

**G4S plc
2016 full year results**

G4S Chief Executive Officer Ashley Almanza said:

"We made good progress with our transformation strategy in 2016 and our continuing businesses delivered revenue growth of 6.3% and earnings growth of 16.6%. We now have much stronger foundations, growing competitive capabilities and an attractive array of market opportunities. Our transformation strategy is expected to produce further performance improvements and underpins our aim of delivering sustainable, profitable growth."

Operational and financial highlights:

- New contract sales: £2.5 billion total value; £1.3 billion annual value
- Pipeline £6.8 billion annual value
- Developed markets revenues +6.8%^{a,d}; Emerging markets revenues +5.4%^{a,d}
- Secure Solutions revenues +4.1%^{a,d}; Cash Solutions revenues +18.8%^{a,d}
- Strong growth in technology, systems and software revenues +36%
- Group's net debt to EBITDA improved to 2.8x
- Dividend: Final 5.82p per share (2015: 5.82p); Full year 9.41p per share (2015: 9.41p)

Group results

	Continuing Businesses ^a			Statutory Results ^b		
	Constant Rates			Actual Rates		
	2016	2015	%	2016	2015	%
Revenue	£6,823m	£6,419m	+6.3	£7,590m	£6,863m	+10.6
PBITA	£454m	£414m	+9.7	£461m	£391m	+17.9
Earnings	£246m	£211m	+16.6	£198m	£8m	
Operating Cash Flow ^c	£638m	£395m	+61.5	£615m	£359m	+71.3

^a Results from continuing businesses, presented at constant exchange rates other than for operating cash flow, exclude results from businesses identified for sale or closure and onerous contracts. The basis of preparation of results of continuing businesses and an explanation of Alternative Performance Measures, is on page 4.

^b See page 17 for the basis of preparation of statutory results. Statutory earnings represent profit attributable to equity shareholders of G4S plc.

^c Operating cash flow is stated after pension deficit contributions of £39 million (2015: £44 million) and 2015 amounts are presented at actual 2015 exchange rates.

^d Statutory operating cash flow is net cash flow from operating activities of continuing operations.

^e Growth rates on a constant currency basis.

CHIEF EXECUTIVE'S STATEMENT

G4S Transformation

In November 2013, G4S set out a strategic plan to transform the company. Whilst there remains much to do to realise the full potential of our strategy, the Group has made significant progress over the past three years.

G4S Strategy and Investment Proposition

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

Our strategy addresses the positive, global demand outlook for security services and our enduring strategic aim is to demonstrate the values and performance that make G4S the company of choice for customers, employees and shareholders. We aim to do this by designing innovative solutions, by delivering outstanding service to our customers, by providing engaging and rewarding work for employees and by generating sustainable growth in returns for our shareholders. These aims are underpinned by the key programmes in our strategic plan:

- People and Values
- Growth and Innovation
- Customer Service Excellence
- Productivity and Operational Excellence
- Financial and Commercial Discipline

The Group has two business segments: Secure Solutions and Cash Solutions. Security and safety are critical to our success in both segments.

Secure Solutions: we design, market and deliver a wide range of security and related services and our global business provides valuable access to a highly diversified customer base in markets around the world. Our security services range from static manned security to highly sophisticated, integrated solutions. Our scale and focus on productivity supports our cost competitiveness and our sustained investment in professional staff, technology, software and systems enables us to provide valuable and integrated solutions for our customers.

Cash solutions: we transport, process, recycle, securely store and manage cash and we provide secure international logistics for cash and valuables. We invest in technology and know-how and develop and sell proprietary cash management systems which combine skilled professionals with software, hardware and operational support in an integrated managed service. We operate around the globe, focussing on markets where we are able to build and sustain a material market share in our key service offerings.

G4S's investment proposition is to deliver sustainable growth in earnings, cash flows and dividends.

CHIEF EXECUTIVE'S STATEMENT

Financial and Operational Highlights:

Since 2013, the year in which we commenced the transformation of the Group, we have increased sales by 15%, EPS by 45% and generated operating cash flow of £1.9 billion. In 2016 we made further progress with the on-going key strategic priorities underpinning the transformation:

Growth and innovation: We won new contracts with an annual value of £1.3 billion (2015: £1.3 billion) and total contract value of £2.5 billion (2015: £2.4 billion) whilst, at the same time, replenishing and growing our pipeline which had an annual value of £6.8 billion as at 31 December 2016. We sustained contract retention rates of around 90%.

We continued to see the benefit of investing in product and service development. Our technology, software and systems revenues grew strongly and now account for 13% of Group revenues. In our Secure Solutions business, technology enabled services and solutions now contribute over £1.5 billion in annual revenues. In Cash Solutions, we grew revenues by 19% with a particularly strong performance from our Retail Cash Solutions and Deposita businesses. We have a strong and diverse pipeline of growth opportunities in our Retail Cash Solutions and Deposita businesses.

Customer service excellence: We have established customer satisfaction measurement and monitoring in all regions, including net promoter score surveys and strategic account programmes.

Productivity and operational excellence: Our productivity and operational excellence programmes yielded on-going benefits, allowing us to continue to invest in product and service development whilst at the same time improving the Group PBITA margin from 6.4% to 6.7%. Cash Solutions PBITA margin decreased to 12.7% from 12.9% as strong performances in developed markets cash businesses were offset by service and innovation investment and weaker trading in some emerging markets, which are at a much earlier stage in our transformation programme. PBITA margin in Secure Solutions was slightly higher at 6.3% (2015: 6.2%). Over the medium term we expect to extract greater efficiencies in Secure Solutions through the implementation of automated, lean business processes and we will be piloting these processes in Ireland during 2017.

Financial discipline and Portfolio management: Our portfolio programme has materially improved our strategic focus. Since 2013 we have divested 29 businesses (with annual revenues of c.£1 billion and PBITA of £25 million), realising proceeds of £345 million, and a further 27 businesses (with revenues of c.£445 million) are being sold or exited. In 2016 we closed four businesses and sold a further 12, realising proceeds of £82 million, including £52 million in respect of the UK Utilities business and reached agreement for the sale of G4S Israel for £88 million. A reconciliation showing the impact on our prior year results from continuing businesses of the movements in portfolio businesses is provided on page 31.

People and Values: During 2016, we launched our G4S Values and we are promoting these values with the appropriate communication and training.

Cash flow, net debt, dividend and pensions: Operating cash flow from continuing businesses, after pension deficit contributions, increased by 61.5% to £638 million helped by our focus on working capital management. Net cash flow after investment in the business, financing costs, taxation and dividends was £222 million and, despite the adverse effect of sterling weakness of £110 million, net debt decreased to £1,670 million (2015: £1,782 million). Net debt/EBITDA reduced to 2.8x (3.4x at December 2015). The Group's business plan and current performance support a net debt/EBITDA ratio of 2.5x or lower by the end of 2017. In line with our previous guidance that we will maintain the dividend until net debt/EBITDA is below 2.5x, the Board has proposed a final dividend of 5.82p per share.

Following completion of the latest triennial valuation process, the trustees of G4S's UK pension schemes agreed during the year a reduced annual pension deficit payment of £39 million in 2016 (2015: £44 million), with a 3% per annum increase until the next funding valuation due in 2018.

Outlook

During 2016, the Group made good progress with its transformation strategy. We now have much stronger foundations, growing competitive capabilities and an attractive array of market opportunities. We believe that the long-term demand for our core services remains positive and that the Group's transformation strategy will produce further performance improvements and underpin our aim of delivering sustainable, profitable growth.

BASIS OF PREPARATION

The Group applies the basis of preparation for its statutory results shown on page 17. As explained below, the Group makes use of Alternative Performance Measures (“APMs”) in the management of its operations and as a key component of its internal and external reporting.

G4S uses profit before interest, tax and amortisation (“PBITA”) as a consistent measure of the Group’s performance, excluding amortisation of acquisition-related intangible assets and specific and other separately disclosed items which the company believes should be disclosed separately by virtue of their size, nature or incidence. Further details regarding these items can be found in note 7 on page 20. Revenue, PBITA, operating cash flow and EPS for continuing (core) businesses and net debt to EBITDA are the financial Key Performance Indicators used by the Group in measuring progress against strategic objectives. PBITA and operating cash flow also form a significant element of performance measurement used in the determination of performance-related employee incentives. These APMs are not necessarily comparable with those used by other companies.

From 2016, the Group has reported its results across three distinct components, in line with its strategy for managing the business:

- Continuing (core) businesses, which comprise the Group’s on-going activities “Continuing businesses”;
- Onerous contracts, which are being managed effectively to completion; and
- Portfolio businesses, which are being managed for sale or closure, as part of the portfolio rationalisation programme announced by the Group in November 2013.

Taken together, these three components constitute “continuing operations” under IFRS or GAAP, as distinct from discontinued operations which, in accordance with IFRS 5, represent areas of the business which are being managed for sale or closure but which represent material business segments or entities. The Group now has minimal operations that meet the IFRS 5 definition of discontinued operations. The main APMs used by the Group for each component are reconciled with the Group’s statutory results below.

Year ended 31 December 2016 (at 2016 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses ^a	Restructuring	Acquisition-related amortisation and other ^e	Statutory
Revenue	6,823	181	586			7,590
PBITA	454	-	7			461
Earnings	246	-	-	(10)	(38)	198
Operating cash flow ^d	638	(16)	11	(18)		615

Year ended 31 December 2015 (at 2016 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses ^a	Restructuring	Acquisition-related amortisation and other ^e	Adjusted statutory ^c
Revenue	6,419	196	760			7,375
PBITA	414	1	8			423
Earnings	211	(1)	(4)	(38)	(149)	19
Operating cash flow ^{b,d}	395	(18)	28	(46)		359

Year ended 31 December 2015 (at 2015 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses	Restructuring	Acquisition-related amortisation and other ^e	Statutory
Revenue	5,958	189	716			6,863
PBITA	382	1	8			391
Earnings	191	1	(1)	(35)	(148)	8
Operating cash flow ^{b,d}	395	(18)	28	(46)		359

^a Portfolio businesses that remain part of the Group and have not yet been sold or closed contributed £431 million revenue (2015: £470 million) and £3 million PBITA (2015: £1 million).

^b Operating cash flow for the year ended 31 December 2015 is presented at 2015 actual exchange rates.

^c The ‘adjusted statutory’ figures represent the comparative 2015 statutory amounts had they been translated at 2016 average rates (other than for operating cash flow) but should not be considered as or used in place of the Group’s statutory results.

^d Operating cash flow is stated after pension deficit contributions of £39 million (2015: £44 million).

^e Other includes goodwill impairment, net specific items, net profit on disposal/closure of subsidiaries, the results of discontinued operations and the associated tax impacts, see page 9.

BUSINESS REVIEW

RESULTS OF CONTINUING BUSINESSES BY REGION

The following Business Review focuses primarily on the Group's continuing businesses, as these represent the Group's long-term operations, whereas onerous contracts and portfolio businesses do not form part of the Group's long-term plans. In addition, throughout the Business Review, to aid comparability, 2015 prior year results are presented on a constant currency basis by applying 2016 average exchange rates, unless otherwise stated.

With effect from 1 January 2016 the former Asia Middle East region was divided into two separate regions, Asia Pacific and Middle East & India. The comparative results below and in subsequent pages have been re-presented to reflect this.

Year ended 31 December 2016	Revenue 2016 £m	Revenue 2015 £m	YoY %	Organic growth ^a %	PBITA 2016 £m	PBITA 2015 £m	YoY %
At constant 2016 average exchange rates							
Africa	422	395	6.8%	6.5%	42	40	5.0%
Asia Pacific	679	666	2.0%	1.8%	57	49	16.3%
Latin America	621	579	7.3%	7.3%	23	23	0%
Middle East & India	842	793	6.2%	1.7%	76	85	(10.6)%
Emerging markets	2,564	2,433	5.4%	3.8%	198	197	0.5%
Europe	1,224	1,170	4.6%	4.4%	85	72	18.1%
North America	1,817	1,616	12.4%	12.4%	111	98	13.3%
UK & Ireland	1,218	1,200	1.5%	1.4%	110	97	13.4%
Developed markets	4,259	3,986	6.8%	6.8%	306	267	14.6%
Total Group before corporate costs	6,823	6,419	6.3%	5.6%	504	464	8.6%
Corporate costs					(50)	(50)	0%
Total Group	6,823	6,419	6.3%	5.6%	454	414	9.7%

^aOrganic growth is calculated based on revenue growth at 2016 average exchange rates, adjusted to exclude the impact of any acquisitions or disposals during the current or prior year. During 2015 we increased our economic control and interest in certain joint ventures at no additional cost and these are excluded from organic growth.

AFRICA

Against a background of continued weakness in commodity prices, revenue growth in the Africa region was 6.8%, with growth across most markets and in both secure solutions and cash solutions.

We improved customer retention, whilst also growing new business. The economic environment in Africa has been challenging but represents an opportunity to offer more efficient solutions to customers through the increased sale of appropriate technology to enhance our manned security offering. The financial and retail sectors remain buoyant and we are well positioned in Cash Solutions, including Deposita, which uses technology and software to service retailers.

To ensure we have the right platform, we continue to invest in strengthening the capability and competitiveness of our businesses in Africa through programmes that address service innovation and delivery alongside operational productivity and efficiency. PBITA increased by 5.0% despite operating costs, reflecting the investment in these programmes, growing at a faster rate than revenues. New and renewed contracts won across the region include security, systems, manned security and risk management services work for governments, multi-lateral agencies, NGOs, mining companies and the Canadian embassy in Kenya.

The sales pipeline in Africa has diverse contract opportunities in areas such as aviation, banking, retail, government and NGO security and risk management services.

ASIA PACIFIC

Revenue growth in Asia Pacific was 2.0% and PBITA increased 16.3%, reflecting the benefits of productivity programmes coupled with a favourable revenue mix including an increasing proportion of revenues from care & justice services in Australia and security systems across the region.

We secured new and renewed contracts across a broad range of sectors including financial services (including retail cash solutions), consumer products, government and the US embassy in Thailand.

The sales pipeline is diversified by geographic market and customer segment focussed on care and justice, security solutions and cash management services.

BUSINESS REVIEW

RESULTS OF CONTINUING BUSINESSES BY REGION continued

LATIN AMERICA

Despite weak or negative GDP growth in a number of large markets in Latin America, our revenue growth was 7.3%, with good revenue growth in Brazil, Argentina and Uruguay.

Notwithstanding improved performance across most countries in the region, PBITA was unchanged on the prior year, reflecting the challenging economic environment in Brazil which has made it difficult to recover wage inflation and other employee benefit costs in customer pricing coupled with the effect of our decision to bid on only a select number of government tenders. We are adjusting our cost base across the region, whilst retaining the capacity to respond to any recovery in the main Latin America markets.

During the year, we won new contracts in facilities management, systems and secure solutions contracts in the banking, communications, oil and gas, transportation and utility sectors. We also won the contract to provide security for one of the largest banks in Brazil.

Our sales pipeline for the Latin America region continues to develop well, with a number of multi-year manned security and facilities management opportunities for oil and gas, healthcare, aviation and financial institution sectors in Colombia, Argentina and Peru.

MIDDLE EAST & INDIA

Revenues in Middle East and India grew 6.2% with good growth in our Secure Solutions business in India and in security systems across the region offsetting the impact of weaker trading in Cash Solutions businesses which are at an earlier stage of transformation and which felt the indirect effect of sustained low oil and gas prices in the Middle East.

We continued to strengthen our management team in the region and to invest in service innovation, customer service and operational excellence. These programmes are at a relatively early stage and operating costs, including these investments and the impact of increased employment costs in India, rose faster than revenues. As a result PBITA across the region reduced by 10.6%.

New contracts won across the region include facilities management, risk consulting and security in the aviation and engineering sectors for commercial and government agencies.

The sales pipeline in the Middle East remains diversified with a large number of facilities management, cash solutions, security and systems opportunities in the government, industrial, healthcare, education, financial, construction and oil and gas sectors.

EUROPE

In Europe, our revenues rose by 4.6% driven by growth in both Secure Solutions and Cash Solutions with a particularly strong performance in Belgium, Romania and the Netherlands from new contracts and a temporary step up in secure solutions activity in Belgium following the terrorist attacks in March 2016. PBITA rose by 18.1%, reflecting the combined effect of revenue growth, disciplined price increases and the benefits of our restructuring and productivity programmes.

We succeeded in winning new security contracts for aviation and retail customers, systems security for infrastructure and in cash management.

Our European pipeline has a large number of opportunities in the aviation, infrastructure, consumer and banking sectors.

NORTH AMERICA

In North America, our revenues grew by 12.4%, and our pipeline provides the opportunity for further growth. Cash solutions revenues grew by a factor of 40 helped by Retail Solutions momentum. Revenues from our technology, software and systems businesses grew by 17% excluding retail Cash Solutions. Manned security revenues grew marginally with new customer contracts and growth in existing contracts being offset by lower temporary and short term work than in 2015 and a reduction in demand in Canada due to the impact of lower oil prices on the economy.

PBITA increased by 13.3%, helped by a favourable sales mix and efficiency gains, partially offset by investing in organisational capacity to manage our rapidly growing integrated systems business and Retail Solutions.

Key contract wins include the renewal of an aviation contract in Canada for a further five years and expansion of the Retail Solutions contract portfolio.

We have a strong contract pipeline with opportunities across diverse sectors including energy, retail, finance, healthcare and data centres.

BUSINESS REVIEW
RESULTS OF CONTINUING BUSINESSES BY REGION continued

UK & IRELAND

As expected, revenue in the UK & Ireland grew by 1.5% due mainly to a new global security contract for a major bank and new facilities management services in Ireland. PBITA was 13.4% higher reflecting the benefit of our on-going productivity programmes and the growth in our facilities management and secure transportation services.

New contracts won include facilities management and integrated security solutions contracts in healthcare, and we renewed all major rebid cash solutions contracts awarded during 2016. The UK & Ireland bidding pipeline is broad-based and has grown in the areas of facilities management, care and justice, secure transportation and cash outsourcing.

CORPORATE COSTS

Corporate costs comprise the costs of the plc Board and the central costs of running the Group including executive, governance and central support functions and are consistent with the prior year.

RESULTS OF CONTINUING BUSINESSES BY SERVICE LINE

Secure Solutions	Revenue 2016 £m	Revenue 2015 £m	YoY %	PBITA 2016 £m	PBITA 2015 £m	YoY %
At 2016 average exchange rates						
Emerging markets	2,166	2,028	6.8%	142	133	6.8%
Developed markets	3,509	3,425	2.5%	216	206	4.9%
Total	5,675	5,453	4.1%	358	339	5.6%

Our services range from entry level offerings to highly sophisticated, integrated systems and solutions. We have increased our investment in resources which enable us to innovate and apply technology in the design and delivery of integrated solutions for our customers and this is reflected in the increasing share of revenue from these solutions.

Overall, the Secure Solutions businesses delivered 4.1% growth in revenue and 5.6% growth in PBITA.

PBITA growth in both emerging and developed markets reflected on-going delivery of the benefits of earlier restructuring programmes and productivity initiatives.

Cash Solutions	Revenue 2016 £m	Revenue 2015 £m	YoY %	PBITA 2016 £m	PBITA 2015 £m	YoY %
At 2016 average exchange rates						
Emerging markets	398	405	(1.7)%	56	64	(12.5)%
Developed markets	750	561	33.7%	90	61	47.5%
Total	1,148	966	18.8%	146	125	16.8%

Overall Cash Solutions grew 18.8% in revenues and PBITA rose by 16.8%.

The overall growth in revenue and profit was driven by increased volume particularly in North America with a strong performance from Retail Solutions and solid growth across the other developed cash solutions markets. The strong growth in PBITA in our developed markets reflected improvements in productivity and the systematic restructuring and productivity programmes which have been implemented over the past three years.

In our emerging markets, revenues declined by 1.7% as a result of weaker trading in businesses which are at an earlier stage of transformation and which felt the indirect effect of sustained low oil and gas prices in the Middle East. The new services and productivity programmes which are delivering positive results in developed markets are now being rolled out in our principal emerging markets and we expect them to improve emerging markets performance over time. However in 2016 the cost of this investment together with inflationary wage increases in excess of customer price increases led to PBITA falling by 12.5%.

Summary results of continuing businesses

At December 2016 average exchange rates	2016 £m	2015 £m	YoY
Revenue	6,823	6,419	6.3%
Profit before interest, tax and amortisation (PBITA)	454	414	9.7%
Interest	(102)	(105)	(2.9)%
Profit before tax^a	352	309	13.9%
Tax	(84)	(74)	13.5%
Profit after tax^a	268	235	14.0%
Non-controlling interests	(22)	(24)	(8.3)%
Earnings (profit attributable to equity holders of the parent)	246	211	16.6%
EPS	15.91p	13.66p	16.47%
Operating cash flow^b	638	395	61.5%

^a A reconciliation of profit before tax, profit after tax and the main APMs for continuing businesses with the Group's statutory results is included on page 30.

^b Operating cash flow for 2015 is shown at actual 2015 exchange rates.

Revenue

Emerging markets grew 5.4% compared with the prior year, with revenues of £2.6 billion, representing 38% of Group revenue (2015: 38%). Developed markets revenues were 6.8% higher than the prior year with strong growth in North America of 12.4% and good growth in Europe of 4.6%, while the UK & Ireland grew by a more modest 1.5%.

Revenue from Cash Solutions was up 18.8% on 2015 and from Secure Solutions was up 4.1% on 2015.

PBITA

PBITA of continuing businesses of £454 million (2015: £414 million) was up 9.7%. This growth reflects the strong performance of the Group in developed markets, improved product mix and the results of our on-going productivity programmes.

Interest

Net interest payable on net debt from continuing businesses was £92 million (2015: £93 million). The pension interest charge was £10 million (2015: £12 million), resulting in a total interest cost of £102 million (2015: £105 million).

Tax

A tax charge of £84 million (2015: £74 million) was incurred on the profits of continuing businesses of £352 million (2015: £309 million) which represents an effective tax rate of 24% (2015: 24%). The effective tax rate for continuing businesses is a function of a variety of factors, with the most significant being (i) the geographic mix of its taxable profits and the respective country tax rates, (ii) the recognition of, and changes in the value of, deferred tax assets, (iii) permanent differences such as expenses disallowable for tax purposes and (iv) irrecoverable withholding taxes.

During the year, the Group recognised additional deferred tax assets of £72 million (of which £40 million arose through the tax charge on continuing businesses), relating to previously unrecognised brought forward tax losses. The recognition of the tax losses as deferred tax assets is based upon the forecast future taxable profits of the relevant legal entities, and has been attributed to continuing businesses to the extent that the associated loss or expense that gave rise to the tax loss was originally attributed to continuing businesses. The recognition of the tax losses as additional deferred tax assets is underpinned by business plans for future periods which support the Group's aim of delivering sustainable, profitable growth.

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

In December 2016, as part of its response to the OECD's Base Erosion and Profit Shifting recommendations, the UK Government released draft legislation in respect of new rules to: (i) restrict the deductibility of net interest costs to a percentage of EBITDA and (ii) restrict the amount of taxable profits available to offset against carried forward tax losses to 50% of the available profits. Both of these proposals will take effect from 1 April 2017. Management is monitoring the progress of this draft legislation and assessing its possible impacts on the Group, which may result in a modest increase in the effective tax rate on future profits of continuing businesses.

Profit for the year – continuing businesses

The Group produced profit from continuing businesses attributable to equity holders ('continuing earnings') of £246 million (2015: £211 million), an increase of 16.6% for the year ended 31 December 2016.

BUSINESS REVIEW – continued
GROUP COMMENTARY – continued

Earnings per share – continuing businesses

Earnings per share from continuing businesses increased to 15.9p (2015: 13.7p), based on the weighted average of 1,546 million (2015: 1,545 million) shares in issue.

Earnings per share – continuing businesses

	2016 £m	2015 at constant exchange rates £m	2015 at actual exchange rates £m
Profit for the year	268	235	213
Non-controlling interests	(22)	(24)	(22)
Profit attributable to shareholders (earnings)	246	211	191
Average number of shares (m)	1,546	1,545	1,545
Earnings per share – continuing businesses	15.9p	13.7p	12.4p

Onerous contracts

The Group's onerous contracts had revenues of £181 million (2015: £196 million) for the year ended 31 December 2016. In December 2016 the UK Compass asylum seeker contract with the Home Office was extended by two years to August 2019. Supplementary onerous contract provision of a net £4 million, primarily in respect of the Compass asylum seekers contract, were booked during 2016.

Portfolio businesses

The Group made further progress with its portfolio management programme and since 2013 has either sold or is exiting 60 businesses, with annualised revenues of c.£1.5 billion and PBITA of £16 million, based on the last full year when each of these businesses formed part of the Group. This programme has greatly improved the Group's strategic focus and has also generated £345 million in disposal proceeds in relation to the 29 businesses sold to date. This includes the sale of 12 businesses this year in Finland, Kazakhstan, Brunei, Uzbekistan, Honduras, Thailand, Costa Rica and the UK, generating proceeds of £82 million. The Group also reached agreement for the sale of G4S Israel for £88 million which is expected to complete in the next few months.

Restructuring

The Group invested £12 million (2015: £47 million) in restructuring programmes during the year, as part of the multi-year strategic productivity programme which is being implemented across the Group. In addition, the Group incurred non-strategic reorganisation costs of £9 million (2015: £10 million) which are included within PBITA of continuing businesses.

Acquisition-related amortisation and other

	2016 £m	2015 at constant exchange rates £m	2015 at actual exchange rates £m
Acquisition-related amortisation and expenses	32	41	40
Goodwill impairment	9	71	66
Net specific items	13	73	70
Net profit on disposal/closure of subsidiaries	(7)	(13)	(12)
Tax effect of above	(8)	(22)	(15)
Loss from discontinued operations	3	2	2
Non-controlling interests' share of specific items	(4)	(3)	(3)
Total acquisition-related amortisation and other items	38	149	148

Acquisition-related amortisation and expenses

Acquisition-related amortisation and expenses of £32 million (2015: £41 million) are lower than the prior year as certain intangible assets recognised on a number of historical acquisitions became fully amortised in 2015.

Net specific items

Specific items of a net £13 million (2015: £73 million) included a £10 million charge due to the revision of estimates relating to legacy acquisitions and labour claims in Latin America, £7 million relating to commercial restructuring in Middle East & India, and a net £4 million supplementary onerous contract provision primarily in respect of the Compass asylum seekers contract, all offset by an £8 million credit mainly relating to the recovery of a legal claim in Europe and of certain disputed debtor balances in the UK.

BUSINESS REVIEW – continued
GROUP COMMENTARY – continued

Profit on disposal/closure of subsidiaries and goodwill impairment

As part of the on-going portfolio programme, the Group realised a net profit on disposal/closure of subsidiaries of £7 million (2015: £13 million) relating to the disposal of a number of the Group's operations including the Cash Solutions business in Thailand, the businesses in Finland, Brunei and Kazakhstan and the Utilities Services and ATM engineering businesses in the UK, together with a loss arising on closure of a systems business in Latin America. The Group recorded a goodwill impairment charge of £9 million (2015: £71 million) in relation to businesses that are to be sold or closed.

Profit for the year – statutory at actual historical exchange rates

The Group reported statutory earnings of £198 million (2015: £8 million) mainly driven by improved operating profit and lower charges for specific items, restructuring and goodwill impairment.

Statutory earnings per share

Statutory earnings per share^a increased to 12.8p (2015: 0.5p), based on the weighted average number of shares in issue of 1,546 million (2015: 1,545 million). A comparison of the statutory and continuing business EPS is provided below.

<i>Earnings per share</i>	<i>Statutory results^a</i>		
	2016	2015 at constant exchange rates	2015 at actual exchange rates
	£m	£m	£m
Profit for the year	217	40	26
Non-controlling interests	(19)	(21)	(18)
Profit attributable to shareholders (earnings)	198	19	8
Average number of shares (m)	1,546	1,545	1,545
Statutory earnings per share	12.8p	1.2p	0.5p

^a Basis of preparation of statutory results is shown on page 17.

Cash flow, capital expenditure and portfolio management

Operating cash flow from continuing businesses increased to £638 million (2015: £395 million) reflecting higher operating profits and enhanced working capital management, see page 28.

The Group invested £107 million (2015: £104 million) in net capital expenditure and received proceeds of £82 million (2015: £14 million) from the disposal of businesses. The Group made no significant acquisitions during the year.

Net cash inflow after investing in the business and proceeds from portfolio rationalisation was £567 million (2015: £222 million). The Group's net cash inflow after investing in the business, financing, tax, dividends and pensions was £222 million (2015: outflow of £107 million).

Net debt

Net debt as at 31 December 2016 was £1,670 million (December 2015: £1,782 million). The Group's net debt to EBITDA ratio was 2.8x (December 2015: 3.4x). The movement in net debt during the year included an increase of £110 million arising from foreign exchange translation differences relating to the Group's debt held in foreign currencies, mainly US dollars and euros, in particular as a result of exchange rate movements since June 2016.

The detailed reconciliation of movements in net debt is provided on page 28 and is reconciled to the statutory cash flow on page 29. The Group's business plan and current performance supports a net debt/EBITDA, as calculated on page 29, of 2.5x or lower by the end of 2017.

Pension deficit

The Group's total net defined benefit pension deficit for accounting purposes at 31 December 2016 recognised in the consolidated statement of financial position was £437 million (2015: £279 million), or £368 million (2015: £234 million) net of applicable tax in the relevant jurisdictions. The increase in the pension deficit is predominantly a result of the decrease in the discount rate used for valuation purposes from 3.8% to 2.5%, which was only partially offset by an improvement in asset values.

Following completion of the latest triennial valuation process, the trustees of G4S's UK pension schemes agreed during the year a reduced annual pension deficit payment of £39 million in 2016 (2015: £44 million), with a 3% per annum increase until the next funding valuation due in 2018.

BUSINESS REVIEW – continued
GROUP COMMENTARY – continued

Credit facilities

In August 2016, the Group's credit rating was affirmed by Standard & Poor's as BBB- (negative). As at 31 December 2016 the Group had liquidity of £1,692 million including cash, cash equivalents and bank overdrafts of £692 million and unutilised but committed facilities of £1 billion. In August the Group put in place a new €600 million bank facility to provide additional liquidity but this facility was subsequently cancelled following the successful issue of a new €500 million Eurobond in November 2016. The bond matures in January 2023 and pays an annual coupon of 1.5%.

The next debt maturities are \$200 million of US Private Placement debt maturing in March 2017 and a €600 million Eurobond maturing in May 2017. The Group has good access to capital markets and a diverse range of finance providers. Borrowings are principally in pounds sterling, US dollars and euros reflecting the geographies of significant operational assets and earnings.

The Group's main sources of finance and their applicable rates as of 31 December 2016 are set out below:

Debt instrument/ Year of issue	Nominal amount ^a	Issued interest rate	Post hedging avg interest rate	Year of redemption and amounts (£m) ^b							Total	
				2017	2018	2019	2020	2021	2022	2023		
US PP 2008	£44m	7.56%	6.59%		44							44
US PP 2007	US\$450m	5.86% - 6.06%	1.86%	162		117				85		364
Public Bond May 2012	€600m	2.875%	3.12%	501								501
US PP 2008	US\$298.5m	6.78% - 6.88%	6.90%		166		60					226
Public Bond Dec 2012	€500m	2.625%	2.65%		412							412
Public Bond 2009	£350m	7.75%	6.82%			350						350
Eurobond 2016	€500m	1.5%	2.25%								440	440
Revolving Credit Facility 2015	£1bn (multi curr)	Undrawn	-									-
				663	622	467	60	-	85	440		2,337

^aNominal debt amount. For fair value carrying amount see note 21.

^bExchange rates at 31 December 2016 or hedged exchange rates where applicable.

£964 million of the original £1 billion multicurrency revolving credit facility matures in January 2022 with the remainder maturing in January 2021. As at 31 December 2016 there were no drawings from the facility.

The Group's average cost of gross borrowings in 2016, net of interest hedging, was 3.9% (2015: 4.0%).

Significant exchange rates applicable to the Group

The Group derives a significant proportion of its revenue and profits in the currencies shown below, together with their respective closing and average rates:

	31 December 2016 Closing rates	Year to 31 December 2016 Average rates	Year to 31 December 2015 Average rates
£/US\$	1.2345	1.3558	1.5282
£/€	1.1705	1.2265	1.3795
£/South Africa Rand	16.9500	19.8742	19.5175
£/India Rupee	83.8670	91.0371	97.9690
£/Israel Shekel	4.7483	5.1912	5.9441
£/Brazil Real	4.0165	4.7252	5.1054

If December 2016 closing rates were applied to the results for the year to 31 December 2016, revenue from continuing businesses would have increased by 6.5% to £7,268 million (for the year ended 31 December 2015: by 6.6% to £6,842 million) and PBITA from continuing businesses would have increased by 6.6% to £484 million (for the year ended 31 December 2015: by 7.5% to £445 million).

Dividend

The Board has proposed a final dividend of 5.82p per share (DKK 0.5029).

G4S plc
Consolidated financial statements

For the year ended 31 December 2016

Consolidated income statement (unaudited)

	Notes	2016 £m	2015 £m
Continuing operations			
Revenue	5,6	7,590	6,863
Operating profit before joint ventures, specific items and other separately disclosed items		452	381
Share of profit after tax from joint ventures		9	10
Profit before interest, tax and amortisation (PBITA)	6	461	391
Specific items – charges	7	(21)	(82)
Specific items – credits	7	8	12
Restructuring costs	7	(12)	(44)
Net profit on disposal/closure of subsidiaries	7,10	7	12
Goodwill impairment	7	(9)	(66)
Acquisition-related amortisation and expenses	7	(32)	(40)
Operating profit	6,7	402	183
Finance income	11	33	26
Finance expense	11	(139)	(131)
Profit before tax		296	78
Tax	12	(76)	(50)
Profit from continuing operations after tax		220	28
Loss from discontinued operations	8	(3)	(2)
Profit for the year		217	26
Attributable to:			
Equity holders of the parent		198	8
Non-controlling interests		19	18
Profit for the year		217	26
Earnings per share attributable to equity shareholders of the parent	14		
Basic and diluted - continuing operations		13.0p	0.6p
Basic and diluted - continuing and discontinued operations		12.8p	0.5p
Dividends declared and proposed in respect of the year			
Interim dividend of 3.59p per share (2015: 3.59p)		55	55
Final dividend of 5.82p per share (2015: 5.82p)		90	90
Total dividend of 9.41p per share (2015: 9.41p)	13	145	145

Consolidated statement of comprehensive income (unaudited)

	2016 £m	2015 £m
Profit for the year	217	26
Other comprehensive income		
Items that will not be re-classified to profit or loss:		
Re-measurements on defined retirement benefit schemes	(169)	18
Tax on items that will not be re-classified to profit or loss	28	(11)
	(141)	7
Items that are or may be re-classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations and changes in fair value of cash flow hedging financial instruments	228	(96)
Tax on items that are or may be re-classified subsequently to profit or loss	22	1
	250	(95)
Other comprehensive income/(loss), net of tax	109	(88)
Total comprehensive income/(loss) for the year	326	(62)
Attributable to:		
Equity holders of the parent	305	(81)
Non-controlling interests	21	19
Total comprehensive income/(loss) for the year	326	(62)

Consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the parent					NCI reserve	Total equity
	Share capital	Share premium	Retained earnings	Other reserves	Total		
	2016	2016	2016	2016	2016		
	£m	£m	£m	£m	£m		
At 1 January 2016	388	258	(174)	201	673	18	691
Total comprehensive income	-	-	55	250	305	21	326
Dividends paid	-	-	(145)	-	(145)	(17)	(162)
Transactions with non-controlling interests	-	-	(1)	-	(1)	(1)	(2)
Own shares awarded	-	-	(5)	5	-	-	-
Share-based payments	-	-	10	-	10	-	10
At 31 December 2016	388	258	(260)	456	842	21	863

	Attributable to equity holders of the parent					NCI reserve	Total equity
	Share capital	Share premium	Retained earnings	Other reserves	Total		
	2015	2015	2015	2015	2015		
	£m	£m	£m	£m	£m		
At 1 January 2015	388	258	(42)	296	900	22	922
Total comprehensive income/(loss)	-	-	14	(95)	(81)	19	(62)
Dividends paid	-	-	(145)	-	(145)	(29)	(174)
Transactions with non-controlling interests	-	-	(2)	-	(2)	-	(2)
Share-based payments	-	-	7	-	7	-	7
Reclassification of non-controlling interests	-	-	(6)	-	(6)	6	-
At 31 December 2015	388	258	(174)	201	673	18	691

Consolidated statement of financial position (unaudited)

	Notes	2016 £m	2015 £m
ASSETS			
Non-current assets			
Goodwill		1,990	1,828
Other acquisition-related intangible assets		18	47
Other intangible assets		86	82
Property, plant and equipment		437	427
Trade and other receivables		101	84
Investment in joint ventures		19	18
Retirement benefit surplus	17	75	76
Deferred tax assets	12	285	187
		3,011	2,749
Current assets			
Inventories		112	103
Investments	19	44	49
Trade and other receivables		1,442	1,323
Cash and cash equivalents	16,19	851	593
Assets of disposal groups classified as held for sale	15	151	58
		2,600	2,126
Total assets		5,611	4,875
LIABILITIES			
Current liabilities			
Bank overdrafts	16,19	(93)	(122)
Bank loans	19	(16)	(75)
Loan notes	19	(677)	(25)
Obligations under finance leases	19	(20)	(19)
Trade and other payables		(1,260)	(1,112)
Current tax liabilities	12	(64)	(36)
Provisions	18	(116)	(90)
Liabilities of disposal groups classified as held for sale	15	(58)	(30)
		(2,304)	(1,509)
Non-current liabilities			
Bank loans	19	(4)	(324)
Loan notes	19	(1,715)	(1,749)
Obligations under finance leases	19	(37)	(45)
Trade and other payables		(30)	(41)
Retirement benefit obligations	17	(512)	(355)
Provisions	18	(132)	(152)
Deferred tax liabilities	12	(14)	(9)
		(2,444)	(2,675)
Total liabilities		(4,748)	(4,184)
Net assets		863	691
EQUITY			
Share capital		388	388
Share premium		258	258
Reserves		196	27
Equity attributable to equity holders of the parent		842	673
Non-controlling interests		21	18
Total equity		863	691

Consolidated statement of cash flows (unaudited)

	2016	2015
	£m	£m
Operating profit	402	183
Adjustments for non-cash and other items (see note 20)	126	245
Increase in inventory	(5)	(1)
Increase in accounts receivable	(9)	(49)
Increase/(decrease) in accounts payable	101	(19)
Net cash flow from operating activities of continuing operations (see note 20)	615	359
Net cash flow from operating activities of discontinued operations	(9)	26
Cash generated by operations	606	385
Tax paid	(84)	(102)
Net cash flow from operating activities	522	283
Investing activities		
Purchases of non-current assets	(116)	(111)
Proceeds on disposal of property, plant and equipment	9	7
Disposal of subsidiaries	82	14
Acquisition of subsidiaries	(1)	(17)
Cash, cash equivalents and bank overdrafts in disposed entities	(20)	(3)
Interest received	14	16
Sale/(purchase) of investments	7	(1)
Cash flow from equity accounted investments	8	14
Net cash used in investing activities	(17)	(81)
Financing activities		
Dividends paid to equity shareholders of the parent	(145)	(145)
Dividends paid to non-controlling interests	(17)	(29)
Net (decrease)/increase in borrowings	(11)	139
Interest received relating to interest rate swaps	22	20
Interest paid	(132)	(127)
Repayment of obligations under finance leases	(22)	(31)
Transactions with non-controlling interests	(2)	(2)
Net cash flow used in financing activities	(307)	(175)
Net increase in cash, cash equivalents and bank overdrafts	198	27
Cash, cash equivalents and bank overdrafts at the beginning of the year	407	402
Effect of foreign exchange rate fluctuations on net cash held	87	(22)
Cash, cash equivalents and bank overdrafts at the end of the year	692	407

Notes to the preliminary results announcement (continued)

1) Basis of preparation and accounting policies

The financial information set out above has been prepared in accordance with International Financial Reporting Standards adopted by the European Union and does not constitute the company's statutory accounts for the years ended 31 December 2016 or 2015. The results and financial information for the year ended 31 December 2016 are unaudited. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditors reported on the 2015 accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This preliminary results announcement has been prepared applying accounting policies consistent with those applied by the Group in the Annual Report and Accounts 2015 except as described in note 3.

During the year there has been a significant devaluation in the value of Sterling following the decision for the UK to exit the European Union. The impact of translating 2015 results at 2016 exchange rates would have been a 7% increase in reported Revenue and an 8% increase in reported PBITA.

The Group has prepared the consolidated financial statements on a going concern basis.

2) Specific items and other separately disclosed items

The Group's consolidated income statement and segmental analysis note separately identify results before specific items. Specific items are those that in management's judgment need to be disclosed separately by virtue of their size, nature or incidence. The associated tax impact of these specific items is recorded within the tax charge. In determining whether an event or transaction is specific in relation to both non-tax and tax items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Specific items include increases to, or reversals of, provisions for onerous contracts that were classified as specific items due to their materiality. In addition, up until 31 December 2015, specific items also included the results of updating estimates and judgments for certain assets and liabilities related to the balance sheet review performed in 2013. The review was concluded in 2015.

In order to provide further clarity in the consolidated income statement, the Group also discloses separately restructuring costs, profits or losses on disposal or closure of subsidiaries, acquisition-related amortisation and expenses and goodwill impairment.

Restructuring costs that are separately disclosed reflect the multi-year efficiency programme which is being implemented by the Group. This programme is of a strategic nature and, as such, is monitored and approved by the Group's executive committee. During 2015 and 2016 activities under the programme have focused primarily on transforming the operating model in the regions of UK & Ireland and Europe. Restructuring costs that are incurred in the normal course of business are recorded within PBITA.

3) Adoption of new and revised accounting standards and interpretations

IFRS Annual improvements 2012-14 became effective for the financial year beginning on 1 January 2016, and were endorsed by the EU, however no accounting policy changes were required as a result of adopting these improvements.

The Group has not adopted early any standard, amendment or interpretation. A number of new standards, amendments to standards and interpretations have been announced but are subject to EU endorsement and/or are not yet effective for the year ended 31 December 2016. The directors are currently evaluating the impact of these new standards on the Group accounts:

- Amendments to IFRS10, IFRS 12 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS10 and IAS 28 – Investment entities applying the consolidation exemption
- IFRS 2 amendments - Clarifying share-based payment transactions
- IAS 7 amendments - Disclosure initiative
- IAS 12 amendments - Recognition of deferred tax assets for unrealised losses
- IFRS 9 Financial Instruments

The Group continues to assess the potential impact of IFRS 15 – Revenue from Contracts with Customers on its consolidated financial statements and will adopt the standard from its effective date for the year ended 31 December 2018. IFRS 15 is likely to impact the timing of recognition of income in respect of certain long-term Facilities Management and large, complex alarm and other technology-related contracts.

In addition, the Group continues to assess the impact of adopting IFRS 16 – Leases, which will be effective for the Group's financial year ended 31 December 2019. IFRS 16 is expected to increase property, plant and equipment capitalised in the consolidated statement of financial position by approximately £400m, together with a broadly similar increase in obligations under finance leases. Whilst IFRS 16 is not expected to change materially the Group's profit before tax, it will increase PBITA due to re-classification of the interest element of lease payments as finance costs.

Notes to the preliminary results announcement (continued)

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

In April 2016 the IFRIC issued an agenda decision on when and whether entities are able to offset balances in accordance with IAS 32. The IFRIC noted that, to the extent that a Group does not expect to settle its subsidiaries' period-end account balances on a net basis, it would not be appropriate for the Group to assert that it had the intention to settle the entire period-end balances on a net basis at the reporting date. In the current and previous reporting periods certain of the Group's balances did not meet this offset criterion and have therefore been presented/re-presented respectively to show the gross position. This resulted in an increase to cash and cash equivalents and an increase to overdrafts of £56m as at 31 December 2015 and £300m as at 1 January 2015.

The consolidated statement of financial position at 31 December 2015 has additionally been re-presented to show the impact of the inclusion of cash and cash equivalents and overdrafts, of £94m and £25m respectively, in respect of customer cash processing (see note 16). As a consequence of each of the above changes in presentation, cash and cash equivalents at 31 December 2015 have increased from £443m to £593m, and overdrafts from £41m to £122m.

4) Accounting estimates, judgments and assumptions

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgments, estimates and assumptions which are of most significance in preparing the Group's consolidated financial statements will be described in more detail in the 2016 Annual Report and Accounts, and will be broadly consistent with the disclosures in the 2015 Annual Report and Accounts.

5) Revenue

An analysis of the Group's revenue, as defined by IAS 18 'Revenue', is as follows:

	2016 £m	2015 £m
Sale of goods	311	132
Rendering of services	7,072	6,561
Revenue from construction contracts	207	170
Revenue from continuing operations as presented in the consolidated income statement	7,590	6,863

Notes to the preliminary results announcement (continued)

6) Operating segments

The Group operates on a worldwide basis and derives a substantial proportion of its revenue and operating profit from each of the following seven geographic regions: Africa, Asia Pacific, Latin America, Middle East and India, Europe, North America and UK & Ireland. For each of the reportable segments, the Group executive committee (the chief operating decision maker) reviews internal management reports on a regular basis. As announced in the 2015 Annual Report the Asia Middle East region has been split into Asia Pacific and Middle East and India, following a change in the leadership structure and reporting in this region. The 2015 comparatives have therefore been re-presented to reflect the split of the total 2015 Asia Middle East revenue of £1,421m and PBITA of £117m between the two new regions.

Segment information for continuing operations is presented below:

	2016 £m	2015 £m
Revenue by reportable segment		
Africa	501	470
Asia Pacific	714	684
Latin America	660	626
Middle East and India	859	737
Emerging markets	2,734	2,517
Europe	1,441	1,304
North America	1,904	1,523
UK & Ireland	1,511	1,519
Developed markets	4,856	4,346
Total revenue	7,590	6,863
Operating profit by reportable segment		
Africa	35	30
Asia Pacific	56	43
Latin America	15	15
Middle East and India	76	74
Emerging markets	182	162
Europe	95	74
North America	115	90
UK & Ireland	119	115
Developed markets	329	279
Operating profit before corporate costs	511	441
Corporate costs	(50)	(50)
Profit before interest, tax and amortisation (PBITA)	461	391
Net specific items	(13)	(70)
Restructuring costs	(12)	(44)
Net profit on disposal/closure of subsidiaries	7	12
Goodwill impairment	(9)	(66)
Acquisition-related amortisation and expenses	(32)	(40)
Operating profit	402	183

Notes to the preliminary results announcement (continued)

7) Operating profit

The income statement can be analysed as follows:

	2016	2015
	£m	£m
Continuing operations		
Revenue	7,590	6,863
Cost of sales	(6,212)	(5,657)
Gross profit	1,378	1,206
Administration expenses	(976)	(967)
Goodwill impairment	(9)	(66)
Share of profit after tax from joint ventures	9	10
Operating profit	402	183

Operating profit includes items that are separately disclosed for the year ended 31 December 2016 relating to:

- Specific items of a net £13m (2015: £70m) included a £10m charge relating to legacy acquisitions and labour claims in Latin America, £7m relating to commercial restructuring in Middle East & India, and net £4m supplementary onerous contract provision, primarily in respect of the Compass asylum seekers contract, offset by an £8m credit mainly relating to the recovery of a legal claim in Europe and of certain disputed debtor balances in the UK;
- Costs of £12m (2015: £44m) arising from restructuring activities during the year, mainly relating to the multi-year strategic productivity programme across the Group. In addition, the Group incurred non-strategic reorganisation costs of £9m (2015: £10m) which are included within cost of sales and administration expenses as appropriate;
- Acquisition-related amortisation costs of £32m (2015: £40m) relating to legacy acquisitions were lower as certain intangible assets recognised on a number of historical acquisitions became fully amortised in 2015. In addition, the Group recognised a goodwill impairment charge of £9m (2015: £66m) relating to businesses held for sale or closure; and
- Net profit on disposal/closure of subsidiaries of £7m (2015: £12m) relating to the disposal of a number of the Group's operations including the Cash Solutions business in Thailand, the businesses in Finland, Brunei and Kazakhstan and the Utilities Services and ATM engineering businesses in the UK, together with a loss arising on closure of a systems business in Latin America.

8) Discontinued operations

The loss from discontinued operations in the year of £3m (2015: £2m) comprises costs and charges incurred on historical disposals which were classified as discontinued operations at the time of disposal.

9) Acquisitions

The Group has not made any material acquisitions in the year.

Notes to the preliminary results announcement (continued)

10) Disposals and closures

As part of the on-going portfolio programme, in 2016 the Group sold 12 businesses, including the Cash Solutions business in Thailand, the businesses in Finland, Brunei and Kazakhstan, and the Utilities Services and ATM engineering businesses in the UK, realising aggregate proceeds of £82m.

A further four businesses were closed during the year, and in addition the Group is in the process of closing a systems business in Latin America which resulted in a loss of £16m in relation to assets written off and costs expected to be incurred in 2017.

In 2015 the Group disposed of a number of small operations, with the most material being the disposal of the International Parcel Service business in the Group's Asia Pacific region resulting in a profit of £12m. The net profit on disposal included a loss on disposal in discontinued operations of £3m.

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

	2016 £m	2015 £m
Goodwill	9	-
Acquisition-related intangible assets	1	-
Non-acquisition-related intangible assets	3	-
Property, plant and equipment	18	2
Other non-current assets	2	-
Current assets	86	6
Liabilities	(44)	(6)
Net assets of operations disposed of/closed	75	2
Net profit on disposal/closure	7	9
Total consideration	82	11
Satisfied by:		
Cash received	90	14
Disposal costs	(8)	-
Total consideration relating to current year disposals	82	14
Additional consideration to be paid relating to disposals completed in prior years	-	(3)
Total consideration recognised in the current year	82	11

Notes to the preliminary results announcement (continued)

11) Net finance expense

	2016 £m	2015 £m
Interest and other income on cash, cash equivalents and investments	15	13
Interest receivable on loan note related derivatives	18	13
Gain arising from fair value adjustment to the hedged loan note items	11	10
Loss arising from change in fair value of derivative financial instruments hedging loan notes	(11)	(10)
Finance income	33	26
Interest on bank overdrafts and loans	(21)	(23)
Interest on loan notes	(97)	(88)
Interest on obligations under finance leases	(5)	(4)
Other interest charges	(6)	(4)
Net Group borrowing costs	(129)	(119)
Finance costs on defined retirement benefit obligations	(10)	(12)
Finance expense	(139)	(131)
Net finance expense	(106)	(105)

12) Taxation

	2016 £m	2015 £m
Current taxation expense	110	62
Deferred taxation credit	(34)	(12)
Total income tax expense for the year	76	50

The effective tax rate on continuing operations is 26% (2015: 64%). The effective tax rate is a function of a variety of factors, with the most predominant being (i) the geographic mix of its taxable profits and the respective country tax rates, (ii) the recognition of, and changes in the value of, deferred tax assets, (iii) permanent differences such as expenses disallowable for tax purposes and (iv) irrecoverable withholding taxes. The higher effective tax rate in the prior year was primarily the result of the absence of tax deductions in respect of goodwill impairment charges, and losses for which deferred tax assets could not be recognised in full.

At 31 December 2016, the Group has recognised deferred tax assets of £285m (2015: £187m) based on the latest view of expected future profitability of the entities where these assets have been recognised, deferred tax liabilities of £14m (2015: £9m), tax payable of £64m (2015: £36m) and income tax recoverable of £61m (2015: £46m).

Deferred tax assets arise predominantly on tax losses and deficits on defined benefit pension schemes. At 31 December 2016 the Group has estimated tax losses of £313m (2015: £550m) which are not recognised as deferred tax assets. Recognition of deferred tax assets is dependent upon the availability of future taxable profits in the relevant legal entities based upon future business plans.

At 31 December 2016 the Group has adequate provision for liabilities likely to arise in accounting periods which remain open to enquiry by tax authorities. The Group operates in a large number of countries and is typically subject to challenges from tax authorities in respect of a variety of issues, including transfer pricing. The amount provided is based on an estimate of the most likely outcome on a case by case basis.

Notes to the preliminary results announcement (continued)

13) Dividends

	Pence per share	DKK per share	2016 £m	2015 £m
Amounts recognised as distributions to equity holders of the parent in the year				
Final dividend for the year ended 31 December 2014	5.82	0.6041	-	90
Interim dividend for the six months ended 30 June 2015	3.59	0.3793	-	55
Final dividend for the year ended 31 December 2015	5.82	0.5615	90	-
Interim dividend for the six months ended 30 June 2016	3.59	0.3143	55	-
			145	145
Proposed final dividend for the year ended 31 December 2016	5.82	0.5029	90	

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. If so approved, it will be paid on 9 June 2017 to shareholders who are on the register on 28 April 2017. The Danish kroner exchange rate shown above for that dividend is that at 7 March 2017.

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

	2016 £m	2015 £m
(a) From continuing and discontinued operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	198	8
Weighted average number of ordinary shares (m)	1,546	1,545
Earnings per share from continuing and discontinued operations (pence)		
Basic and diluted	12.8p	0.5p
(b) From continuing operations		
Earnings		
Profit for the year attributable to equity shareholders of the parent	198	8
Adjustment to exclude loss for the year from discontinued operations (net of tax)	3	2
Profit from continuing operations	201	10
Earnings per share from continuing operations (pence)		
Basic and diluted	13.0p	0.6p
(c) From discontinued operations		
Loss for the year from discontinued operations (net of tax)	(3)	(2)
Loss per share from discontinued operations (pence)		
Basic and diluted	(0.2)p	(0.1)p

15) Disposal groups classified as held for sale

As at 31 December 2016, disposal groups classified as held for sale include the assets and liabilities associated with a number of Group-wide operations. The more material of these operations include the Group's business in Israel, its Youth Service business in North America and the Children's Services business in the UK.

At 31 December 2015, disposal groups held for sale included the assets and liabilities associated with certain operations in the Group's Asia Pacific, Middle East & India, Europe and Latin America regions.

Notes to the preliminary results announcement (continued)

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

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

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

The consolidated statement of financial position as at 31 December 2015 has been re-presented in respect of such "funds within cash processing operations", as follows:

Funds within cash processing operations	2016	2015
	£m	£m
Stocks of money, included within cash and cash equivalents	95	94
Overdraft facilities related to cash processing operations, included within bank overdrafts	(22)	(25)
Liabilities to customers in respect of cash processing operations, included within trade and other payables	(83)	(77)
Receivables from customers in respect of cash processing operations, included within trade and other receivables	10	8
Funds within cash processing operations (net)	-	-

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

A reconciliation of cash, cash equivalents and bank overdrafts at the end of the year per the consolidated statement of financial position to the corresponding balances included within the consolidated statement of cash flow is as follows:

	2016	2015
	£m	£m
Cash and cash equivalents in the consolidated statement of financial position	851	593
Bank overdrafts in the consolidated statement of financial position	(93)	(122)
Cash, cash equivalents and bank overdrafts included within disposal groups classified as held for sale	7	5
	765	476
Add:		
Liabilities to customers in respect of cash processing operations, included within trade and other payables	(83)	(77)
Receivables from customers in respect of cash processing operations, included within trade and other receivables	10	8
Cash, cash equivalents and bank overdrafts at the end of the year in the consolidated statement of cash flows	692	407

17) Retirement benefit obligations

The Group's main defined benefit scheme is in the UK which accounts for over 73% (2015: 68%) of the total defined benefit schemes operated by the Group and the majority of the scheme was closed to future accrual in 2011. The Group's total IAS 19 Revised (2011) Employee Benefits net pension deficit at 31 December 2016 recognised in the consolidated statement of financial position was £437m (2015: £279m), or £368m (2015: £234m) net of applicable tax in the relevant jurisdictions. The Group has made additional pension contributions of £39m (2015: £44m) in respect of the deficit in the UK schemes during the year. The increase in the defined benefit pension deficit is predominantly due to the significant decrease in the discount rate used for valuation purposes from 3.8% to 2.5%, which was only partially offset by an improvement in asset values.

Following strong investment performance in the G4S pension scheme at the end of the latest triennial valuation process, the trustees of G4S's UK pension schemes agreed during the year a reduced annual pension deficit payment of £39m in 2016, with a 3% per annum increase until the next funding valuation due in 2018.

Notes to the preliminary results announcement (continued)

18) Provisions and contingent liabilities

	Employee benefits £m	Restructuring £m	Claims £m	Onerous customer contracts £m	Property and other* £m	Total £m
At 1 January 2016	19	14	100	83	26	242
Additional provisions in the year	5	14	28	6	27	80
Utilisation of provision	(3)	(20)	(35)	(16)	(14)	(88)
Transfers and reclassifications	(2)	(4)	(6)	(5)	25	8
Unused amounts reversed	(1)	(1)	(1)	-	(5)	(8)
Exchange difference	2	2	14	1	1	20
Transferred to held for sale	(1)	-	(4)	-	(1)	(6)
At 31 December 2016	19	5	96	69	59	248
Included in current liabilities						116
Included in non-current liabilities						132
						248

*Property and other includes £16m (2015: £12m) of onerous property lease provisions.

On 8 December 2016 the company announced a two-year extension to August 2019 of the UK asylum accommodation contract ("Compass"). Additional net onerous contract provision of £4m, primarily in respect of the Compass contract, were recognised as specific items in the year together with £2m in respect of the closure of a systems business in Latin America (included within net profit on disposal/closure of subsidiaries).

The Group is involved in disputes in a number of countries, mainly related to activities incidental to its operations. Currently there are a number of such disputes open in relation to the application of local labour law, commercial agreements with customers and subcontractors and claims and compliance matters, in some cases in the course of litigation. Where, based on the advice of legal counsel, the Group estimates that it is probable that the dispute will result in an outflow of economic resources, provision is made based on the best estimate of the likely financial outcome. Where a reliable estimate cannot be made, or where the Group, based on the advice of legal counsel, considers that it is not probable that there will be an outflow of economic resources, no provision is recognised.

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

Judgment is required in quantifying the Group's provisions, especially in connection with claims and onerous customer contracts, which are based on a number of assumptions and estimates where the ultimate outcome may be different to the amount provided. Each of these provisions reflects the Group's best estimate of the probable exposure at 31 December 2016 and this assessment has been made having considered the sensitivity of each provision to reasonably possible changes in key assumptions. The Group is satisfied that it is unlikely that changes in these key assumptions will have a material impact on the Group's overall provisioning position in the next 12 months.

Notes to the preliminary results announcement (continued)

19) Analysis of net debt

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

	2016 £m	2015 £m
Cash and cash equivalents	851	593
Receivables from customers in respect of cash processing operations ^a	10	8
Net cash and overdrafts included within assets held for sale	7	5
Bank overdrafts	(93)	(122)
Liabilities to customers in respect of cash processing operations ^b	(83)	(77)
Total Group cash, cash equivalents and bank overdrafts	692	407
Investments	44	49
Net debt (excluding cash and overdrafts) included within assets held for sale	6	(6)
Bank loans	(20)	(399)
Loan notes	(2,392)	(1,774)
Obligations under finance leases	(57)	(64)
Fair value of loan note derivative financial instruments	57	5
Total net debt	(1,670)	(1,782)

^a Included within trade and other receivables

^b Included within trade and other payables

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

	2016 £m	2015 £m
Operating profit	402	183
Adjustments for non-cash and other items:		
Goodwill impairment	9	66
Amortisation of acquisition-related intangible assets	32	40
Net profit on disposal/closure of subsidiaries	(7)	(12)
Depreciation of property, plant and equipment	106	110
Amortisation of other intangible assets	25	25
Loss on disposal of fixed assets	-	2
Share of profit from joint ventures	(9)	(10)
Equity-settled transactions	10	7
(Decrease)/increase in provisions	(1)	66
Pension curtailment gain	-	(5)
Additional pension contributions	(39)	(44)
Operating cash flow before movements in working capital	528	428
Increase in inventory	(5)	(1)
Increase in accounts receivable	(9)	(49)
Increase/(decrease) in accounts payable	101	(19)
Net cash flow from operating activities of continuing operations	615	359

Notes to the preliminary results announcement (continued)

21) Fair value of financial instruments

The carrying amounts, fair value and fair value hierarchy relating to those financial instruments, including those that have been recorded at amortised cost, where the carrying amount differs from fair value, based on expectations at the reporting date, are shown below:

			2016	2016	2015	2015
	Category	Level	Carrying amount	Fair value	Carrying amount	Fair value
			£m	£m	£m	£m
Financial assets						
Investments	FVTPL	1	44	44	49	49
Interest rate swaps	FVH	2	27	27	40	40
Foreign exchange forwards	FVTPL	2	1	1	-	-
Cross currency swaps	CFH	2	48	48	9	9
Financial liabilities						
Loan notes	FVH	2	(740)	(779)	(691)	(733)
Interest rate swaps	CFH	2	(1)	(1)	(1)	(1)
Foreign exchange forwards	CFH/NIH	2	(1)	(1)		
Commodity swaps	CFH	2	-	-	(3)	(3)
Cross currency swaps	CFH	2	(17)	(17)	(45)	(45)
Loan notes*	AC	2	(1,652)	(1,699)	(1,083)	(1,144)

*Of the loan note liabilities shown, £44m of July 2008, €90m (£77m) of May 2012 loan notes and €120m (£103m) of December 2012 loan notes are designated in fair value hedge relationships.

Category key:

FVTPL	Fair value through profit or loss
CFH	Cash flow hedge
NIH	Net investment hedge
FVH	Fair value hedge
AC	Amortised cost

Non-GAAP Measures

A) Reconciliation of operating profit to movements in net debt

The definition of cash flow from continuing operations, as presented below, has been changed to include the Group's pension deficit repair payments, which were previously added back and treated as other uses of funds, in order to more closely align the reconciliation with the consolidated statement of cash flows contained within the statutory accounts.

	2016 £m	2015 £m
Operating profit	402	183
Adjustments for non-cash and other items (see note 20)	126	245
Net working capital movement (see note 20)	87	(69)
Net cash flow from operating activities of continuing operations (page 26)	615	359
Adjustments for:		
Restructuring spend	18	46
Cash flow from continuing operations	633	405
<i>Analysed between:</i>		
<i>Continuing businesses</i>	<i>638</i>	<i>395</i>
<i>Portfolio businesses</i>	<i>11</i>	<i>28</i>
<i>Onerous contracts</i>	<i>(16)</i>	<i>(18)</i>
Investment in the business		
Purchase of fixed assets, net of disposals	(107)	(104)
Restructuring investment	(18)	(46)
Disposal proceeds	82	14
Acquisition of businesses	(1)	(17)
Net debt in disposed/acquired entities	(15)	(3)
New finance leases	(7)	(27)
Net investment in the business	(66)	(183)
Net cash flow after investing in the business	567	222
Other (uses)/sources of funds		
Net interest paid	(96)	(91)
Tax paid	(84)	(102)
Dividends paid	(162)	(174)
Cash (used by)/from discontinued operations	(9)	26
Other	6	12
Other net uses of funds	(345)	(329)
Net cash flow after investment, financing, tax, dividends and pensions	222	(107)
Net debt at the beginning of the year	(1,782)	(1,639)
Effect of foreign exchange rate fluctuations	(110)	(36)
Net debt at the end of the year	(1,670)	(1,782)

B) Reconciliation of changes in cash and cash equivalents to movement in net debt

	2016 £m	2015 £m
Net increase in cash, cash equivalents and bank overdrafts (page 16)	198	27
Adjustments for items included in cash flow excluded from net debt:		
(Sale)/purchase of investments	(7)	1
Net decrease/(increase) in borrowings	11	(139)
Repayment of finance leases	22	31
Items included in net debt but excluded from cash flow:		
Net debt of disposed entities	5	-
New finance leases	(7)	(27)
Net decrease/(increase) in net debt	222	(107)

C) Group net debt to EBITDA ratio

The basis of calculation of net debt to EBITDA has been changed compared to that used in prior periods, in order to better align with the statutory accounts. EBITDA can now be derived from the Consolidated Income Statement, after adjustment to exclude depreciation and the amortisation of non-acquisition related intangible assets, and the EBITDA of businesses sold during the year.

	2016 £m	2015 £m
Profit before interest, tax and amortisation (PBITA - page 12)	461	391
Add back:		
Depreciation	106	110
Amortisation of non-acquisition related intangible assets	25	25
EBITDA	592	526
Exclude EBITDA relating to businesses sold in the year	(5)	(2)
EBITDA excluding businesses sold in the year	587	524
Net debt per note 19 (page 26)	1,670	1,782
Group's definition of Net debt:EBITDA ratio	2.8	3.4

D) Reconciliation between results from continuing businesses and statutory results

Year ended 31 December 2016 (at 2016 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses	Restructuring	Acquisition-related amortisation and other ^d	Statutory
Revenue	6,823	181	586			7,590
PBITA	454	-	7			461
Profit before tax	352	-	3		(59)	296
Profit after tax	268	-	1		(49)	220
Earnings	246	-	-	(10)	(38)	198
Operating cash flow ^c	638	(16)	11	(18)		615

Year ended 31 December 2015 (at 2016 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses	Restructuring	Acquisition-related amortisation and other ^d	Adjusted statutory ^b
Revenue	6,419	196	760			7,375
PBITA	414	1	8			423
Profit before tax	309	1	4		(219)	95
Profit after tax	235	(1)	(4)		(188)	42
Earnings	211	(1)	(4)	(38)	(149)	19
Operating cash flow ^{a,c}	395	(18)	28	(46)		359

Year ended 31 December 2015 (at 2015 average exchange rates)

£m	Continuing businesses	Onerous contracts	Portfolio businesses	Restructuring	Acquisition-related amortisation and other ^d	Statutory
Revenue	5,958	189	716			6,863
PBITA	382	1	8			391
Profit before tax	280	1	5		(208)	78
Profit after tax	213	1	(2)		(184)	28
Earnings	191	1	(1)	(35)	(148)	8
Operating cash flow ^{a,c}	395	(18)	28	(46)		359

^a Operating cash flow for the year ended 31 December 2015 is presented at 2015 actual exchange rates.

^b The 'adjusted statutory' figures represent the comparative 2015 statutory amounts had they been translated at 2016 average rates (other than for operating cash flow) but should not be considered as or used in place of the Group's statutory results.

^c Operating cash flow is stated after pension deficit contributions of £39m (2015: £44m).

^d Other includes goodwill impairment, net specific items, net profit on disposal/closure of subsidiaries, the results of discontinued operations and the associated tax impacts, see page 9.

E) Reconciliation of previously reported underlying results to re-presented results from continuing businesses^(a)

The table below reconciles underlying revenue and PBITA as reported previously to the re-presented prior year revenue and PBITA from continuing businesses.

For the year ended 31 December 2015	Underlying as previously reported	Onerous contracts	Businesses re-classified to portfolio ^(b)	Businesses re-classified from portfolio ^(c)	Continuing businesses at 2015 exchange rates	Exchange rate movements	Continuing businesses at 2016 exchange rates
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Africa	391	-	(10)	12	393	2	395
Asia Pacific	610	(6)	(20)	20	604	62	666
Latin America	549	-	(2)	22	569	10	579
Middle East & India	716	-	(6)	6	716	77	793
Emerging markets	2,266	(6)	(38)	60	2,282	151	2,433
Europe	1,159	(48)	(133)	66	1,044	126	1,170
North America	1,518	-	(75)	-	1,443	173	1,616
UK & Ireland	1,490	(135)	(166)	-	1,189	11	1,200
Developed markets	4,167	(183)	(374)	66	3,676	310	3,986
Total revenue	6,433	(189)	(412)	126	5,958	461	6,419
PBITA							
Africa	40	-	-	-	40	-	40
Asia Pacific	45	-	(1)	-	44	5	49
Latin America	29	-	(1)	(5)	23	-	23
Middle East & India	76	-	(1)	1	76	9	85
Emerging markets	190	-	(3)	(4)	183	14	197
Europe	77	(1)	(11)	(1)	64	8	72
North America	94	-	(6)	-	88	10	98
UK & Ireland	116	-	(19)	-	97	-	97
Developed markets	287	(1)	(36)	(1)	249	18	267
Total PBITA before corporate costs	477	(1)	(39)	(5)	432	32	464
Corporate costs	(50)	-	-	-	(50)	-	(50)
Total PBITA	427	(1)	(39)	(5)	382	32	414
Earnings	227	(1)	(27)	(8)	191	20	211
Operating cash flow^d	416	18	(41)	2	395	-	395

^{a)} See basis of preparation on page 4.

^{b)} During 2016 we determined that we would exit a further 10 of our businesses, including G4S Israel, UK Utility Services, US Youth Services and UK Children's Services. We have therefore reported the results of these businesses in portfolio businesses in 2016 and have restated the 2015 results accordingly.

^{c)} During 2016, for 14 of the businesses previously reported as portfolio businesses, management focus and changing market conditions have resulted in improved performance and we have formally concluded that we will retain these businesses. We have therefore reported the results of these businesses in continuing businesses in 2016 and have restated the 2015 results accordingly.

^{d)} Operating cash flow is stated after pension deficit contributions of £44m and is shown at actual 2015 exchange rates.

