at 31 December 2016, there was no allowance for doubtful debts (2015: £nil).

Further information on credit risk is detailed in note 15.

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

12 Bank overdrafts, bank loans and loan notes

	2016 £m	2015 £m
Bank overdrafts	45	49
Bank loans	-	381
Loan notes	1,366	812
Total bank overdrafts, bank loans and loan notes	**1,411**	**1,242**

The borrowings are repayable as follows:

	2016 £m	2015 £m
On demand or within one year	558	109
In the second year	428	442
In the third to fifth years inclusive	-	370
After five years	425	321
Total bank overdrafts, bank loans and loan notes	**1,411**	**1,242**
Less amount due for settlement within 12 months (shown under current liabilities):		
Bank overdrafts	(45)	(49)
Bank loans	-	(60)
Loan notes	(513)	-
	(558)	(109)
Amount due for settlement after 12 months	**853**	**1,133**

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

	Sterling £m	Euros £m	US dollars £m	Total £m
Bank overdrafts	-	-	45	45
Bank loans	-	-	-	-
Loan notes	-	1,366	-	1,366
At 31 December 2016	**-**	**1,366**	**45**	**1,411**
Bank overdrafts	41	-	8	49
Bank loans	215	-	166	381
Loan notes	-	812	-	812
At 31 December 2015	256	812	174	1,242

12 Bank overdrafts, bank loans and loan notes (continue)

The weighted average interest rates on bank overdrafts, bank loans and public loan notes at 31 December 2016 adjusted for hedging were as follows:

	2016 %	2015 %
Bank overdrafts	1.4	1.1
Bank loans	-	1.8
Loan notes	2.7	3.0

At 31 December 2016, the Company's bank borrowings comprised overdrafts.

The Company's committed bank loans comprised a £1bn multi-currency revolving credit facility with £964m maturing in January 2022 and the remainder in January 2021. As at 31 December 2016, this committed facility was undrawn (2015: drawings of US$245m and £155m). The facility can be accessed by the Company and by its parent, G4S plc. Any Company's borrowings from this facility are guaranteed by G4S plc.

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

The Company also has three public loan notes. A €500m 1.5% note issued on 9 November 2016 maturing 9 January 2023, a €600m 2.875% note issued on 2 May 2012 and repaid on 2 May 2017 and a €500m 2.625% note issued on 6 December 2012 maturing 6 December 2018.

€510m of the loan notes issued in May 2012, €380m of the loan notes issued in December 2012 and the loan notes issued in November 2016 are stated at amortised cost. €90m of the loan notes issued in May 2012 and €120m of the loan notes issued in December 2012 are stated at amortised cost but are designated in a fair value hedge relationship which has a fair value adjustment in relation to the hedged interest rate risk. Information on the significant assumptions underlying the valuation model used and the interest rates on the borrowings are disclosed in note 15.

The cross-currency swaps with a nominal value of €325m relating to the loan notes issued in May 2012 have a fair value mark-to-market gain of £12m (2015: loss £27m) predominately resulting from fixing the sterling value of this portion of the loan notes at an exchange rate of 1.2217 and partly resulting from fixing the sterling and euro interest rates.

The cross-currency swaps with a nominal value of €350m relating to the loan notes issued in December 2012 have a fair value mark-to-market gain of £20m (2015: loss £19m) predominately resulting from the cross-currency swaps fixing the sterling value of this portion of the loan notes at an exchange rate of 1.2332 and partly resulting from the cross-currency swaps fixing the sterling and euro interest rates.

The cross-currency swaps with a nominal value of €270m relating to the loan notes issued in November 2016 have a fair value mark-to-market loss of £18m predominately resulting from fixing the sterling value of this portion of the loan notes at an exchange rate of 1.109 and partly resulting from fixing the sterling and euro interest rates.

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

13 Trade and other payables

	2016 £ m	2015 £ m
Within current liabilities		
Amounts owed to group undertakings (members of the G4S Group)	466	519
Other payables	14	11
Derivative financial instruments at fair value (Note 14)	5	12
Total trade and other payables within current liabilities	485	542
Within non-current liabilities		
Derivative financial instruments at fair value (Note 14)	14	38
Total trade and other payables within non-current liabilities	14	38

Amounts owed to group undertakings are unsecured, interest-free or interest-bearing based on market rates and repayable on demand.

14 Derivative financial instruments

The carrying values of derivative financial instruments at the reporting date are presented below:

	Assets 2016 £m	Assets 2015 £m	Liabilities 2016 £m	Liabilities 2015 £m
Forward foreign exchange contracts	1	-	1	-
Cross currency swaps designated as cash flow hedges	32	-	17	46
Interest rate swaps designated as cash flow hedges	-	-	1	1
Interest rate swaps designated as fair value hedges	3	4	-	-
Commodity swaps	-	3	-	3
Total	36	7	19	50
Less: amount due for settlement within 12 months (shown under current assets and liabilities):				
Forward foreign exchange contracts	(1)	-	(1)	-
Cross currency swaps designated as cash flow hedges	(12)	-	(4)	(8)
Interest rate swaps designated as cash flow hedges	-	-	-	(1)
Interest rate swaps designated as fair value hedges	(2)	(1)	-	-
Commodity swaps	-	(3)	-	(3)
	(15)	(4)	(5)	(12)
Amount due for settlement after 12 months	21	3	14	38

The mark-to-market valuation of the derivatives has increased by £59m (2015: decreased £27m). Fair value losses of £nil (2015: loss of £1m) were included directly in the income statement and gains of £59m (2015: losses £26m) included in the hedging reserve.

	Income statement 2016 £m	Income statement 2015 £m	Equity 2016 £m	Equity 2015 £m
Cross currency swaps designated as cash flow hedges	-	-	59	(26)
Interest rate swaps designated as fair value hedges	-	1	-	-
	-	1	59	(26)

Derivative financial instruments are stated at fair value, measured using techniques consistent with Level 2 of the valuation hierarchy (inputs other than quoted prices in active markets that are observable for the asset and liability, either directly or indirectly). The source of the market prices is Bloomberg and in addition the third party relationship counterparty banks. The relevant currency yield curve is used to forecast the floating rate cash flows anticipated under the instrument which are discounted back to the reporting date. This value is compared to the original transaction value giving a fair value of the instrument at the reporting date.

The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data. Judgement is used to determine the relevant inputs, currency yield curves and discount rates. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ.

The interest rate, cross currency, foreign exchange and commodity swaps treated as cash flow hedges have the following maturities:

	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015
	£m	£m	£m	£m
Within one year	12	3	1	4
In the second year	20	-	-	26
In the third year	-	-	-	19
In the fourth year	-	-	1	-
In the fifth year or greater	-	-	17	-
Total carrying value	32	3	19	49

The projected settlement of cash flows (including accrued interest) associated with derivatives treated as cash flow hedges:

	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015
	£m	£m	£m	£m
Within one year	15	3	6	9
In the second year	20	-	4	22
In the third year	-	-	3	15
In the fourth year	-	-	3	-
In the fifth year	-	3	3	-
Total cash flows	35	6	19	46

15 Financial risk

Capital management

The second extension option in the Company's £1bn multi-currency revolving credit facility was exercised during the year by all but one of the sixteen participant banks, extending the maturity date on £964m of the facility to 7 January 2022. The remaining £36m matures on 7 January 2021. The Group issued a new €500m Eurobond in November 2016. The bond matures in January 2023 and pays an annual coupon of 1.5%.

At 31 December 2016 the Company had no drawings from its committed £1bn bank facility. The debt maturity of €600m Eurobond was repaid in May 2017. Overall the debt portfolio has a medium to long-term debt maturity profile. With the support of G4S plc, the Company is currently well placed to access finance from the debt capital markets and the bank market if required. Borrowings are principally in sterling, US dollars and euros reflecting the geographies of significant operational assets and profits of the wider G4S Group.

Liquidity risk

The Company mitigates liquidity risk by ensuring there are sufficient undrawn committed facilities available to it. For more details of the Company's bank overdrafts, bank loans and loan notes see note 12.

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

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

Maturity profile of loans and borrowings

The contractual maturities of financial assets and liabilities, together with the carrying amounts in the statement of financial position, including interest payments, estimated based on expectations at the reporting date, are shown below in millions:

15 Financial risk (continue)

31 December 2016	Note	Carrying amount £m	Fair value £m	Total contractual cash flows £m	Within 1 year £m	2-5 years £m	Over 5 years £m
Derivative financial instruments (interest rate swaps)	14	3	3	4	3	1	-
Derivative financial instruments (foreign-exchange forwards)	14	1	1	1	175+(174)	-	-
Financial assets designated at fair value through profit or loss		4	4	5	4	1	-
Derivative financial instruments (cross-currency swaps)	14	32	32	35	295+(280)	313+(293)	-
Financial assets designated as cash flow hedges		32	32	35	15	20	-
Trade and other receivables	11	1,857	1,857	1,857	1,857	-	-
Cash and cash equivalents		1	1	-	-	-	-
Loans and receivables		1,858	1,858	1,857	1,857	-	-
Derivative financial instruments (foreign-exchange forwards)	14	(1)	(1)	(1)	34+(35)	-	-
Financial liabilities designated at fair value through profit or loss		**(1)**	**(1)**	**(1)**	**(1)**	-	-
Derivative financial instruments (cross currency swaps)	14	(17)	(17)	(17)	1+(-5)	14+(27)	254+(254)
Derivative financial instruments (interest-rate swaps)	14	(1)	(1)	(1)	-	(1)	-
Financial liabilities designated as cash flow hedges		**(18)**	**(18)**	**(18)**	**(4)**	**(14)**	-
Loan notes (issued May 2012, 2.875%, maturing 2017)*	12	(513)	(518)	(527)	(527)	-	-
Loan notes (issued December 2012, 2.625%, maturing 2018)*	12	(428)	(446)	(450)	(11)	(439)	-
Loan notes (issued in November 2016, 1.5%, maturing 2023	12	(425)	(429)	(459)	(6)	(26)	(427)
Overdrafts	12	(45)	(45)	(45)	(45)	-	-
Trade and other payables	13	(479)	(479)	(479)	(479)	-	-
Financial liabilities measured at amortised cost		**(1,890)**	**(1,917)**	**(1,960)**	**(1,068)**	**(465)**	**(427)**

* €90m (£77m) of May 2012 public loan notes and €120m (£103m) of December 2012 public loan notes are held in fair value hedge relationships.

15 Financial risk (continue)

31 December 2015	Note	Carrying amount £m	Fair value £m	Total contractual cash flows £m	Within 1 year £m	2-5 years £m	Over 5 years £m
Derivative financial instruments (interest rate swaps)	14	4	4	5	2	3	-
Financial assets designated at fair value through profit or loss		4	4	5	2	3	-
Derivative financial instruments (foreign exchange forwards)	14	-	-	-	5+(5)	-	-
Derivative financial instruments (commodity swaps)	14	3	3	3	3	-	-
Financial assets designated as cash flow hedges		3	3	3	3	-	-
Trade and other receivables	11	1,814	1,814	1,814	1,814	-	-
Loans and receivables		1,814	1,814	1,814	1,814	-	-
Derivative financial instruments (foreign exchange forwards)	14	-	-	-	(5)+5	-	-
Derivative financial instruments (cross currency swaps)	14	(46)	(46)	(43)	14+(19)	534+(572)	-
Derivative financial instruments (interest rate swaps)	14	(1)	(1)	(1)	(1)	-	-
Derivative financial instruments (commodity swaps)	14	(3)	(3)	(3)	(3)	-	-
Financial liabilities designated as cash flow hedges		(50)	(50)	(47)	(9)	(38)	-
Loan notes (issued May 2012, 2.875%, maturing 2017)*	12	(442)	(456)	(468)	(13)	(455)	-
Loan notes (issued December 2012, 2.625%, maturing 2018)*	12	(370)	(388)	(398)	(10)	(388)	-
Bank loans	12	(381)	(381)	(381)	(60)	-	(321)
Overdrafts	12	(49)	(49)	(49)	(49)	-	-
Trade and other payables	13	(530)	(530)	(530)	(530)		
Financial liabilities measured at amortised cost		(1,772)	(1,804)	(1,826)	(662)	(843)	(321)

* €90m (£66m) of May 2012 public loan notes and €120m (£89m) of December 2012 public loan notes are held in fair value hedge relationships.

15 Financial risk (continue)

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

- Derivative financial instruments: using techniques consistent with Level 2 of the valuation hierarchy, as disclosed in Note 14.
- Trade and other receivables, trade and other payables and overdrafts: these approximates to their book values, being the present value of future cash flows, given the short-term nature of these balances.
- Public loan notes: using techniques consistent with Level 1 of the valuation hierarchy (quoted prices, unadjusted, in active markets for identical assets or liabilities).
- Bank loans: these approximates to their book values, being the present value of future cash flows as bank loans, whilst drawn from a long dated facility, are reset every three months.

The gross cash flows disclosed in the tables above represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes and which are usually not closed out before contractual maturity. The disclosure shows net cash flow amount for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement - e.g. forward exchange contracts.

Market risk

Currency risk, forward foreign exchange contracts and cross currency swaps

The G4S Group conducts business in many currencies. Transaction risk is limited since, wherever possible, each company operates and conducts its activities in local currency. However, certain companies are subject to foreign exchange risk due to the translation of their foreign currency balances. G4S International Finance plc acts as a market intermediary arranging forward foreign exchange contracts with its relationship banks, and has back to back deals on identical terms with fellow subsidiary companies in the G4S Group to fix synthetically part of their exposure and reduce their currency risk volatility. The forward foreign exchange contracts in place at 31 December 2016 all mature in 2017.

The G4S Group presents its consolidated financial statements in sterling and as a consequence is subject to foreign exchange risk due to the translation of the results and net assets of its foreign subsidiaries. The Company, together with its parent G4S plc, hedges a substantial portion of the G4S Group's exposure to fluctuations in the translation into sterling of the G4S Group's overseas net assets by holding loans in foreign currencies and to a lesser extent foreign exchange forward transactions. On consolidation, exchange differences arising on the translation of foreign currency loans and the foreign exchange forward transactions meeting hedge accounting criteria are recognised in equity to match translation adjustments on foreign currency equity investments as they qualify as net investment hedges. However, in the company's own financial statements, exchange differences arising on the translation of foreign currency loans are recognised in the income statement and are in part hedged by cross currency swaps and foreign currency inter-company receivables.

Cross-currency swaps with a nominal value of £266m were arranged to hedge the foreign currency risk on €325m of the Euro public loan notes issued in May 2012, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.2217. These swaps will mature in May 2017.

Cross-currency swaps with a nominal value of £284m were arranged to hedge the foreign currency risk on €350m of the Euro public loan notes issued in December 2012, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.2332. These swaps will mature in December 2018.

Cross-currency swaps with a nominal value of £244m were arranged to hedge the foreign currency risk on €270m of the Euro public notes issued in November 2016, effectively fixing the sterling value of this portion of debt at an exchange rate of 1.1088.

Assuming the 2016 US dollar and the Euro foreign exchange rate market movements against sterling in 2016 were repeated in 2017, the fair value net gain on the fx element of the cross currency swaps which hedge part of the currency loan notes would be expected to increase by £92m (2015: £25m).

15 Financial risk (continue)

Interest rate risk and interest rate swaps

Borrowings at floating rates expose the company to cash flow interest rate risk and borrowings issued at fixed rates expose the company to fair value interest rate risk. The company manages these risks within policy limits approved by the directors. When fixed/floating interest rate debt in the preferred mix is unavailable directly from investors, interest rate swaps are utilised to create the desired blend and meet Treasury policy, with the proportion of fixed interest rate held reducing on a sliding scale over forward periods generally up to ten years.

At 31 December 2016 the nominal value of cash flow interest rate swaps was £nil (in respect of US dollar) (2015: £109m) and £60m (in respect of Euro) (2015: £52m). Their weighted-average interest rate was 0.6% (Euro) (2015: 0.6% Euro, 1.3% US Dollar), and their weighted-average period to maturity was three years (2015: two years). All the interest rate hedging instruments are designated and fully effective as cash flow hedges and movements in their fair value have been deferred in equity.

The interest on €90m of the public loan notes issued in May 2012 and €120m of the public loan notes issued in December 2012 was swapped from fixed to floating until the maturity of these loan notes in May 2017 and December 2018, respectively, using fair value interest rate swaps. Following the swaps the resulting average coupon on these loan notes was six month Euribor + 149bps and six month Euribor + 157bps, respectively (2015: six month Euribor + 149bps and six month Euribor + 157bps, respectively). These swaps have been documented as fair value hedges of the fixed interest public loan notes, with movements in their fair value posted to the income statement at the same time as the movement in the fair value of the public loan notes.

The public loan notes issued in May 2012, December 2012 and November 2016 have a coupon step up of 1.25% which is triggered should the credit rating of G4S plc fall below investment grade. G4S plc's credit rating at 31 December 2016 was BBB - with a negative outlook, one rating notch above the subinvestment grade coupon step up trigger.

The core Company borrowings are held in US dollar, Euro and sterling. Although the impact of rising interest rates is partly shielded by fixed rate loans and interest rate swaps which provide certainty on the majority of the exposure, some interest rate risk remains. A 1% increase in interest rates across the yield curve in each of these currencies with the 31 December 2016 debt position constant throughout 2017, would lead to an expectation of an additional interest charge of £2m in the 2017 financial year (2015: £5m).

Commodity risk and commodity swaps

The G4S Group's principal commodity risk relates to the fluctuating level of diesel prices. The Company on occasions acts as a market intermediary arranging commodity swaps with its relationship banks, and has back to back deals on identical terms with fellow subsidiary companies in the G4S Group to fix synthetically part of their exposure and reduce their associated cost volatility. The hedging programme is under evaluation and as a consequence there was no commodity hedging in place at 31 December 2016.

Counterparty credit risk

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

For treasury-related transactions, the policy limits the aggregate credit risk assigned to a counterparty. The utilisation of a credit limit is calculated by applying a weighting to the notional value of each transaction outstanding with each counterparty based on the type and duration of the transaction. The total mark-to-market value outstanding with each counterparty is also closely monitored against policy limits assigned to each counterparty. For short-term transactions (under one year), at inception of the transaction, the financial counterparty must be investment grade rated by either the Standard & Poor's or Moody's rating agencies. For long-term transactions, at inception of the transaction, the financial counterparty must have a minimum rating of BBB+/Baa1 from Standard & Poor's or Moody's.

15 Financial risk (continue)

Treasury transactions are dealt with the Company's relationship banks, all of which have a strong investment grade rating. At 31 December 2016 the largest two counterparty exposures related to treasury transactions were £7.34m and £4.38m held with institutions with a long term Standard & Poor's credit rating of BBB+and AA-respectively. These exposures represent 21% and 12% of the carrying values of the Company's treasury transactions, with a fair value gain at the reporting date. Both of these banks had significant loan commitments outstanding to the company at 31 December 2016.

16 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. m	**£ m**	**No. m**	**£ m**
Ordinary shares of £1 each	15	15	15	15

17 Parent and ultimate parent undertaking

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is G4S plc, a company incorporated in the United Kingdom.

The parent undertaking of both the largest and smallest group, which included the Company and for which group financial statements are prepared is G4S plc. G4S plc is also the Company's immediate controlling parent.

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

18 Non adjusting events after the financial period

The Company repaid in full the Euro 600m public loan note on its scheduled maturity of 2nd May 2017. Repayment was funded through new bank borrowings.